



IGM FINANCIAL  
FIRST QUARTER  
REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2019

2019

IGM FINANCIAL INC. FIRST QUARTER REPORT 2019



IGM  
Financial™



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## FINANCIAL HIGHLIGHTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31  
(unaudited)

	2019	2018	CHANGE
<b>Net earnings available to common shareholders</b> (\$ millions)	\$ 167.5	\$ 185.5	(9.7) %
<b>Diluted earnings per share</b>	0.70	0.77	(9.1)
<b>Return on equity</b>	15.2 %	17.5 %	
<b>Dividends per share</b>	0.5625	0.5625	–
<b>Total assets under management<sup>(1)</sup></b> (\$ millions)	\$ 160,467	\$ 155,758	3.0 %
<b>Investment funds assets under management<sup>(2)</sup></b>	154,335	149,203	3.4
<b>IG Wealth Management</b>			
<b>Investment funds<sup>(3)</sup></b>	89,411	87,103	2.6
<b>Mackenzie</b>			
Mutual funds	57,694	55,586	
ETFs	3,330	2,004	
Inter-product eliminations	(898)	(596)	
Investment funds <sup>(2)</sup>	60,126	56,994	
Sub-advisory, institutional and other accounts	7,650	8,167	
<b>Total</b>	67,776	65,161	4.0
<b>Investment Planning Counsel</b>			
<b>Investment funds<sup>(3)</sup></b>	5,426	5,452	(0.5)

Net Sales (\$ millions)	FOR THE THREE MONTHS ENDED MARCH 31, 2019				TOTAL <sup>(1)</sup>
	IG WEALTH MANAGEMENT	MACKENZIE	INVESTMENT PLANNING COUNSEL	INTERCOMPANY ELIMINATIONS	
Mutual funds <sup>(3)</sup>	\$ (14)	\$ 148	\$ (16)	\$ –	\$ 118
ETFs	–	228	–	–	228
Inter-product eliminations	–	–	–	(86)	(86)
<b>Investment funds<sup>(2)</sup></b>	<b>(14)</b>	<b>376</b>	<b>(16)</b>	<b>(86)</b>	<b>260</b>
Sub-advisory, institutional and other accounts	–	(103)	–	(4)	(107)
<b>Total</b>	<b>(14)</b>	<b>273</b>	<b>(16)</b>	<b>(90)</b>	<b>153</b>

(1) Total assets under management (AUM) and net sales eliminate double counting related to Mackenzie advisory mandates to other segments. AUM elimination was \$2.1 billion at March 31, 2019 (2018 - \$2.0 billion) and net sales elimination was \$90 million for the quarter.

(2) Investment funds consists of mutual funds and ETFs. Investment fund AUM and net sales eliminate double counting related to Mackenzie mutual fund investments in ETFs. AUM elimination was \$898 million at March 31, 2019 (2018 - \$596 million).

(3) Includes separately managed accounts.

## REPORT TO SHAREHOLDERS

### HIGHLIGHTS

- Net earnings of \$167.5 million or 70 cents per share compared to \$185.5 million or 77 cents per share in the first quarter 2018.
- A quarterly common share dividend of \$0.5625 per share was declared in the first quarter of 2019, maintained from the prior quarter.
- Record high quarter end assets under management at March 31, 2019 were \$160.5 billion, an increase of 7.6% in the quarter and 3.0% from the prior year driven by favourable investment returns.
- Investment fund net sales were \$260 million for the first quarter.

### FINANCIAL RESULTS

Net earnings available to common shareholders for the three months ended March 31, 2019 were \$167.5 million or 70 cents per share compared to \$185.5 million or 77 cents per share for the comparative period in 2018.

### IG WEALTH MANAGEMENT

**Investment fund sales** – Investment fund sales for the first quarter of 2019 were \$2.4 billion, down 17.8% from \$2.9 billion in 2018.

**Investment fund net sales** – Investment fund net redemptions for the first quarter were \$14 million compared to net sales of \$784 million a year ago.

**Asset retention** – The annualized quarterly redemption rate for long-term funds was 10.4% in the first quarter of 2019, up from 9.7% in the fourth quarter of 2018.

**Assets under management at an all-time quarter end high** – Investment fund assets under management at March 31, 2019 were \$89.4 billion, an increase from \$83.1 billion at December 31, 2018 and from \$87.1 billion at March 31, 2018.

## MACKENZIE INVESTMENTS

**Mutual fund sales** – Mutual fund sales for the first quarter were \$2.5 billion compared to \$2.6 billion in 2018. Mutual fund net sales for the first quarter were \$148 million compared to net sales of \$286 million in 2018.

**Investment fund net sales** – Net sales for the first quarter were \$376 million compared to net sales of \$768 million a year ago.

**ETF business** – ETF net creations were \$228 million in the first quarter and assets under management totalled \$3.3 billion at March 31, 2019, up from \$2.9 billion at December 31, 2018 and \$2.0 billion at March 31, 2018.

**Investment fund assets under management at an all-time high** – Mutual fund assets under management were \$57.7 billion and ETF assets were \$3.3 billion at March 31, 2019, resulting in consolidated investment fund assets under management of \$60.1 billion compared to \$55.5 billion at December 31, 2018 and \$57.0 billion a year ago. Mackenzie's total assets under management at March 31, 2019 were \$67.8 billion an increase from \$62.7 billion at December 31, 2018 and from \$65.2 billion at March 31, 2018.

## INVESTMENT PLANNING COUNSEL OPERATIONS

Assets under administration were \$27.1 billion as at March 31, 2019 compared to \$27.4 billion at March 31, 2018. Investment Planning Counsel's assets under management at March 31, 2019 were \$5.4 billion compared to \$5.5 billion at March 31, 2018.

Investment fund sales for the first quarter of 2019 were \$219 million compared to \$260 million in 2018 and investment fund net redemptions were \$16 million compared to net sales of \$48 million a year ago.

## DIVIDENDS

The Board of Directors has declared a dividend of 56.25 cents per share on the Company's common shares which is payable on July 31, 2019 to shareholders of record on June 28, 2019.

On behalf of the Board of Directors,



Jeffrey R. Carney  
*President and Chief Executive Officer*  
IGM Financial Inc.

May 3, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three months ended March 31, 2019 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2018 IGM Financial Inc. Annual Report filed on [www.sedar.com](http://www.sedar.com). Commentary in the MD&A as at and for the three months ended March 31, 2019 is as of May 3, 2019.

## BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

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

### FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

"Earnings before interest and taxes" (EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, EBITDA before sales commissions and EBITDA after sales commissions are alternative measures

of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. The two EBITDA measures have been introduced following the adoption of IFRS 15. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before income taxes" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

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

## IGM FINANCIAL INC.

### SUMMARY OF CONSOLIDATED OPERATING RESULTS

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company. The Company's principal businesses are Investors Group Inc. and Mackenzie Financial Corporation, each operating distinctly primarily within the advice segment of the financial services market.

Total assets under management, which were at the highest quarter end level in the history of the Company, were \$160.5 billion at March 31, 2019 compared with \$155.8 billion at March 31, 2018 and \$149.1 billion at December 31, 2018. Average total assets under management for the first quarter of 2019 were \$155.9 billion compared to \$156.8 billion in the first quarter of 2018.

Investment fund assets under management, also at the highest quarter-end level, were \$154.3 billion at March 31, 2019 compared with \$149.2 billion at March 31, 2018 and \$143.3 billion at December 31, 2018. Average investment fund assets under management for the first quarter of 2019 were \$149.9 billion compared to \$150.1 billion in the first quarter of 2018.

The increase in assets under management was primarily due to increases in the level of financial markets.

Net earnings available to common shareholders for the three months ended March 31, 2019 were \$167.5 million or 70 cents per share compared with net earnings available to common shareholders of \$185.5 million or 77 cents per share for the comparative period in 2018.

Shareholders' equity was \$4.5 billion as at March 31, 2019, compared to \$4.6 billion at December 31, 2018. Return on average common equity for the three months ended March 31, 2019 was 15.2% compared with 17.5% for the comparative period in 2018. The quarterly dividend per common share declared in the first quarter of 2019 was 56.25 cents, unchanged from the fourth quarter of 2018.

#### CAPITAL MANAGEMENT ACTIVITIES

IGM Financial initiated a number of capital and liquidity transactions in the first quarter of 2019, including:

- The issuance of \$250.0 million 4.206% debentures maturing on March 21, 2050.
- Part of the proceeds from the issuance of the \$250.0 million debentures was used to fund the redemption of the \$150.0 million issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series B on April 30, 2019.
- The Company commenced a normal course issuer bid on March 26, 2019 to purchase up to 4 million of its common shares to provide the flexibility to manage its capital position

while generating value for shareholders. 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.

In April 2019, the Company participated on a proportionate basis in the Great-West Lifeco (Lifeco) substantial issuer bid by selling 2,400,255 of its shares for proceeds of \$80.4 million. The Company's 4% interest in Lifeco remains substantially unchanged.

#### PERSONAL CAPITAL

In January 2019, the Company made an additional investment in Personal Capital Corporation (Personal Capital) of \$66.8 million which increased its voting interest to 22.7% resulting in the reclassification of \$217.0 million on the Consolidated Balance Sheet from Corporate investments to Investments in associates. As a result, the Company now uses the equity method of accounting for its 25.2% equity interest in Personal Capital.

#### ADOPTION OF IFRS 16 LEASES

On January 1, 2019, the Company adopted IFRS 16, *Leases*, which resulted in recognition of a right-of-use asset related to the Company's property leases and a corresponding lease obligation. Previously, the Company expensed total lease payments in non-commission expense. Under IFRS 16, lease related expenses are recognized as amortization in non-commission expense and interest in interest expense (Note 2 to the Interim Financial Statements).

The adoption of IFRS 16 results in a change to timing of non-commission expenses but has no effect on cash flows of the Company.

Non-commission expense in the first quarter of 2019 was \$0.9 million lower and interest expense was \$1.1 million higher as a result of the adoption of IFRS 16. If IFRS 16 had been applied retrospectively, non-commission expense in the first quarter of 2018 would have been \$0.1 million lower and interest expense \$1.0 million higher.

IFRS 16 impacts EBITDA as the expenses are now categorized as amortization and interest expenses, which are excluded from EBITDA. Previously, the cash payments were expensed and included within EBITDA.



TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

THREE MONTHS ENDED (\$ millions)	2019 MARCH 31		2018 DECEMBER 31		2018 MARCH 31	
	EARNINGS	EPS <sup>(1)</sup>	EARNINGS	EPS <sup>(1)</sup>	EARNINGS	EPS <sup>(1)</sup>
<b>Net earnings available to common shareholders – IFRS</b>	<b>\$ 167.5</b>	<b>\$ 0.70</b>	<b>\$ 179.9</b>	<b>\$ 0.75</b>	<b>\$ 185.5</b>	<b>\$ 0.77</b>
<b>EBITDA before sales commissions – Non-IFRS measure</b>	<b>\$ 295.9</b>		<b>\$ 296.8</b>		<b>\$ 333.2</b>	
Sales-based commissions paid	(43.7)		(41.2)		(62.3)	
<b>EBITDA after sales commissions – Non-IFRS measure</b>	<b>252.2</b>		<b>255.6</b>		<b>270.9</b>	
Sales-based commissions paid subject to amortization	12.6		13.2		16.3	
Amortization of capitalized sales commissions	(4.8)		(4.3)		(2.9)	
Amortization of capital assets and intangible assets and other <sup>(2)</sup>	(20.0)		(14.4)		(13.9)	
Interest expense <sup>(3)</sup>	(25.2)		(24.1)		(30.3)	
<b>Earnings before income taxes</b>	<b>214.8</b>		<b>226.0</b>		<b>240.1</b>	
Income taxes	(45.1)		(43.9)		(52.4)	
Perpetual preferred share dividends	(2.2)		(2.2)		(2.2)	
<b>Net earnings available to common shareholders – IFRS</b>	<b>\$ 167.5</b>		<b>\$ 179.9</b>		<b>\$ 185.5</b>	

(1) Diluted earnings per share

(2) Amortization expense includes amortization on capital assets and intangible assets and in 2019 also includes amortization on right-of-use assets of \$5.7 million as a result of the Company's adoption of IFRS 16, Leases.

(3) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of \$1.1 million as a result of the Company's adoption of IFRS 16, Leases.

In the first quarter of 2019, EBITDA before sales commissions increased by \$6.6 million to \$295.9 million as a result of IFRS 16. If IFRS 16 had been applied retroactively, EBITDA before sales commission for the first quarter of 2018, would have increased by \$5.4 million to \$338.6 million.

## REPORTABLE SEGMENTS

IGM Financial's reportable segments are:

- IG Wealth Management (IG Wealth Management or IG)
- Mackenzie Investments (Mackenzie Investments or Mackenzie)
- Corporate and Other

These segments, as shown in Tables 2 and 3 reflect the Company's internal financial reporting and performance measurement.

Certain items reflected in Tables 2 and 3 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt and, in 2019 also includes interest expense on leases of \$1.1 million as a result of the adoption of IFRS 16, Leases. The change in interest expense in the period also resulted from the impact of the following transactions:

- The redemption of \$150 million 6.58% debentures on March 7, 2018;
- The issuance of \$200 million 4.174% debentures on July 11, 2018;
- The early redemption of \$375 million 7.35% debentures on August 10, 2018, and;
- The issuance of \$250 million 4.206% debentures on March 20, 2019.

- *Income taxes* – changes in the effective tax rates are shown in Table 4.

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

- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2019 VS. Q1 2018

THREE MONTHS ENDED (\$ millions)	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		CORPORATE & OTHER		TOTAL	
	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31
<b>Revenues</b>								
Fee income	\$ 473.2	\$ 482.2	\$ 193.0	\$ 202.9	\$ 70.0	\$ 72.4	\$ 736.2	\$ 757.5
Net investment income and other	10.0	10.3	4.2	(0.2)	38.7	42.0	52.9	52.1
	<b>483.2</b>	<b>492.5</b>	<b>197.2</b>	<b>202.7</b>	<b>108.7</b>	<b>114.4</b>	<b>789.1</b>	<b>809.6</b>
<b>Expenses</b>								
Commission	157.0	164.8	72.5	75.3	45.2	46.0	274.7	286.1
Non-Commission <sup>(1)</sup>	162.9	144.7	88.8	85.8	22.7	22.6	274.4	253.1
	<b>319.9</b>	<b>309.5</b>	<b>161.3</b>	<b>161.1</b>	<b>67.9</b>	<b>68.6</b>	<b>549.1</b>	<b>539.2</b>
<b>Earnings before interest and taxes</b>	<b>\$ 163.3</b>	<b>\$ 183.0</b>	<b>\$ 35.9</b>	<b>\$ 41.6</b>	<b>\$ 40.8</b>	<b>\$ 45.8</b>	<b>240.0</b>	<b>270.4</b>
Interest expense <sup>(2)</sup>							25.2	30.3
Earnings before income taxes							214.8	240.1
Income taxes							45.1	52.4
<b>Net earnings</b>							<b>169.7</b>	<b>187.7</b>
Perpetual preferred share dividends							2.2	2.2
<b>Net earnings available to common shareholders</b>							<b>\$ 167.5</b>	<b>\$ 185.5</b>

(1) The Company's investment management functions reside at Mackenzie Investments and the cost of investment management activities is allocated proportionately between the segments.

(2) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of \$1.1 million as a result of the Company's adoption of IFRS 16, Leases.

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2019 VS. Q4 2018

THREE MONTHS ENDED (\$ millions)	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		CORPORATE & OTHER		TOTAL	
	2019 MAR. 31	2018 DEC. 31	2019 MAR. 31	2018 DEC. 31	2019 MAR. 31	2018 DEC. 31	2019 MAR. 31	2018 DEC. 31
<b>Revenues</b>								
Fee income	\$ 473.2	\$ 477.0	\$ 193.0	\$ 195.1	\$ 70.0	\$ 71.6	\$ 736.2	\$ 743.7
Net investment income and other	10.0	11.0	4.2	(3.1)	38.7	39.9	52.9	47.8
	<b>483.2</b>	<b>488.0</b>	<b>197.2</b>	<b>192.0</b>	<b>108.7</b>	<b>111.5</b>	<b>789.1</b>	<b>791.5</b>
<b>Expenses</b>								
Commission	157.0	156.3	72.5	69.7	45.2	46.4	274.7	272.4
Non-Commission <sup>(1)</sup>	162.9	159.6	88.8	86.9	22.7	22.5	274.4	269.0
	<b>319.9</b>	<b>315.9</b>	<b>161.3</b>	<b>156.6</b>	<b>67.9</b>	<b>68.9</b>	<b>549.1</b>	<b>541.4</b>
<b>Earnings before interest and taxes</b>	<b>\$ 163.3</b>	<b>\$ 172.1</b>	<b>\$ 35.9</b>	<b>\$ 35.4</b>	<b>\$ 40.8</b>	<b>\$ 42.6</b>	<b>240.0</b>	<b>250.1</b>
Interest expense <sup>(2)</sup>							25.2	24.1
Earnings before income taxes							214.8	226.0
Income taxes							45.1	43.9
<b>Net earnings</b>							<b>169.7</b>	<b>182.1</b>
Perpetual preferred share dividends							2.2	2.2
<b>Net earnings available to common shareholders</b>							<b>\$ 167.5</b>	<b>\$ 179.9</b>

(1) The Company's investment management functions reside at Mackenzie Investments and the cost of investment management activities is allocated proportionately between the segments.

(2) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases of \$1.1 million as a result of the Company's adoption of IFRS 16, Leases.

TABLE 4: EFFECTIVE INCOME TAX RATE

THREE MONTHS ENDED	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31
<b>Income taxes at Canadian federal and provincial statutory rates</b>	<b>26.79 %</b>	26.83 %	26.81 %
Effect of:			
Proportionate share of associates' earnings	(3.95)	(3.79)	(3.92)
Tax loss consolidation <sup>(1)</sup>	(1.55)	(1.56)	(1.41)
Other items	(0.32)	(2.07)	0.34
<b>Effective income tax rate – net earnings</b>	<b>20.97 %</b>	19.41 %	21.82 %

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

### SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were \$160.5 billion at March 31, 2019 compared to \$155.8 billion at March 31, 2018. Changes in total assets under management are detailed in Table 5.

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

### SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 6 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 6, largely reflect the impact of net sales of the Company and changes in domestic and foreign markets.

TABLE 5: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q1 2018

THREE MONTHS ENDED (\$ millions)	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		INVESTMENT PLANNING COUNSEL		INTERCOMPANY ELIMINATIONS <sup>(1)</sup>		CONSOLIDATED	
	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31	2019 MAR. 31	2018 MAR. 31
<b>Investment funds</b>										
<b>Mutual funds<sup>(2)</sup></b>										
Gross sales	\$ 2,350	\$ 2,859	\$ 2,505	\$ 2,630	\$ 219	\$ 260	\$ –	\$ –	\$ 5,074	\$ 5,749
Net sales	(14)	784	148	286	(16)	48	–	–	118	1,118
<b>ETFs</b>										
Net creations			228	715			–	–	228	715
Inter-product eliminations <sup>(1)</sup>			–	(233)			(86)	(241)	(86)	(474)
<b>Total investment fund net sales</b>	<b>(14)</b>	<b>784</b>	<b>376</b>	<b>768</b>	<b>(16)</b>	<b>48</b>	<b>(86)</b>	<b>(241)</b>	<b>260</b>	<b>1,359</b>
<b>Sub-advisory, institutional and other accounts</b>										
Net sales			(103)	229			(4)	(231)	(107)	(2)
<b>Combined net sales</b>	<b>\$ (14)</b>	<b>\$ 784</b>	<b>\$ 273</b>	<b>\$ 997</b>	<b>\$ (16)</b>	<b>\$ 48</b>	<b>\$ (90)</b>	<b>\$ (472)</b>	<b>\$ 153</b>	<b>\$ 1,357</b>
<b>Change in total assets under management</b>										
Net sales	\$ (14)	\$ 784	\$ 273	\$ 997	\$ (16)	\$ 48	\$ (90)	\$ (472)	\$ 153	\$ 1,357
Investment returns	6,288	(1,689)	4,775	(345)	317	27	(132)	(105)	11,248	(2,112)
Net change in assets	6,274	(905)	5,048	652	301	75	(222)	(577)	11,401	(755)
Beginning assets	83,137	88,008	62,728	64,509	5,125	5,377	(1,924)	(1,381)	149,066	156,513
<b>Ending assets</b>	<b>\$ 89,411</b>	<b>\$ 87,103</b>	<b>\$ 67,776</b>	<b>\$ 65,161</b>	<b>\$ 5,426</b>	<b>\$ 5,452</b>	<b>\$ (2,146)</b>	<b>\$ (1,958)</b>	<b>\$ 160,467</b>	<b>\$ 155,758</b>
<b>Total assets under management consists of:</b>										
<b>Investment funds</b>										
Mutual funds <sup>(2)</sup>	\$ 89,411	\$ 87,103	\$ 57,694	\$ 55,586	\$ 5,426	\$ 5,452	\$ –	\$ –	\$ 152,531	\$ 148,141
ETFs			3,330	2,004			–	–	3,330	2,004
Inter-product eliminations <sup>(1)</sup>			(898)	(596)			(628)	(346)	(1,526)	(942)
<b>Total investment funds</b>	<b>89,411</b>	<b>87,103</b>	<b>60,126</b>	<b>56,994</b>	<b>5,426</b>	<b>5,452</b>	<b>(628)</b>	<b>(346)</b>	<b>154,335</b>	<b>149,203</b>
<b>Sub-advisory, institutional and other accounts</b>										
			7,650	8,167			(1,518)	(1,612)	6,132	6,555
<b>Ending assets</b>	<b>\$ 89,411</b>	<b>\$ 87,103</b>	<b>\$ 67,776</b>	<b>\$ 65,161</b>	<b>\$ 5,426</b>	<b>\$ 5,452</b>	<b>\$ (2,146)</b>	<b>\$ (1,958)</b>	<b>\$ 160,467</b>	<b>\$ 155,758</b>

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

– Included with Mackenzie's results were advisory mandates to other segments with assets of \$2.1 billion at March 31, 2019 (2018 – \$2.0 billion) and net sales of \$90 million for the first quarter of 2019 (2018 – \$472 million).

– Included in ETFs are mutual fund investments in ETFs totalling \$898 million at March 31, 2019 (2018 – \$596 million) and with no net sales in the three months ending March 31, 2019 (2018 – \$233 million).

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

TABLE 6: SUMMARY OF QUARTERLY RESULTS

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
<b>Consolidated statements of earnings</b> (\$ millions)								
Revenues								
Management fees	\$ 545.2	\$ 546.0	\$ 573.8	\$ 562.8	\$ 556.6	\$ 564.4	\$ 541.9	\$ 547.0
Administration fees	101.7	103.3	109.1	107.1	107.6	110.4	109.1	111.2
Distribution fees	89.3	94.4	93.3	89.9	93.3	95.2	89.8	94.8
Net investment income and other	52.9	47.8	55.8	56.2	52.1	36.7	32.5	50.3
	<b>789.1</b>	791.5	832.0	816.0	809.6	806.7	773.3	803.3
Expenses								
Commission	274.7	272.4	270.1	270.1	286.1	288.1	276.0	284.4
Non-commission	274.4	269.0	245.9	252.7	253.1	240.3	238.8	246.5
Interest <sup>(1)</sup>	25.2	24.1	27.0	28.8	30.3	29.7	28.9	28.7
	<b>574.3</b>	565.5	543.0	551.6	569.5	558.1	543.7	559.6
Earnings before undernoted	214.8	226.0	289.0	264.4	240.1	248.6	229.6	243.7
Premium paid on early redemption of debentures	-	-	(10.7)	-	-	-	-	-
Restructuring and other	-	-	(22.7)	-	-	(172.3)	-	(23.0)
Pension plan	-	-	-	-	-	-	-	50.4
Proportionate share of associate's one-time charges	-	-	-	-	-	(14.0)	-	-
Proportionate share of associate's provision	-	-	-	-	-	-	-	(5.1)
Earnings before income taxes	214.8	226.0	255.6	264.4	240.1	62.3	229.6	266.0
Income taxes	45.1	43.9	55.2	58.5	52.4	9.5	54.0	63.0
Net earnings	169.7	182.1	200.4	205.9	187.7	52.8	175.6	203.0
Perpetual preferred share dividends	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Net earnings available to common shareholders	\$ 167.5	\$ 179.9	\$ 198.2	\$ 203.7	\$ 185.5	\$ 50.6	\$ 173.4	\$ 200.8
<b>Reconciliation of Non-IFRS financial measures</b> <sup>(2)</sup> (\$ millions)								
Adjusted net earnings available to common shareholders – non-IFRS measure	\$ 167.5	\$ 179.9	\$ 222.7	\$ 203.7	\$ 185.5	\$ 191.4	\$ 173.4	\$ 185.9
Other items:								
Premium paid on early redemption of debentures, net of tax	-	-	(7.8)	-	-	-	-	-
Restructuring and other, net of tax	-	-	(16.7)	-	-	(126.8)	-	(16.8)
Pension plan, net of tax	-	-	-	-	-	-	-	36.8
Proportionate share of associate's one-time charges	-	-	-	-	-	(14.0)	-	-
Proportionate share of associate's provision	-	-	-	-	-	-	-	(5.1)
Net earnings available to common shareholders – IFRS	\$ 167.5	\$ 179.9	\$ 198.2	\$ 203.7	\$ 185.5	\$ 50.6	\$ 173.4	\$ 200.8
<b>Earnings per Share</b> (c)								
Adjusted net earnings available to common shareholders <sup>(1)</sup>								
– Basic	70	75	92	85	77	80	72	77
– Diluted	70	75	92	85	77	79	72	77
Net earnings available to common shareholders								
– Basic	70	75	82	85	77	21	72	83
– Diluted	70	75	82	85	77	21	72	83
<b>Average daily investment fund assets</b> (\$ billions)	\$ 149.9	\$ 147.0	\$ 154.0	\$ 150.9	\$ 150.1	\$ 148.1	\$ 142.4	\$ 144.3
<b>Total investment fund assets under management</b> (\$ billions)	\$ 154.3	\$ 143.3	\$ 153.4	\$ 152.5	\$ 149.2	\$ 149.8	\$ 144.6	\$ 143.3
<b>Total assets under management</b> (\$ billions)	\$ 160.5	\$ 149.1	\$ 159.7	\$ 159.1	\$ 155.8	\$ 156.5	\$ 150.0	\$ 148.6

(1) Interest expense includes interest on long-term debt and in 2019 also includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A in addition to the Summary of Consolidated Operating Results section included in the MD&A of the 2018 IGM Financial Inc. Annual Report for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

# IG WEALTH MANAGEMENT

## REVIEW OF THE BUSINESS

### 2019 DEVELOPMENTS

#### CHANGES TO MUTUAL FUND PRODUCT OFFERING

IG Wealth Management continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds and other product changes that are well-suited to the long-term diverse needs of Canadian investors.

During 2019, IG Wealth Management has implemented changes to simplify its mutual fund offering with investment fund changes and mergers including:

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

#### FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

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

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

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

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

### IG WEALTH MANAGEMENT STRATEGY

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

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

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

- Gamma – the value of all efforts that sit outside of investment portfolio construction. This includes the value that a financial advisor adds to a client relationship, and comes from the creation and follow through of a well-constructed financial plan.
- Beta – the value created by well-constructed investment portfolios – achieving expected investment returns for the lowest possible risk.
- Alpha – the value of active management – achieving returns superior to passive benchmarks with a similar composition and risk profile.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.
- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- Enabled by a high-performing and diverse culture.

#### GAMMA

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

#### *Entrepreneurial Advisors*

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

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at March 31, 2019:

- 1,930 Consultant practices (2,114 at March 31, 2018), which reflect Consultants with more than four years of IG Wealth Management experience. These practices may include Associates as described below. The level of Consultant practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.
- 676 New Consultants (887 at March 31, 2018), which are those Consultants with less than four years of IG Wealth Management experience.
- 1,036 Associates and Regional Directors (1,080 at March 31, 2018). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,642 (4,081 at March 31, 2018).

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

### **Superior Advice**

IG Wealth Management requires all Consultants with more than four years of experience to have or be enrolled to achieve the Certified Financial Planner (CFP) or its Quebec equivalent, Financial Planner (F.Pl.) designations. The CFP and F.Pl. designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards. The Financial Planning Standards Council published in 2018 that IG Wealth Management ranks first in terms of the number of CFP designation holders.

IG Wealth Management also supports Consultants and clients through its network of product and planning specialists who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists provide support in ensuring that we are offering the very best in financial planning and providing plans that are comprehensive across all elements of a client's financial life. Our specialist complement also includes wealth planning specialists who are IIROC-licensed and ensure that the same level of comprehensive advice on direct securities is available to clients who are served by both our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants. Clients of our MFDA and IIROC licensed Consultants have access to the same product and service offering.

### **Segmented Client Experiences**

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

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

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

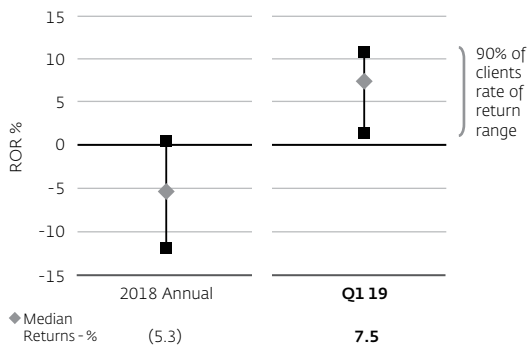
IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

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

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

Communication with our clients includes regular reporting of their IG Wealth Management investment fund holdings and the change in asset values of these holdings. Individual clients

### Client Account Rate of Return (ROR) Experience



experience different returns as a result of having different composition of their portfolios in each quarter as illustrated on the accompanying charts. The first chart reflects in-quarter client account median rates of return for the current year. The second chart reflects the client account median rates of return based on one, three and five year timeframes as at March 31, 2019. Both charts also illustrate upper and lower ranges of rates of return around the median for 90% of IG Wealth Management client accounts.

For the three month period ended March 31, 2019, the client account median rate of return was approximately 7.5%.

#### Business Processes

Administrative support for Consultants and clients includes timely and accurate client account record-keeping and reporting, effective problem resolution support, and continuous improvements to servicing systems.

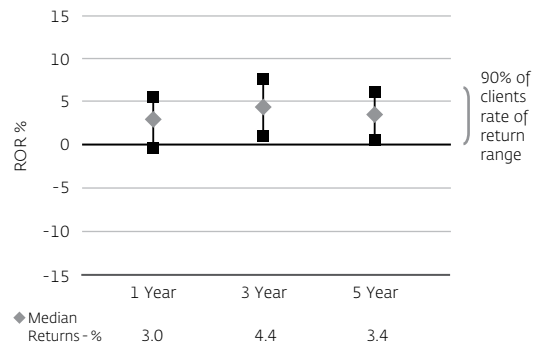
This administrative support is provided for Consultants and clients from both IG Wealth Management's head office in Winnipeg, Manitoba and IG Wealth Management's Quebec General Office located in Montreal for Consultants and clients residing in Quebec. The Quebec General Office has approximately 200 employees and operating units for most functions supporting approximately 800 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately \$16 billion as at March 31, 2019.

#### Enabled by a High-Performing and Diverse Culture

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

### Client Account Compound Annual ROR Experience

As at March 31, 2019



#### BETA AND ALPHA

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

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

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

#### New Products

IG Wealth Management continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds and other product changes that are well-suited to the long-term diverse needs of Canadian investors.

#### Powerful Financial Solutions

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

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

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

At March 31, 2019, 55.7% of IG Wealth Management mutual funds had a rating of three stars or better from the Morningstar<sup>†</sup> fund ranking service and 16.2% had a rating of four or five stars.



This compared to the Morningstar<sup>†</sup> universe of 68.8% for three stars or better and 35.0% for four and five star funds at March 31, 2019. 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.

## ASSETS UNDER MANAGEMENT

At March 31, 2019, IG Wealth Management's mutual fund assets under management were \$89.4 billion, an all-time quarter end high. The level of assets under management is influenced by three factors: sales, redemptions and investment returns of our funds. Changes in mutual fund assets under management for the periods under review are reflected in Table 7.

## HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, which represent a growing segment of our client base, and continues to look at ways to provide further offerings to this segment. Assets under management for clients in this category totalled \$45.4 billion at March 31, 2019, an increase of 10.3% from one year ago, and represented 51% of total assets under management. Sales to high net worth clients totalled \$1.1 billion for the first quarter of 2019 and represented 46% of total sales up from 42% in 2018.

- Series U is currently available for households with investments in IG Wealth Management funds in excess of \$500,000 and provides a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At March 31, 2019, Series U assets under management had increased to \$18.2 billion, compared to \$15.4 billion at March 31, 2018, an increase of 18.2%.

- Series J is available for households with investments in IG Wealth Management funds in excess of \$500,000 and had assets of \$16.4 billion at March 31, 2019, a decrease of 14.2% from \$19.2 billion at March 31, 2018, largely as a result of transfer activity from Series J to Series U. Series J pricing structure bundles the cost of asset management and advice into one fee.
- *iProfile*<sup>™</sup> – is a unique portfolio management program that is available for households with investments held at IG Wealth Management in excess of \$250,000. The *iProfile* program has a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At March 31, 2019, the *iProfile* program assets under management were \$10.8 billion, an increase of 63.0% from \$6.6 billion at March 31, 2018.

## Unbundled Fee Structures

A growing portion of IG Wealth Management's client assets are in Series U and *iProfile*, which are products with unbundled fee structures where a separate advisory fee is charged to the client account by the dealer. At March 31, 2019, \$29.0 billion, or 32% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 31.6% from \$22.0 billion at March 31, 2018 which represented 25% of assets under management. Sales of these products to high net worth clients totalled \$816 million for the first quarter of 2019, a decrease of \$34 million from the first quarter of 2018, representing 76% of total high net worth sales and 35% of total mutual fund sales.

In 2019, the Company will begin migrating all clients to unbundled fee products, which separate the advisory fee that is charged directly to a client's account from the fees charged

TABLE 7: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE	
				2018 DEC. 31	2018 MAR. 31
Sales	\$ 2,350	\$ 2,118	\$ 2,859	11.0 %	(17.8) %
Redemptions	2,364	2,243	2,075	5.4	13.9
<b>Net sales (redemptions)</b>	<b>(14)</b>	<b>(125)</b>	<b>784</b>	<b>88.8</b>	<b>N/M</b>
Investment returns	6,288	(5,730)	(1,689)	N/M	N/M
Net change in assets	6,274	(5,855)	(905)	N/M	N/M
Beginning assets	83,137	88,992	88,008	(6.6)	(5.5)
<b>Ending assets</b>	<b>\$ 89,411</b>	<b>\$ 83,137</b>	<b>\$ 87,103</b>	<b>7.5 %</b>	<b>2.6 %</b>
<b>Average daily assets</b>	<b>\$ 86,989</b>	<b>\$ 85,128</b>	<b>\$ 87,845</b>	<b>2.2 %</b>	<b>(1.0) %</b>

to the underlying investment funds. Following this transition, IG Wealth Management will discontinue offering bundled purchase options for investment funds.

#### **CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q1 2018**

IG Wealth Management's mutual fund assets under management were \$89.4 billion at March 31, 2019, representing an increase of 2.6% from \$87.1 billion at March 31, 2018. Average daily mutual fund assets were \$87.0 billion in the first quarter of 2019, down 1.0% from \$87.8 billion in the first quarter of 2018.

For the quarter ended March 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were \$2.4 billion, a decrease of 17.8% from the comparable period in 2018. Mutual fund redemptions totalled \$2.4 billion, an increase of 13.9% from 2018. IG Wealth Management mutual fund net redemptions for the first quarter of 2019 were \$14 million compared with net sales of \$784 million in 2018. During the first quarter, investment returns resulted in an increase of \$6.3 billion in mutual fund assets compared to a decrease of \$1.7 billion in the first quarter of 2018.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 10.4% in the first quarter of 2019, compared to 9.0% in the first quarter of 2018. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.5% at March 31, 2019, compared to 8.4% at March 31, 2018, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 17.1% at March 31, 2019.

#### **CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q4 2018**

IG Wealth Management's mutual fund assets under management were \$89.4 billion at March 31, 2019, an increase of 7.5% from \$83.1 billion at December 31, 2018. Average daily mutual fund assets were \$87.0 billion in the first quarter of 2019 compared to \$85.1 billion in the fourth quarter of 2018, an increase of 2.2%.

For the quarter ended March 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were \$2.4 billion, an increase of 11.0% from the fourth quarter of 2018. Mutual fund redemptions, which totalled \$2.4 billion for the first quarter, increased 5.4% from the previous quarter and the annualized quarterly redemption rate was 10.4% in the first quarter compared to 9.7% in the fourth quarter of 2018. IG Wealth Management mutual fund net redemptions were \$14 million for the current quarter compared to net redemptions of \$125 million in the previous quarter.

## **OTHER PRODUCTS AND SERVICES**

### **SEGREGATED FUNDS**

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At March 31, 2019, total segregated fund assets were \$1.7 billion, compared to \$1.8 billion at March 31, 2018.

### **INSURANCE**

IG Wealth Management distributes insurance products through I.G. Insurance Services Inc. The average number of policies sold by each insurance-licensed Consultant was 2.2 for the quarter ended March 31, 2019, unchanged from 2018. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

### **SECURITIES OPERATIONS**

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

### **MORTGAGE AND BANKING OPERATIONS**

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

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

Mortgage fundings offered through IG Wealth Management and through Solutions Banking<sup>†</sup> for the first quarter ended March 31, 2019 were \$203 million compared to \$195 million in 2018, an increase of 4.1%. At March 31, 2019, mortgages offered through both sources totalled \$10.6 billion, compared to \$10.7 billion at March 31, 2018, a decrease of 0.9%.

Available credit associated with Solutions Banking<sup>†</sup> All-in-One accounts originated for the quarter ended March 31, 2019 were \$135 million compared to \$199 million in 2018. At March 31, 2019, the balance outstanding of Solutions Banking<sup>†</sup> All-in-One products was \$2.6 billion, compared to \$2.3 billion one year ago, and represented approximately 51% 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 labeled

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 lending products of IG Wealth Management clients in the Solutions Banking<sup>†</sup> offering, including Solutions Banking<sup>†</sup> mortgages totalled \$4.2 billion at March 31, 2019, compared to \$3.6 billion at March 31, 2018.

#### **ADDITIONAL PRODUCTS AND SERVICES**

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

## **REVIEW OF SEGMENT OPERATING RESULTS**

IG Wealth Management's earnings before interest and taxes are presented in Table 8.

### **Q1 2019 VS. Q1 2018**

#### **FEE INCOME**

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

IG Wealth Management earns management fees for investment management services provided to its mutual funds, which depend largely on the level and composition of mutual fund assets under management. Management fees were \$358.2 million in the first quarter of 2019, a decrease of \$2.6 million or 0.7% from \$360.8 million in 2018. The net decrease in management fees in the first quarter of 2019 was primarily due to the decrease in average assets under management of 1.0%, as shown in Table 7. The average management fee rate for the first quarter was 167.1 basis points of average assets under management compared to 166.6 basis points in 2018.

IG Wealth Management receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds, which also depend largely on the level and composition of mutual fund assets under management. Administration fees totalled \$73.9 million in the current quarter compared to \$78.1 million a year ago, a decrease of 5.4%. This decrease resulted primarily from the movement of assets into unbundled products which are not charged certain administration fees and changes in the composition of average assets under management.

Distribution fees are earned from:

- Redemption fees on mutual funds that were sold with a deferred sales charge.
- Portfolio fund distribution fees.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking<sup>†</sup>.

Distribution fee income of \$41.1 million for the first quarter of 2019 decreased by \$2.2 million from \$43.3 million in 2018. The decrease was primarily due to a decrease in distribution fee income from insurance products and lower redemption fees. IG Wealth Management no longer offers the deferred sales purchase option for its mutual funds. Redemption fee income varies depending on the level of deferred sales charge attributable to fee-based redemptions.

#### **NET INVESTMENT INCOME AND OTHER**

Net investment income and other includes income related to mortgage banking operations and net interest income related to intermediary operations.

Net investment income and other was \$10.0 million in the first quarter of 2019, a decrease of \$0.3 million from \$10.3 million in 2018.

Net investment income related to IG Wealth Management's mortgage banking operations totalled \$7.3 million for the first quarter of 2019 compared to \$8.9 million in 2018, a decrease of \$1.6 million. A summary of mortgage banking operations for

TABLE 8: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE	
				2018 DEC. 31	2018 MAR. 31
<b>Revenues</b>					
Management fees	\$ 358.2	\$ 356.7	\$ 360.8	0.4 %	(0.7) %
Administration fees	73.9	75.2	78.1	(1.7)	(5.4)
Distribution fees	41.1	45.1	43.3	(8.9)	(5.1)
	473.2	477.0	482.2	(0.8)	(1.9)
Net investment income and other	10.0	11.0	10.3	(9.1)	(2.9)
	483.2	488.0	492.5	(1.0)	(1.9)
<b>Expenses</b>					
Commission					
Commission amortization	4.8	4.4	2.9	9.1	65.5
Mutual fund sales commissions expensed as incurred	23.4	22.2	35.9	5.4	(34.8)
Other commissions	29.6	30.4	30.4	(2.6)	(2.6)
	57.8	57.0	69.2	1.4	(16.5)
Asset-based compensation	99.2	99.3	95.6	(0.1)	3.8
Non-commission	162.9	159.6	144.7	2.1	12.6
	319.9	315.9	309.5	1.3	3.4
<b>Earnings before interest and taxes</b>	<b>\$ 163.3</b>	<b>\$ 172.1</b>	<b>\$ 183.0</b>	<b>(5.1) %</b>	<b>(10.8) %</b>

the quarter under review is presented in Table 9. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – decreased by \$1.9 million for the first quarter ended March 31, 2019 to \$8.5 million, compared to 2018. The decrease resulted from lower margins on securitized loans.
- Gains realized on the sale of residential mortgages – decreased by \$0.5 million for the three months ended March 31, 2019 to \$0.3 million, compared to 2018. The decrease in gains was primarily due to lower sales activity.

#### EXPENSES

IG Wealth Management incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. Commissions paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other commissions paid on investment product sales are expensed as incurred.

Commission expense was \$57.8 million for the first quarter of 2019, a decrease of \$11.4 million from \$69.2 million in 2018. The decrease in mutual fund commissions was due to lower mutual fund sales in the quarter and lower compensation related to the distribution of insurance products.

Asset-based compensation, which is based on the value of assets under management, increased by \$3.6 million for the first quarter ended March 31, 2019 to \$99.2 million, compared to 2018. The increase was primarily due to the increase in assets under management.

Non-commission expenses incurred by IG Wealth Management primarily relate to the support of the Consultant network, the administration, marketing and management of its mutual funds and other products, as well as sub-advisory fees related to mutual fund assets under management. Non-commission expenses were \$162.9 million for the first quarter of 2019 compared to \$144.7 million in 2018, an increase of \$18.2 million or 12.6%, primarily due to increased technology expenses relating to the migration of clients to our new dealer platform and unbundled fee arrangements, as well as continued expenses associated with the brand re-launch.

#### Q1 2019 VS. Q4 2018

##### FEE INCOME

Management fee income increased by \$1.5 million or 0.4% to \$358.2 million in the first quarter of 2019 compared with the fourth quarter of 2018. The increase in management fees in the first quarter was primarily due to the increase in average assets under management of 2.2% for the quarter, as shown in Table 7,

TABLE 9: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE	
				2018 DEC. 31	2018 MAR. 31
<b>Total mortgage banking income</b>					
Net interest income on securitized loans					
Interest income	\$ 52.6	\$ 51.7	\$ 50.3	1.7 %	4.6 %
Interest expense	44.1	42.5	39.9	3.8	10.5
Net interest income	8.5	9.2	10.4	(7.6)	(18.3)
Gains on sales <sup>(1)</sup>	0.3	–	0.8	N/M	(62.5)
Fair value adjustments	(3.5)	(6.1)	(3.9)	42.6	10.3
Other	2.0	2.9	1.6	(31.0)	25.0
	\$ 7.3	\$ 6.0	\$ 8.9	21.7 %	(18.0) %
<b>Average mortgages serviced</b>					
Securitized	\$ 7,402	\$ 7,264	\$ 7,529	1.9 %	(1.7) %
Other	2,855	3,104	3,236	(8.0)	(11.8)
	\$ 10,257	\$ 10,368	\$ 10,765	(1.1) %	(4.7) %
<b>Mortgage sales to:<sup>(2)</sup></b>					
Securitized	\$ 437	\$ 550	\$ 379	(20.5) %	15.3 %
Other <sup>(1)</sup>	66	81	96	(18.5)	(31.3)
	\$ 503	\$ 631	\$ 475	(20.3) %	5.9 %

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

(2) Represents principal amounts sold.

and was offset by a decrease of approximately \$6.5 million resulting from two fewer calendar days in the first quarter compared to the fourth quarter of 2018.

Administration fees decreased to \$73.9 million in the first quarter of 2019 from \$75.2 million in the fourth quarter of 2018. This decrease resulted primarily from changes in the composition of average assets under management.

Distribution fee income of \$41.1 million in the first quarter of 2019 decreased by \$4.0 million from \$45.1 million in the fourth quarter primarily due to a decrease in distribution fee income from insurance product sales, offset in part by higher redemption fees.

#### NET INVESTMENT INCOME AND OTHER

Net investment income and other was \$10.0 million in the first quarter of 2019 compared to \$11.0 million in the previous quarter, a decrease of \$1.0 million.

Net investment income related to IG Wealth Management's mortgage banking operations totalled \$7.3 million in the first quarter of 2019, an increase of \$1.3 million from \$6.0 million

in the previous quarter as shown in Table 9. The change in mortgage banking income was due to:

- Fair value adjustments – increased by \$2.6 million in the first quarter of 2019 to (\$3.5) million compared to (\$6.1) million in the previous quarter primarily due to larger unfavorable fair value adjustments on certain securitization related financial instruments in the previous quarter.

#### EXPENSES

Commission expense in the current quarter was \$57.8 million compared with \$57.0 million in the previous quarter. The increase related primarily to higher cash commissions paid being expensed in the quarter primarily due to higher mutual fund sales and the distribution of other financial services offset in part by lower compensation related to the distribution of insurance product sales.

Non-commission expenses were \$162.9 million in the current quarter compared to \$159.6 million in the prior quarter, reflecting seasonality of expenses and the implementation of certain strategic initiatives.

# MACKENZIE INVESTMENTS

## REVIEW OF THE BUSINESS

### MACKENZIE STRATEGY

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

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This impacts the strategic priorities we select to fulfil that commitment and drive future business growth. Our strategic mandate is two-fold: win in the Canadian retail space and build meaningful strategic relationships. We aim to achieve this mandate by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

Supporting this vision and strategic mandate are six key foundational capabilities that our employees strive to achieve:

- Delivering competitive and consistent risk-adjusted performance
- Offering innovative and high quality investment solutions
- Accelerating distribution
- Advancing brand leadership
- Driving operational excellence and discipline
- Enabling a high-performing and diverse culture

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

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our business focuses on multiple distribution channels: Retail, Strategic Alliances and Institutional.

Mackenzie primarily distributes its retail investment products through third party financial advisors. Mackenzie's sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. In addition to its retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace. Within the strategic alliance channel, Mackenzie offers certain series of its mutual funds and provides sub-advisory services to third party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries, and also include a private label mutual fund arrangement with Lifeco subsidiary Quadrus. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the

respective bank, insurance company or investment company. In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. Mackenzie attracts new institutional business through its relationships with pension and management consultants.

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

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

### ASSETS UNDER MANAGEMENT

The changes in investment fund assets under management are summarized in Table 10 and the changes in total assets under management are summarized in Table 11.

At March 31, 2019, Mackenzie's investment fund assets under management were \$60.1 billion, an all-time high, and total assets under management were \$67.8 billion. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

### FUND PERFORMANCE

Long-term investment performance is a key measure of Mackenzie's ongoing success. At March 31, 2019, 59.7% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 49.2% for the three year time frame and 53.9% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar<sup>†</sup> fund ranking service. At March 31, 2019, 73.0% of Mackenzie mutual fund assets measured by Morningstar<sup>†</sup> had a rating of three stars or better and 45.4% had a rating of four or five stars. This compared to the Morningstar<sup>†</sup> universe of 78.9% for three stars or better and 45.8% for four and five star funds at March 31, 2019. These ratings exclude the Quadrus Group of Funds<sup>†</sup>.

### CHANGES TO PRODUCT OFFERINGS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2019, Mackenzie launched the Mackenzie Global Growth Balanced Fund, and three new liquid alternative funds

TABLE 10: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – MACKENZIE<sup>(1)</sup>

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE	
				2018 DEC. 31	2018 MAR. 31
Sales	\$ 2,505	\$ 2,328	\$ 2,630	7.6 %	(4.8) %
Redemptions	2,357	2,474	2,344	(4.7)	0.6
Mutual fund net sales (redemptions)	148	(146)	286	N/M	(48.3)
ETF net creations	228	137	715	66.4	(68.1)
Inter-product eliminations	–	(82)	(233)	100.0	100.0
<b>Investment fund net sales (redemptions)<sup>(2)</sup></b>	<b>376</b>	<b>(91)</b>	<b>768</b>	<b>N/M</b>	<b>(51.0)</b>
Investment returns	4,242	(3,894)	(317)	N/M	N/M
Net change in assets	4,618	(3,985)	451	N/M	N/M
Beginning assets	55,508	59,493	56,543	(6.7)	(1.8)
<b>Ending assets</b>	<b>\$ 60,126</b>	<b>\$ 55,508</b>	<b>\$ 56,994</b>	<b>8.3 %</b>	<b>5.5 %</b>
<b>Consists of:</b>					
Mutual funds	\$ 57,694	\$ 53,407	\$ 55,586	8.0 %	3.8 %
ETFs	3,330	2,949	2,004	12.9	66.2
Inter-product eliminations	(898)	(848)	(596)	(5.9)	(50.7)
Investment funds <sup>(2)</sup>	\$ 60,126	\$ 55,508	\$ 56,994	8.3 %	5.5 %
<b>Daily average investment fund assets</b>	<b>\$ 58,184</b>	<b>\$ 57,138</b>	<b>\$ 57,070</b>	<b>1.8 %</b>	<b>2.0 %</b>

(1) Mackenzie segment excludes investments into Mackenzie mutual funds by IG Wealth Management mutual funds from its assets under management and net sales.

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

for Investors to diversify sources of returns and improve portfolio stability. Mackenzie also announced fund mergers to streamline and strengthen its product shelf.

### Exchange Traded Funds

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option to utilize in building long-term diversified portfolios. Mackenzie's current line-up consists of twenty-eight ETFs: fifteen active and strategic beta ETFs and thirteen traditional index ETFs. Since the launch in April 2016, Mackenzie's ETF assets under management have grown to \$3.3 billion at the end of March 31, 2019, an all-time high, inclusive of \$898 million in investments from Mackenzie mutual funds. This ranks Mackenzie in seventh place in the Canadian ETF industry for assets under management.

### Mutual Funds

On January 22, 2019, Mackenzie launched the Mackenzie Global Growth Balanced Fund to give investors increased access to

global markets. The Fund is managed by the award-winning Mackenzie Bluewater Team and Mackenzie Fixed Income Team.

On February 26, 2019, Mackenzie launched three new liquid alternative funds designed to manage the impact of market volatility and improve portfolio stability:

- Mackenzie Credit Absolute Return Fund
- Mackenzie Global Macro Fund
- Mackenzie Global Long/Short Equity Alpha Fund

These funds join the Mackenzie Multi-Strategy Absolute Return Fund and the Mackenzie Diversified Alternatives Fund to form a suite of alternative solutions that can be used to help clients solve investment challenges by providing uncorrelated sources of return, mitigating volatility and improving portfolio stability over the long term. Assets under management in alternative solutions passed \$1 billion during the first quarter of 2019.

During the first quarter of 2019, Mackenzie merged two mutual funds to streamline and strengthen its product shelf and make it easier to navigate: Mackenzie Canadian All Cap Dividend Fund into the Mackenzie Canadian Large Cap Dividend Fund, and the Mackenzie Canadian All Cap Dividend Class into the Mackenzie Canadian Large Cap Dividend Class.

TABLE 11: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE<sup>(1)</sup>

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE	
				2018 DEC. 31	2018 MAR. 31
Net sales (redemptions)					
Mutual funds	\$ 148	\$ (146)	\$ 286	N/M %	(48.3) %
ETF net creations	228	137	715	66.4	(68.1)
Inter-product eliminations	–	(82)	(233)	100.0	100.0
Investment funds <sup>(2)</sup>	376	(91)	768	N/M	(51.0)
Sub-advisory, institutional and other accounts	(103)	(224)	229	54.0	N/M
<b>Total net sales (redemptions)</b>	<b>273</b>	<b>(315)</b>	<b>997</b>	<b>N/M</b>	<b>(72.6)</b>
Investment returns	4,775	(4,304)	(345)	N/M	N/M
Net change in assets	5,048	(4,619)	652	N/M	N/M
Beginning assets	62,728	67,347	64,509	(6.9)	(2.8)
<b>Ending assets</b>	<b>\$ 67,776</b>	<b>\$ 62,728</b>	<b>\$ 65,161</b>	<b>8.0 %</b>	<b>4.0 %</b>
<b>Consists of:</b>					
Mutual funds	\$ 57,694	\$ 53,407	\$ 55,586	8.0 %	3.8 %
ETFs	3,330	2,949	2,004	12.9	66.2
Inter-product eliminations	(898)	(848)	(596)	(5.9)	(50.7)
Investment funds <sup>(2)</sup>	60,126	55,508	56,994	8.3	5.5
Sub-advisory, institutional and other accounts	7,650	7,220	8,167	6.0	(6.3)
Total assets under management	\$ 67,776	\$ 62,728	\$ 65,161	8.0 %	4.0 %
<b>Average total assets<sup>(3)</sup></b>	<b>\$ 65,613</b>	<b>\$ 64,628</b>	<b>\$ 65,233</b>	<b>1.5 %</b>	<b>0.6 %</b>

(1) Mackenzie segment excludes investments into Mackenzie mutual funds by IG Wealth Management mutual funds from its assets under management and net sales.

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

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

## CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q1 2018

Mackenzie's total assets under management at March 31, 2019 were \$67.8 billion, an increase of 4.0% from \$65.2 billion at March 31, 2018. Mackenzie's sub-advisory, institutional and other accounts at March 31, 2019 were \$7.7 billion, a decrease of 6.3% from \$8.2 billion last year.

Mackenzie's investment fund assets under management were \$60.1 billion at March 31, 2019, an increase of 5.5% from March 31, 2018. Mackenzie's mutual fund assets under management were \$57.7 billion at March 31, 2019, an increase of 3.8% from \$55.6 billion at March 31, 2018. Mackenzie's ETF assets were \$3.3 billion at March 31, 2019, inclusive of \$898 million in investments from Mackenzie mutual funds, compared to \$2.0 billion at March 31, 2018, inclusive of \$596 million in investments from Mackenzie mutual funds.

In the three months ended March 31, 2019, Mackenzie's mutual fund gross sales were \$2.5 billion, a decrease of 4.8% from \$2.6 billion in the comparative period last year. Mutual

fund redemptions in the current quarter were \$2.4 billion, an increase of 0.6% from last year. Mutual fund net sales for the three months ended March 31, 2019 were \$148 million, as compared to net sales of \$286 million last year. In the three months ended March 31, 2019, ETF net creations were \$228 million compared to ETF net creations of \$715 million last year, inclusive of \$233 million in investments from Mackenzie mutual funds. Investment fund net sales in the current quarter were \$376 million compared to net sales of \$768 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by \$4.2 billion compared to a decrease of \$317 million last year.

Total net sales for the three months ended March 31, 2019 were \$273 million, compared to net sales of \$997 million last year. During the current quarter, investment returns resulted in assets increasing by \$4.8 billion compared to a decrease of \$345 million last year.

Redemptions of long-term mutual funds in the three months ended March 31, 2019, were \$2.2 billion, consistent with last



year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 16.4% in the first quarter of 2019, compared to 16.5% in the first quarter of 2018. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 17.0% at March 31, 2019, as compared to 13.7% last year. Mackenzie's twelve-month trailing redemption rate for long-term funds, excluding rebalance transactions, was 15.6% at March 31, 2019 and 13.7% at March 31, 2018. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 16.6% at March 31, 2019. 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.

#### **CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2019 VS. Q4 2018**

Mackenzie's total assets under management at March 31, 2019, were \$67.8 billion, an increase of 8.0% from \$62.7 billion at December 31, 2018. Mackenzie's sub-advisory, institutional and other accounts at March 31, 2019 were \$7.7 billion, an increase of 6.0% from \$7.2 billion at December 31, 2018.

Mackenzie's investment fund assets under management were \$60.1 billion at March 31, 2019, an increase of 8.3% from \$55.5 billion at December 31, 2018. Mackenzie's mutual fund

assets under management were \$57.7 billion at March 31, 2019, an increase of 8.0% from \$53.4 billion at December 31, 2018. Mackenzie's ETF assets were \$3.3 billion at March 31, 2019, inclusive of \$898 million in investments from Mackenzie mutual funds compared to \$2.9 billion at December 31, 2018, inclusive of \$848 million investments from Mackenzie mutual funds.

For the quarter ended March 31, 2019, Mackenzie mutual fund gross sales were \$2.5 billion, an increase of 7.6% from the fourth quarter of 2018. Mutual fund redemptions, which totalled \$2.4 billion for the first quarter, decreased by 4.7% from the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were \$148 million compared with net redemptions of \$146 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$2.2 billion, compared to \$2.4 billion in the fourth quarter of 2018. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 16.4% compared to 17.1% for the fourth quarter of 2018. Net sales of long-term funds for the current quarter were \$135 million compared to net redemptions of \$136 million in the previous quarter.

For the quarter ended March 31, 2019, Mackenzie ETF net creations were \$228 million, an increase of 66.4% from \$137 million in the fourth quarter of 2018. ETF net creations were inclusive of \$82 million in investments from Mackenzie mutual funds in the fourth quarter.

Investment fund net sales in the current quarter were \$376 million compared to net redemptions of \$91 million in the fourth quarter.

## REVIEW OF SEGMENT OPERATING RESULTS

The investment management functions of IG Wealth Management and Mackenzie form a single global investment management organization under Mackenzie to support both companies. Mackenzie's segment excludes investment advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds and revenue earned on these mandates are not reflected within Mackenzie's segment revenues. Mackenzie's segment reflects its proportionate share of the expenses of the investment management function and aligns with internal management reporting.

Mackenzie's earnings before interest and taxes are presented in Table 12.

### Q1 2019 VS. Q1 2018

#### REVENUES

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

Within Mackenzie's retail mutual fund offering, certain series are offered for fee-based programs of participating dealers whereby dealer compensation on such series is charged directly by the dealer to a client (primarily Series F). As Mackenzie does not pay the dealer compensation, these series have lower management fees. At March 31, 2019, these series had \$9.2 billion in assets, an increase of 23.9% from the prior year.

Management fees were \$168.3 million for the three months ended March 31, 2019, a decrease of \$7.6 million or 4.3% from \$175.9 million last year. The net decrease in management fees was due to a decline in the average management fee rate, partially offset by an increase in average assets under management of 0.6%. Mackenzie's average management fee rate was 104.0 basis points during the current quarter compared to 109.4 basis points in 2018. The decrease in the average management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products and Series F and the impact of the pricing changes implemented during 2018. These changes included switching of qualified investors into its Private Wealth Series and the reduction of management fees on mutual funds and ETFs.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were \$23.3 million for the three months ended March 31, 2019, a decrease of \$1.6 million or 6.4% from last year.

TABLE 12: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED (\$ millions)	2019		2018		% CHANGE	
	MAR. 31	DEC. 31	MAR. 31	DEC. 31	2018 DEC. 31	2019 MAR. 31
<b>Revenues</b>						
Management fees	\$ 168.3	\$ 169.9	\$ 175.9	(0.9) %	(4.3) %	
Administration fees	23.3	23.8	24.9	(2.1)	(6.4)	
Distribution fees	1.4	1.4	2.1	–	(33.3)	
	193.0	195.1	202.9	(1.1)	(4.9)	
Net investment income and other	4.2	(3.1)	(0.2)	N/M	N/M	
	197.2	192.0	202.7	2.7	(2.7)	
<b>Expenses</b>						
Commission	7.6	5.7	9.9	33.3	(23.2)	
Trailing commission	64.9	64.0	65.4	1.4	(0.8)	
Non-commission	88.8	86.9	85.8	2.2	3.5	
	161.3	156.6	161.1	3.0	0.1	
<b>Earnings before interest and taxes</b>	\$ 35.9	\$ 35.4	\$ 41.6	1.4 %	(13.7) %	

Mackenzie earns distribution fee income on redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option. Distribution fee income in the three months ended March 31, 2019 was \$1.4 million, a decrease of \$0.7 million from \$2.1 million last year.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was \$4.2 million for the three months ended March 31, 2019 compared to (\$0.2) million last year.

#### EXPENSES

Mackenzie's expenses were \$161.3 million for the three months ended March 31, 2019, an increase of \$0.2 million or 0.1% from \$161.1 million in 2018.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load purchase option. Commissions paid are expensed as incurred.

Commission expense was \$7.6 million in the three months ended March 31, 2019, as compared to \$9.9 million last year.

Trailing commissions paid to dealers are paid on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were \$64.9 million in the three months ended March 31, 2019, a decrease of \$0.5 million or 0.8% from \$65.4 million last year. The decline in trailing commissions in the three months ended March 31, 2019 was due to the decline in the effective trailing commission rate. Trailing commissions as a percentage of average mutual fund assets under management were 46.4 basis points in the three months ended March 31, 2019 compared to 46.8 basis points in the three months ended March 31, 2018. The decline was due to a change in composition of mutual fund assets towards those series within mutual funds that do not pay trailing commissions.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were \$88.8 million in the three months ended March 31, 2019, an increase of \$3.0 million or 3.5% from \$85.8 million in 2018.

## Q1 2019 VS. Q4 2018

#### REVENUES

Mackenzie's revenues were \$197.2 million for the current quarter, an increase of \$5.2 million or 2.7% from \$192.0 million in the fourth quarter.

Management fees were \$168.3 million for the current quarter, a decrease of \$1.6 million or 0.9% from \$169.9 million in the fourth quarter. Factors contributing to the decrease in management fees are as follows:

- Average assets under management were \$65.6 billion in the current quarter, a 1.5% increase from \$64.6 billion in the prior quarter.
- Mackenzie's average management fee rate was 104.0 basis points in the current quarter compared to 104.3 basis points in the prior quarter.
- There were two fewer calendar days in the first quarter of 2019 compared to the fourth quarter of 2018, which resulted in a decrease of \$3.7 million.

Administration fees were \$23.3 million in the current quarter, a decrease of 2.1% from \$23.8 million in the fourth quarter.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. Net investment income and other was \$4.2 million for the current quarter compared to (\$3.1) million in the fourth quarter.

#### EXPENSES

Mackenzie's expenses were \$161.3 million for the current quarter, an increase of \$4.7 million or 3.0% from \$156.6 million in the fourth quarter.

Commission expense related to selling commissions paid was \$7.6 million in the quarter ended March 31, 2019, as compared to \$5.7 million in the fourth quarter.

Trailing commissions were \$64.9 million in the current quarter, an increase of \$0.9 million or 1.4% from \$64.0 million in the fourth quarter. The change in trailing commissions reflects the 1.8% period over period increase in average mutual fund assets under management, offset in part, by a decline in the effective trailing commission rate. The effective trailing commission rate was 46.4 basis points in the current quarter compared to 46.6 basis points in the fourth quarter.

Non-commission expenses were \$88.8 million in the current quarter, compared to \$86.9 million in the fourth quarter. The increase was partially due to the seasonal nature of certain expenses normally incurred in the first quarter.

## CORPORATE AND OTHER

### REVIEW OF SEGMENT OPERATING RESULTS

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

In January 2019, the Company invested an additional amount of \$66.8 million (USD \$50.0 million) in Personal Capital which increased its voting interest to 22.7% (March 31, 2018 – 15.5%). The Company uses the equity method to account for its investment in Personal Capital as it exercises significant influence. Significant influence arises from its voting interest and board representation.

The Company also has investments in WealtheSimple Financial Corporation and Portag3 Ventures LP.

Corporate and other earnings before interest and taxes are presented in Table 13.

#### Q1 2019 VS. Q1 2018

The proportionate share of associates' earnings decreased by \$5.3 million in the first quarter of 2019, compared to 2018. These earnings reflect equity earnings from Lifeco and China AMC for all periods under review and from Personal

Capital beginning in the first quarter 2019, as discussed in the Consolidated Financial Position section of this MD&A. The decrease resulted primarily from the inclusion of the Company's proportionate share of Personal Capital's losses of \$3.4 million in the first quarter of 2019 as well as a decrease in Lifeco's earnings of \$1.5 million. Net investment income and other increased to \$6.0 million in the first quarter of 2019 compared to \$4.0 million in 2018.

Earnings before interest and taxes related to Investment Planning Counsel were \$0.8 million higher in the first quarter of 2019 compared to the same period in 2018.

#### Q1 2019 VS. Q4 2018

The proportionate share of associates' earnings were \$32.7 million in the first quarter of 2019, a decrease of \$1.9 million from the fourth quarter of 2018. The decrease resulted from the inclusion of the proportionate share of Personal Capital's net losses of \$3.4 million in the first quarter of 2019, which were offset by an increase of \$1.3 million in Lifeco's earnings from the fourth quarter of 2018. Net investment income and other was \$6.0 million in the first quarter of 2019, compared to \$5.3 million in the fourth quarter of 2018.

Earnings before interest and taxes related to Investment Planning Counsel were \$1.5 million higher in the first quarter of 2019 compared to the prior quarter.

TABLE 13: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31	% CHANGE	
				2018 DEC. 31	2018 MAR. 31
<b>Revenues</b>					
Fee income	\$ 70.0	\$ 71.6	\$ 72.4	(2.2) %	(3.3) %
Net investment income and other	6.0	5.3	4.0	13.2	50.0
Proportionate share of associates' earnings	32.7	34.6	38.0	(5.5)	(13.9)
	108.7	111.5	114.4	(2.5)	(5.0)
<b>Expenses</b>					
Commission	45.2	46.4	46.0	(2.6)	(1.7)
Non-commission	22.7	22.5	22.6	0.9	0.4
	67.9	68.9	68.6	(1.5)	(1.0)
<b>Earnings before interest and taxes</b>	<b>\$ 40.8</b>	<b>\$ 42.6</b>	<b>\$ 45.8</b>	<b>(4.2) %</b>	<b>(10.9) %</b>

## IGM FINANCIAL INC.

### CONSOLIDATED FINANCIAL POSITION

IGM Financial's total assets were \$16.0 billion at March 31, 2019, compared to \$15.6 billion at December 31, 2018.

#### OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 14.

#### 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 Corporation (Wealthsimple), and Portag3 Ventures LP and Portag3 Ventures II LP (Portag3). In January 2019, the Company made an additional investment of \$66.8 million (USD \$50.0 million) in Personal Capital Corporation which increased its voting interest to 22.7% resulting in the reclassification of \$217.0 million on the Consolidated Balance Sheet from Corporate investments to Investment in associates.

Portag3 Ventures LP and Portag3 Ventures II LP (Portag3) are early-stage investment funds dedicated to backing innovating financial services companies and are controlled by the Corporation's parent, Power Financial Corporation. As at March 31, 2019, the Corporation had invested a total of \$34.1 million in Portag3, including \$16.2 million during 2018.

Wealthsimple Financial Corporation ("Wealthsimple") is an online investment manager that provides financial investment guidance. As at March 31, 2019, the Corporation had invested a total of \$152.9 million in Wealthsimple through a limited partnership controlled by the Corporation's parent, Power Financial Corporation. The Corporation invested \$17.9 million in the first quarter of 2019 and \$72.3 million during 2018.

#### 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 15.

Loans consisted of residential mortgages and represented 48.1% of total assets at March 31, 2019, compared to 49.6% at December 31, 2018.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled \$7.5 billion at March 31, 2019, compared to \$7.4 billion at December 31, 2018.

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 \$206.9 million at March 31, 2019 compared to \$363.9 million at December 31, 2018.

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.

TABLE 14: OTHER INVESTMENTS

(\$ millions)	MARCH 31, 2019		DECEMBER 31, 2018	
	COST	FAIR VALUE	COST	FAIR VALUE
<b>Fair value through other comprehensive income</b>				
Corporate investments	\$ 196.2	\$ 231.9	\$ 303.6	\$ 372.4
<b>Fair value through profit or loss</b>				
Equity securities	17.0	15.6	17.0	12.9
Proprietary investment funds	81.7	81.5	78.5	74.6
	98.7	97.1	95.5	87.5
	<b>\$ 294.9</b>	<b>\$ 329.0</b>	<b>\$ 399.1</b>	<b>\$ 459.9</b>

TABLE 15: LOANS

(\$ millions)	2019	2018
	MARCH 31	DECEMBER 31
<b>Amortized cost</b>	<b>\$ 7,683.2</b>	<b>\$ 7,734.5</b>
Less: Allowance for expected credit losses	0.8	0.8
	<b>7,682.4</b>	<b>7,733.7</b>
<b>Fair value through profit or loss</b>	<b>5.3</b>	<b>4.3</b>
	<b>\$ 7,687.7</b>	<b>\$ 7,738.0</b>

IG Wealth Management services \$12.6 billion of residential mortgages, including \$2.4 billion originated by subsidiaries of Lifeco.

### SECURITIZATION ARRANGEMENTS

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

In the first quarter of 2019, the Company securitized loans through its mortgage banking operations with cash proceeds of \$428.7 million compared to \$369.4 million in 2018. 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 5 to the Interim Financial Statements.

### INVESTMENT IN ASSOCIATES

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

At March 31, 2019, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Financial Corporation.

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 quarter ended March 31, 2019 compared with 2018 are shown in Table 16.

Subsequent to March 31, 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million. The Company's 4% interest in Lifeco remains substantially unchanged.

#### *China Asset Management Co., Ltd. (China AMC)*

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

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 879.7 billion (\$174.5 billion) at December 31, 2018, representing a decrease of 2.9% (CAD\$ decrease of 3.1%) from RMB¥ 906.0 billion (\$180.0 billion) at June 30, 2018.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. Changes in the carrying value for the quarter ended March 31, 2019 are shown in Table 16.

TABLE 16: INVESTMENT IN ASSOCIATES

THREE MONTHS ENDED (\$ millions)	MARCH 31, 2019				MARCH 31, 2018		
	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL	LIFECO	CHINA AMC	TOTAL
<b>Carrying value, beginning of period</b>	\$ 967.8	\$ 683.5	\$ –	\$ 1,651.3	\$ 901.4	\$ 647.9	\$ 1,549.3
Transfer from corporate investments (FVTOCI)	–	–	217.0	217.0			
Dividends received	(16.4)	–	–	(16.4)	(15.5)	–	(15.5)
Proportionate share of:							
Earnings <sup>(1)</sup>	28.7	7.4	(3.4)	32.7	30.2	7.8	38.0
Other comprehensive income (loss) and other adjustments	19.4	1.9	0.1	21.4	5.9	38.8	44.7
<b>Carrying value, end of period</b>	\$ 999.5	\$ 692.8	\$ 213.7	\$ 1,906.0	\$ 922.0	\$ 694.5	\$ 1,616.5

(1) The proportionate share of earnings from the Company's investments in associates is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-3).

#### **Personal Capital Corporation (Personal Capital)**

Founded in 2009 in the United States, Personal Capital is a leading digital wealth manager that has experienced significant growth since its inception.

As at March 31, 2019, Personal Capital had 2.12 million registered users, individuals who have signed up to use Personal Capital's free dashboard platform, representing an increase of 22.2% from 1.74 million at March 31, 2018 and an increase of 5.4% from 2.01 million at December 31, 2018.

Personal Capital's total assets under management were USD \$9.2 billion as at March 31, 2019, representing an increase of 39.2% from USD \$6.6 billion at March 31, 2018 and an increase of 18.0% from USD \$7.8 billion as at December 31, 2018.

Tracked Account Value (TAV), the net value of assets and liabilities aggregated by registered users, was USD \$703 billion as at March 31, 2019, representing an increase of 32.2% from USD \$532 billion at March 31, 2018 and an increase of 10.4% from USD \$637 billion as at December 31, 2018.

The equity method is used to account for the Company's 25.2% equity interest in Personal Capital, as it exercises significant influence. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net income adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company. Changes in the carrying value for the quarter ended March 31, 2019 are shown in Table 16.

## CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

Cash and cash equivalents totalled \$837.1 million at March 31, 2019 compared with \$650.2 million at December 31, 2018 and \$778.2 million at March 31, 2018. Cash and cash equivalents related to the Company's deposit operations were \$3.3 million at March 31, 2019, compared to \$2.4 million at December 31, 2018 and \$2.4 million at March 31, 2018, as shown in Table 17.

Working capital, which consists of current assets less current liabilities, totalled \$583.1 million at March 31, 2019 compared with \$366.1 million at December 31, 2018 and \$561.8 million at March 31, 2018 (Table 18). The increase in working capital is due to the issuance of debentures in the first quarter of 2019 totalling \$250 million.

Working capital is utilized to:

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

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions) totalled \$295.9 million in the first quarter of 2019 compared to \$333.2 million in the first quarter of 2018 and \$296.8 million in the fourth quarter of 2018. EBITDA before

sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled \$252.2 million in the first quarter of 2019 compared to \$270.9 million in the first quarter of 2018 and \$255.6 million in the fourth quarter of 2018. 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 19 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the quarter ended March 31, 2019. Cash and cash equivalents increased by \$186.9 million in the first quarter of 2019 compared to a decrease of \$188.6 million in 2018.

Adjustments to determine net cash from operating activities during the three month period of 2019 compared to 2018 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sale commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital and intangible assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.

TABLE 17: DEPOSIT OPERATIONS – FINANCIAL POSITION

(\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31
<b>Assets</b>			
Cash and cash equivalents	\$ 3.3	\$ 2.4	\$ 2.4
Client funds on deposit	507.6	546.8	454.8
Accounts and other receivables	9.6	8.8	4.2
Loans	21.9	21.3	22.5
<b>Total assets</b>	<b>\$ 542.4</b>	<b>\$ 579.3</b>	<b>\$ 483.9</b>
<b>Liabilities and shareholders' equity</b>			
Deposit liabilities	\$ 531.6	\$ 568.8	\$ 473.1
Other liabilities	0.5	0.5	0.5
Shareholders' equity	10.3	10.0	10.3
<b>Total liabilities and shareholders' equity</b>	<b>\$ 542.4</b>	<b>\$ 579.3</b>	<b>\$ 483.9</b>



TABLE 18: WORKING CAPITAL

(\$ millions)	2019 MAR. 31	2018 DEC. 31	2018 MAR. 31
<b>Current Assets</b>			
Cash and cash equivalents	\$ 837.1	\$ 650.2	\$ 777.9
Client funds on deposit	507.6	546.8	454.8
Accounts receivable and other assets	301.4	311.9	368.4
Current portion of mortgages and other	1,326.1	1,280.1	1,253.3
	<b>2,972.2</b>	2,789.0	2,854.4
<b>Current Liabilities</b>			
Accounts and other payables	560.0	644.7	599.2
Deposits and certificates	524.5	562.4	465.8
Current portion of long-term liabilities	1,304.6	1,215.8	1,227.6
	<b>2,389.1</b>	2,422.9	2,292.6
<b>Working Capital</b>	<b>\$ 583.1</b>	\$ 366.1	\$ 561.8

- Changes in operating assets and liabilities and other.
- The deduction of restructuring provision cash payments.

Financing activities during the first quarter of 2019 compared to 2018 related to:

- An increase in obligations to securitization entities of \$426.3 million and repayments of obligations to securitization entities of \$321.0 million in 2019 compared to an increase in obligations to securitization entities of \$361.5 million and repayments of obligations to securitization entities of \$352.8 million in 2018.
- Issuance of debentures of \$250.0 million in the first quarter of 2019.
- Repayment of debentures of \$150.0 million in the first quarter of 2018.

- The purchase of 266,093 common shares in 2019 under IGM Financial's normal course issuer bid at a cost of \$9.2 million. There were no purchases in 2018.
- The payment of perpetual preferred share dividends which totalled \$2.2 million in 2019, unchanged from 2018.
- The payment of regular common share dividends which totalled \$135.5 million in 2019 compared to \$135.4 million in 2018.

Investing activities during the first quarter of 2019 compared to 2018 primarily related to:

- The purchases of other investments totalling \$35.4 million and sales of other investments with proceeds of \$20.2 million in 2019 compared to \$50.2 million and \$25.8 million, respectively, in 2018.

TABLE 19: CASH FLOWS

THREE MONTHS ENDED (\$ millions)	2019 MAR. 31	2018 MAR. 31	% CHANGE
<b>Operating activities</b>			
Earnings before income taxes	\$ 214.8	\$ 240.1	(10.5)%
Income taxes paid	(96.6)	(38.4)	(151.6)
Adjustments to determine net cash from operating activities	(89.3)	(83.8)	(6.6)
	<b>28.9</b>	117.9	(75.5)
<b>Financing activities</b>	<b>207.4</b>	(273.8)	N/M
<b>Investing activities</b>	<b>(49.4)</b>	(32.7)	(51.1)
<b>Change in cash and cash equivalents</b>	<b>186.9</b>	(188.6)	N/M
Cash and cash equivalents, beginning of period	650.2	966.8	(32.7)
<b>Cash and cash equivalents, end of period</b>	<b>\$ 837.1</b>	\$ 778.2	7.6 %

- An increase in loans of \$293.3 million with repayments of loans and other of \$341.3 million in 2019 compared to \$383.6 million and \$403.0 million, respectively, in 2018 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was \$10.2 million in 2019 compared to \$23.1 million in 2018.
- An additional investment in Personal Capital of \$66.8 million in 2019.

## CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, perpetual preferred shares and common shareholders' equity which totalled \$6.6 billion at March 31, 2019, compared to \$6.4 billion at December 31, 2018. The Company regularly assesses its capital management practices in response to changing economic conditions.

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

The total outstanding long-term debt was \$2.1 billion at March 31, 2019, compared to \$1.9 billion at December 31, 2018. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants. The net increase in long-term debt resulted from the issuance on March 20, 2019 of \$250.0 million 4.206% debentures maturing March 21, 2050.

Perpetual preferred shares of \$150 million at March 31, 2019 remain unchanged from December 31, 2018.

The net proceeds from the issuance of the debenture was used by the Company in part to fund the redemption of \$150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

The Company purchased 266,093 common shares during the first quarter of 2019 at a cost of \$9.2 million under its normal course issuer bid (refer to Note 8 to the Interim Financial Statements). The Company commenced a normal course issuer bid on March 26, 2019 to purchase up to 4 million of its common shares to provide the flexibility to manage its capital position while generating value for shareholders.

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

Other activities in the first quarter of 2019 included the declaration of perpetual preferred share dividends of \$2.2 million or \$0.36875 per share and common share dividends of \$135.5 million or \$0.5625 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

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

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The A rating assigned to IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

## FINANCIAL INSTRUMENTS

Table 20 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 liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

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

See Note 13 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the three months ended March 31, 2019.

TABLE 20: FINANCIAL INSTRUMENTS

(\$ millions)	MARCH 31, 2019		DECEMBER 31, 2018	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<b>Financial assets recorded at fair value</b>				
Other investments				
– Fair value through other comprehensive income	\$ 231.9	\$ 231.9	\$ 372.4	\$ 372.4
– Fair value through profit or loss	97.1	97.1	87.5	87.5
Loans				
– Fair value through profit or loss	5.3	5.3	4.3	4.3
Derivative financial instruments	15.8	15.8	16.4	16.4
<b>Financial assets recorded at amortized cost</b>				
Loans				
– Amortized cost	7,682.4	7,767.4	7,733.7	7,785.5
<b>Financial liabilities recorded at fair value</b>				
Derivative financial instruments	26.2	26.2	29.0	29.0
Other financial liabilities	9.5	9.5	8.2	8.2
<b>Financial liabilities recorded at amortized cost</b>				
Deposits and certificates	531.6	532.0	568.8	569.0
Obligations to securitization entities	7,462.7	7,578.2	7,370.2	7,436.9
Long-term debt	2,100.0	2,397.8	1,850.0	2,050.3

## RISK MANAGEMENT

The Company is exposed to a variety of risks that are inherent in its business activities. Its ability to manage these risks is key to its ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. The risk management approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

### RISK MANAGEMENT FRAMEWORK

The Company's risk management approach is undertaken through its Enterprise Risk Management (ERM) Framework which includes five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under the Company's ERM Policy, which is approved by the Risk Management Committee.

### RISK GOVERNANCE

The Company's risk governance structure emphasizes a comprehensive and consistent framework throughout the Company and its subsidiaries, with identified ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Board of Directors. Additional oversight is provided by the Enterprise Risk Management (ERM) Department, compliance groups, and the Company's Internal Audit Department.

The Board of Directors provides primary oversight and carries out its risk management mandate. The Board is responsible for the oversight of enterprise risk management by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as the Company's compliance activities.
- Other committees having specific risk oversight responsibilities include: i) the Human Resource Committee which oversees compensation policies and practices, ii) the Governance and Nominating Committee which oversees corporate governance practices, and iii) the Related Party and Conduct Review Committee which oversees conflicts of interest as well as the

administration of the Code of Business Conduct and Ethics for Directors, Officers and Employees (Code of Conduct).

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the President and Chief Executive Officer, IGM Financial and IG Wealth Management, the President and Chief Executive Officer, Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer and the Executive Vice President Chief Strategy and Corporate Development Officer. The committee is responsible for providing oversight of the Company's risk management process by: i) establishing and maintaining the risk framework and policy, ii) defining the Company's risk appetite, iii) ensuring the Company's risk profile and processes are aligned with corporate strategy and risk appetite, and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line Internal Audit function providing assurance and validation of the design and effectiveness of the ERM Framework.

#### ***First Line of Defence***

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

#### ***Second Line of Defence***

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's corporate and compliance groups which are responsible for ensuring compliance with policies, laws and regulations.

### **Third Line of Defence**

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of risk management policies, processes and practices.

### **RISK APPETITE AND RISK PRINCIPLES**

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

### **RISK MANAGEMENT PROCESS**

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks.

Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board of Directors.

### **RISK MANAGEMENT CULTURE**

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in workshops to foster awareness and incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

### **KEY RISKS OF THE BUSINESS**

The Company identifies risks to which its businesses and operations could be exposed considering factors both internal and external to the organization. These risks are broadly grouped into six categories.

#### **1) FINANCIAL RISK**

##### **LIQUIDITY AND FUNDING RISK**

Liquidity and funding risk is the risk of the inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

The Company's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.

- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance business leaders.

A key funding requirement for the Company is the funding of commissions paid on the sale of investment funds. Commissions on the sale of investment funds continue to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements related to the mortgage banking operation. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations that are subject to change. A condition

of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

As part of ongoing liquidity management during 2019 and 2018, the Company:

- Continued to expand our funding channels by issuing NHA MBS to multiple purchasers.
- Continued to assess and identify additional funding sources for the Company's mortgage banking operations, including the launch of a new residential mortgage product suite through our partners at National Bank in the fourth quarter of 2017, which complements our current mortgage offerings.
- Repaid the \$150 million 6.58% debentures in March 2018.
- Issued \$200 million of 30 year 4.174% debentures in July 2018. The net proceeds were used by IGM Financial, together with a portion of IGM Financial's existing internal cash resources, to fund the early redemption in August of all of its \$375 million aggregate principal amount of 7.35% debentures due April 8, 2019.
- Issued \$250 million 4.206% debentures in March 2019 maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of \$150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

The Company's contractual obligations are reflected in Table 21.

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

TABLE 21: CONTRACTUAL OBLIGATIONS

AS AT MARCH 31, 2019 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	\$ -	\$ 7.6	\$ 18.2	\$ 0.4	\$ 26.2
Deposits and certificates	516.9	7.6	5.7	1.4	531.6
Obligations to securitization entities	-	1,274.0	6,163.9	24.8	7,462.7
Long-term debt	-	-	-	2,100.0	2,100.0
Leases <sup>(1)</sup>	-	27.9	63.1	30.3	121.3
Pension funding <sup>(2)</sup>	-	20.2	-	-	20.2
<b>Total contractual obligations</b>	<b>\$ 516.9</b>	<b>\$ 1,337.3</b>	<b>\$ 6,250.9</b>	<b>\$ 2,156.9</b>	<b>\$ 10,262.0</b>

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

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

Schedule I Canadian chartered banks totalled \$825 million at March 31, 2019, unchanged from December 31, 2018. The lines of credit at March 31, 2019 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2018. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at March 31, 2019 and December 31, 2018, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of \$47.2 million compared to \$82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns, and is required to be funded over five years. The registered pension plan had a going concern surplus of \$46.1 million compared to \$24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. The Company has made contributions of \$5.5 million in 2019 (2018 – \$23.4 million). The Company utilized \$10.5 million of the payments made during 2018 to reduce its solvency deficit and increase its going concern surplus. The Company expects to make further contributions of approximately \$20.2 million in 2019. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced

by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2018.

#### **CREDIT RISK**

Credit risk is the potential for financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

#### **Cash and Cash Equivalents**

At March 31, 2019, cash and cash equivalents of \$837.1 million (December 31, 2018 – \$650.2 million) consisted of cash balances of \$56.1 million (December 31, 2018 – \$81.8 million) on deposit with Canadian chartered banks and cash equivalents of \$781.0 million (December 31, 2018 – \$568.4 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$86.1 million (December 31, 2018 – \$103.5 million), provincial government treasury bills and promissory notes of \$230.0 million (December 31, 2018 – \$76.2 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of \$450.4 million (December 31, 2018 – \$364.3 million), and highly rated corporate commercial paper of \$14.5 million (December 31, 2018 – \$24.4 million).

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2018.

#### **Mortgage Portfolio**

As at March 31, 2019, residential mortgages, recorded on the Company's balance sheet, of \$7.7 billion (December 31, 2018 – \$7.7 billion) consisted of \$7.5 billion sold to securitization programs (December 31, 2018 – \$7.3 billion), \$206.9 million held pending sale or securitization (December 31, 2018 – \$363.9 million) and \$26.3 million related to the Company's intermediary operations (December 31, 2018 – \$25.6 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan.

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

- Under the NHA MBS program totalling \$4.3 billion (December 31, 2018 – \$4.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$3.2 billion (December 31, 2018 – \$3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$75.4 million (December 31, 2018 – \$74.1 million) and \$37.6 million (December 31, 2018 – \$35.6 million), respectively, at March 31, 2019. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 7.5% of mortgages held in ABCP Trusts insured at March 31, 2019 (December 31, 2018 – 8.3%).

At March 31, 2019, residential mortgages recorded on balance sheet were 60.9% insured (December 31, 2018 – 61.5%). As at March 31, 2019, impaired mortgages on these portfolios were \$2.9 million, compared to \$3.3 million at December 31, 2018. Uninsured non-performing mortgages over 90 days on these portfolios were \$1.3 million at March 31, 2019, compared to \$1.8 million at December 31, 2018.

The Company also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

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

The Company's allowance for expected credit losses was \$0.8 million at March 31, 2019, unchanged from December 31, 2018, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience and recent trends, ii) current portfolio credit metrics and other relevant characteristics, and iii) regular stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2018.

### **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 \$16.5 million (December 31, 2018 – \$19.4 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 \$0.6 million at March 31, 2019 (December 31, 2018 – nil). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at March 31, 2019. Management of credit risk related to derivatives has not changed materially since December 31, 2018.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 5 to the Interim Financial Statements and Notes 2, 6 and 21 to the Annual Financial Statements.

### **MARKET RISK**

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices.



### **Interest Rate Risk**

The Company is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of \$5.5 million (December 31, 2018 – positive \$4.9 million) and an outstanding notional amount of \$1.0 billion at March 31, 2019 (December 31, 2018 – \$0.9 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The negative fair value of these swaps totalled \$2.8 million (December 31, 2018 – negative \$11.0 million), on an outstanding notional amount of \$1.9 billion at March 31, 2019 (December 31, 2018 – \$1.7 billion). The net fair value of these swaps of negative \$8.3 million at March 31, 2019 (December 31, 2018 – negative \$6.1 million) is recorded on the balance sheet and has an outstanding notional amount of \$2.9 billion (December 31, 2018 – \$2.6 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. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The fair value of these swaps was negative \$0.7 million (December 31, 2018 – negative \$1.8 million) on an outstanding notional amount of \$95.9 million at March 31, 2019 (December 31, 2018 – \$249.9 million).

As at March 31, 2019, the impact to annual net earnings of a 100 basis point increase in interest rates would have been an

increase of approximately \$1.2 million (December 31, 2018 – decrease of \$0.5 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2018.

### **Equity Price Risk**

The Company is exposed to equity price risk on its equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss. The fair value of the equity investments was \$329.0 million at March 31, 2019 (December 31, 2018 – \$459.9 million), as shown in Table 14.

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

### **Foreign Exchange Risk**

The Company is exposed to foreign exchange risk on its investments in Personal Capital and China AMC. Changes to the carrying value due to changes in foreign exchange rates on both of these investments are recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$42.9 million (\$47.4 million).

The Company's proportionate share of China AMC's and Personal Capital's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statement of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of earnings by approximately \$0.2 million (\$0.2 million).

### **RISKS RELATED TO ASSETS UNDER MANAGEMENT**

At March 31, 2019, IGM Financial's total assets under management were \$160.5 billion compared to \$149.1 billion at December 31, 2018.

The Company's primary sources of revenues are management, administration and other fees which are applied as an annual percentage of the level of assets under management. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and

foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company's exposure to the value of assets under management aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets. The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

## 2) OPERATIONAL RISK

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

## OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human interaction or external events, but excludes business risk.

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

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

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

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

## TECHNOLOGY AND CYBER RISK

Technology and cyber risk driven by systems are managed through controls over technology development and change

TABLE 22: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT MARCH 31, 2019	INVESTMENT FUNDS	TOTAL
Cash	0.6 %	1.0 %
Short-term fixed income and mortgages	6.4	6.3
Other fixed income	25.8	25.4
Domestic equity	22.0	22.3
Foreign equity	42.0	41.9
Real Property	3.2	3.1
	100.0 %	100.0 %
CAD	57.8 %	57.6 %
USD	28.0	27.3
Other	14.2	15.1
	100.0 %	100.0 %

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

### **THIRD PARTY SERVICE PROVIDERS**

The Company regularly engages 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, have been developed and implemented to specifically address third party service provider risk. Due diligence and monitoring activities are performed by the Company prior to 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**

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

### **LEGAL AND REGULATORY COMPLIANCE**

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

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities.

The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and are being continually changed. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the 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 Company receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct incorporates many policies relating to the conduct of directors, officers and employees, and covers a variety of relevant topics, such as anti-money laundering and privacy. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Company's Compliance Departments are responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight and investigations concerning regulatory compliance matters.

## CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

### 3) GOVERNANCE, OVERSIGHT AND STRATEGIC RISK

Governance, oversight and strategic risk is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, and strategic planning.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and its shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

The Company has a business planning process that supports development of an annual business plan, approved by the Board of Directors, which incorporates objectives and targets for the Company. Components of management compensation are associated with the achievement of earnings targets and other objectives associated with the plan. Strategic plans and direction are part of this planning process and are integrated into the Company's risk management program.

### ACQUISITION RISK

The Company is also exposed to risks related to its acquisitions. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

### 4) REGULATORY DEVELOPMENTS

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

The Company is exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

### 5) BUSINESS RISK

#### GENERAL BUSINESS CONDITIONS

General Business Conditions Risk refers to the potential for an unfavourable impact on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level 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.

The Company, across its operating subsidiaries, is focused on communicating with clients and emphasizing the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Consultants and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 23 and are discussed in the IG Wealth Management and Mackenzie Segment Operating Results sections of this MD&A.

TABLE 23: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2019 MAR. 31	2018 MAR. 31
<b>IGM Financial Inc.</b>		
IG Wealth Management	9.5 %	8.4 %
Mackenzie	17.0 %	13.7 %
Counsel	20.1 %	16.7 %

### PRODUCT/SERVICE OFFERING

There is potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

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

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

### BUSINESS/CLIENT RELATIONSHIPS

Business/Client relationships risk refers to the risk potential for unfavourable impacts on IGM Financial resulting from changes to other key relationships. These relationships primarily include IG Wealth Management clients and Consultants, Mackenzie

retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

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

*Mackenzie* – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Mackenzie Review of the Business section of this MD&A.

## PEOPLE RISK

People risk refers to the potential inability to attract or retain key employees or Consultants, develop to an appropriate level of proficiency, or manage personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and motivate sufficient numbers of qualified personnel could affect IGM Financial's business and financial performance.

## 6) ENVIRONMENTAL AND SOCIAL RISKS

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

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

IGM Financial has a long-standing commitment to responsible management, as articulated in the Company's Corporate Responsibility Statement approved by the Board of Directors. The Board's risk management oversight includes environmental and social risks.

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

Workplace Policy; our Diversity Policy; our Environmental Policy; and other related policies.

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

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

## OUTLOOK

### THE FINANCIAL SERVICES ENVIRONMENT

Canadians held \$4.5 trillion in discretionary financial assets with financial institutions at December 31, 2017 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 66% (\$3.0 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the \$1.5 trillion held outside of a financial advisory relationship, approximately 63% consisted of bank deposits.

Financial advisors represent the primary distribution channel for the Company's products and services, and the core emphasis of the Company's business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. The Company actively promotes the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or \$1.8 trillion resided in investment funds at December 31, 2017, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With \$154 billion in investment fund assets under management at March 31, 2019, the Company is among the country's largest investment fund managers. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Competition and technology have fostered a trend towards financial service providers offering a comprehensive range of proprietary products and services. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM

Financial, who offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 45% of total industry long-term mutual fund assets at March 31, 2019.

The Canadian mutual fund industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 75% of industry long-term mutual fund assets and 75% of total mutual fund assets under management at March 31, 2019. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

Management believes that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continue to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

### THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. IG Wealth Management and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. IG Wealth Management, Mackenzie and Investment Planning Counsel compete directly with other investment managers for assets under management, and their products compete with stocks, bonds and other asset classes for a share of the investment assets of Canadians.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of product and service offerings of the Company, including pricing, product structures, dealer and advisor compensation and disclosure. The Company monitors developments on an ongoing basis, and

engages in policy discussions and develops product and service responses as appropriate.

IGM Financial continues to focus on its commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders. Management believes that the Company is well-positioned to meet competitive challenges and capitalize on future opportunities.

The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on those channels emphasizing comprehensive financial planning through a relationship with a financial advisor.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Financial group of companies.

#### **BROAD AND DIVERSIFIED DISTRIBUTION**

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning

Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

#### **BROAD PRODUCT CAPABILITIES**

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

#### **ENDURING RELATIONSHIPS**

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

#### **BENEFITS OF BEING PART OF THE POWER FINANCIAL GROUP OF COMPANIES**

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



## CRITICAL ACCOUNTING ESTIMATES AND POLICIES

### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2018.

### CHANGES IN ACCOUNTING POLICIES

#### IFRS 16 LEASES (IFRS 16)

As of January 1, 2019, the Company adopted IFRS 16 using the modified retrospective method with no restatement of comparative financial information. Under this approach, the Company recognized a lease liability of \$105.6 million equal to the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied was 4.4%. A right-of-use asset of \$96.1 million representing the Company's property leases was also recognized at its carrying amount as if IFRS 16 had been applied since each lease commencement date, net of the accumulated amortization that would have been recognized up to January 1, 2019. The difference between the right-of-use asset and the lease liability of \$9.5 million was recognized as an adjustment to retained earnings as at January 1, 2019. The following practical expedients were applied on transition:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Accounted for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Relied on its assessment of whether leases are onerous applying IAS 37, Provisions, Contingent Liabilities and Contingent Assets, immediately before the date of initial application as an alternative to performing an impairment review.

Amortization expense increased due to the amortization of the right-of-use asset and interest expense increased due to the imputed interest on the lease liability; however total expenses are not noticeably different due to the offsetting decrease to operating lease expense.

Table 24 details the impact of IFRS 16 on the Consolidated Balance Sheet as at January 1, 2019.

### 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.

### OTHER

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

TABLE 24: IMPACT OF IFRS 16 ON BALANCE SHEET

(\$ millions)	DECEMBER 31, 2018	ADJUSTMENT DUE TO ADOPTION OF IFRS 16	JANUARY 1, 2019
<b>Assets</b>			
Other assets <sup>(1)</sup>	\$ 46.5	\$ (0.1)	\$ 46.4
Capital assets	138.6	96.1	234.7
		<u>\$ 96.0</u>	
<b>Liabilities</b>			
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ 397.4	\$ (2.0)	\$ 395.4
Lease obligations	-	105.6	105.6
Deferred income taxes	295.7	(2.0)	293.7
Retained earnings	2,840.6	(5.6)	2,835.0
		<u>\$ 96.0</u>	

(1) Write-off of free rent inducement on capitalized leases.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter of 2019, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## OTHER INFORMATION

### TRANSACTIONS WITH RELATED PARTIES

There were no changes to the types of related party transactions from those reported at December 31, 2018. For further information on transactions involving related parties, see Notes 8 and 25 to the Company's Annual Financial Statements.

### OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at March 31, 2019 totalled 240,757,822. Outstanding stock options as at March 31, 2019 totalled 10,975,380, of which 5,672,049 were exercisable. As at April 30, 2019, outstanding common shares

totalled 239,320,382 and outstanding stock options totalled 10,975,380 of which 5,672,049 were exercisable.

Perpetual preferred shares of \$150 million were outstanding as at March 31, 2019. On April 30, the Company redeemed the \$150 million perpetual preferred shares.

### SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF EARNINGS

<i>(unaudited)</i> <i>(in thousands of Canadian dollars, except per share amounts)</i>	THREE MONTHS ENDED MARCH 31	
	2019	2018
<b>Revenues</b>		
Management fees	\$ 545,224	\$ 556,601
Administration fees	101,699	107,534
Distribution fees	89,274	93,320
Net investment income and other	20,233	14,209
Proportionate share of associates' earnings <i>(Note 6)</i>	32,650	37,984
	<b>789,080</b>	<b>809,648</b>
<b>Expenses</b>		
Commission	274,666	286,098
Non-commission	274,438	253,145
Interest	25,216	30,264
	<b>574,320</b>	<b>569,507</b>
Earnings before income taxes	214,760	240,141
Income taxes	45,044	52,390
<b>Net earnings</b>	<b>169,716</b>	<b>187,751</b>
Perpetual preferred share dividends	2,213	2,213
<b>Net earnings available to common shareholders</b>	<b>\$ 167,503</b>	<b>\$ 185,538</b>
Earnings per share <i>(in dollars) (Note 14)</i>		
– Basic	\$ 0.70	\$ 0.77
– Diluted	\$ 0.70	\$ 0.77

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31	
	2019	2018
<b>Net earnings</b>	<b>\$ 169,716</b>	<b>\$ 187,751</b>
<b>Other comprehensive income (loss), net of tax</b>		
<b>Items that will not be reclassified to Net earnings</b>		
Fair value through other comprehensive income investments		
Other comprehensive income (loss), net of tax of \$1,113 and \$429	(7,138)	(2,746)
Employee benefits		
Net actuarial gains (losses), net of tax of \$7,388 and \$1,269	(19,980)	(3,427)
Investment in associates – employee benefits and other		
Other comprehensive income (loss), net of tax of nil	(6,691)	(2,875)
<b>Items that may be reclassified subsequently to Net earnings</b>		
Investment in associates and other		
Other comprehensive income (loss), net of tax of \$(646) and \$(4,422)	29,358	40,937
	<b>(4,451)</b>	<b>31,889</b>
<b>Total comprehensive income</b>	<b>\$ 165,265</b>	<b>\$ 219,640</b>

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

## CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	MARCH 31 2019	DECEMBER 31 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 837,089	\$ 650,228
Other investments <i>(Note 3)</i>	328,987	459,911
Client funds on deposit	507,553	546,787
Accounts and other receivables	341,445	319,609
Income taxes recoverable	42,517	9,316
Loans <i>(Note 4)</i>	7,687,685	7,738,031
Derivative financial instruments	15,809	16,364
Other assets	44,487	46,531
Investment in associates <i>(Note 6)</i>	1,906,020	1,651,304
Capital assets <i>(Note 2)</i>	233,678	138,647
Capitalized sales commissions	112,813	105,044
Deferred income taxes	58,471	75,607
Intangible assets	1,193,401	1,191,068
Goodwill	2,660,267	2,660,267
	<b>\$ 15,970,222</b>	<b>\$ 15,608,714</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 368,741	\$ 397,379
Income taxes payable	3,011	51,894
Derivative financial instruments	26,191	28,990
Deposits and certificates	531,583	568,799
Other liabilities	538,542	444,173
Obligations to securitization entities	7,462,680	7,370,193
Lease obligations <i>(Note 2)</i>	104,873	-
Deferred income taxes	296,024	295,719
Long-term debt <i>(Note 7)</i>	2,100,000	1,850,000
	<b>11,431,645</b>	<b>11,007,147</b>
<b>Shareholders' Equity</b>		
Share capital		
Perpetual preferred shares	150,000	150,000
Common shares	1,613,388	1,611,263
Contributed surplus	46,247	45,536
Retained earnings	2,800,659	2,840,566
Accumulated other comprehensive income (loss)	(71,717)	(45,798)
	<b>4,538,577</b>	<b>4,601,567</b>
	<b>\$ 15,970,222</b>	<b>\$ 15,608,714</b>

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 3, 2019.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited) (in thousands of Canadian dollars)	THREE MONTHS ENDED MARCH 31					
	SHARE CAPITAL			RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 11)	TOTAL SHAREHOLDERS' EQUITY
	PERPETUAL PREFERRED SHARES (Note 8)	COMMON SHARES (Note 8)	CONTRIBUTED SURPLUS			
<b>2019</b>						
<b>Balance, beginning of period</b>						
As previously reported	\$ 150,000	\$ 1,611,263	\$ 45,536	\$ 2,840,566	\$ (45,798)	\$ 4,601,567
Change in accounting policy (Note 2) IFRS 16	-	-	-	(5,568)	-	(5,568)
As restated	150,000	1,611,263	45,536	2,834,998	(45,798)	4,595,999
Net earnings	-	-	-	169,716	-	169,716
Other comprehensive income (loss), net of tax	-	-	-	-	(4,451)	(4,451)
Total comprehensive income	-	-	-	169,716	(4,451)	165,265
Common shares						
Issued under stock option plan	-	3,908	-	-	-	3,908
Stock options						
Current period expense	-	-	923	-	-	923
Exercised	-	-	(212)	-	-	(212)
Perpetual preferred share dividends	-	-	-	(2,213)	-	(2,213)
Common share dividends	-	-	-	(135,498)	-	(135,498)
Transfer out of fair value through other comprehensive income	-	-	-	21,468	(21,468)	-
Common share cancellation excess & other	-	(1,783)	-	(87,812)	-	(89,595)
<b>Balance, end of period</b>	<b>\$ 150,000</b>	<b>\$ 1,613,388</b>	<b>\$ 46,247</b>	<b>\$ 2,800,659</b>	<b>\$ (71,717)</b>	<b>\$ 4,538,577</b>
<b>2018</b>						
Balance, beginning of period	\$ 150,000	\$ 1,602,726	\$ 42,633	\$ 2,620,797	\$ (71,113)	\$ 4,345,043
Net earnings	-	-	-	187,751	-	187,751
Other comprehensive income (loss), net of tax	-	-	-	-	31,889	31,889
Total comprehensive income	-	-	-	187,751	31,889	219,640
Common shares						
Issued under stock option plan	-	6,234	-	-	-	6,234
Stock options						
Current period expense	-	-	906	-	-	906
Exercised	-	-	(662)	-	-	(662)
Perpetual preferred share dividends	-	-	-	(2,213)	-	(2,213)
Common share dividends	-	-	-	(135,451)	-	(135,451)
Other	-	-	-	(562)	-	(562)
Balance, end of period	\$ 150,000	\$ 1,608,960	\$ 42,877	\$ 2,670,322	\$ (39,224)	\$ 4,432,935

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)

THREE MONTHS ENDED MARCH 31

	2019	2018
<b>Operating activities</b>		
Earnings before income taxes	\$ 214,760	\$ 240,141
Income taxes paid	(96,629)	(38,373)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	4,781	2,928
Capitalized sales commissions paid	(12,550)	(16,275)
Amortization of capital and intangible assets	19,968	13,872
Proportionate share of associates' earnings, net of dividends received	(16,239)	(22,526)
Pension and other post-employment benefits	799	(17,882)
Changes in operating assets and liabilities and other	(66,419)	(27,786)
Cash from operating activities before restructuring provision payments	48,471	134,099
Restructuring provision cash payments	(19,625)	(16,234)
	28,846	117,865
<b>Financing activities</b>		
Net increase (decrease) in deposits and certificates	870	(551)
Increase in obligations to securitization entities	426,284	361,544
Repayments of obligations to securitization entities and other	(320,989)	(352,802)
Repayments of lease obligations	(5,570)	-
Issue of debentures	250,000	-
Repayment of debentures	-	(150,000)
Issue of common shares	3,696	5,572
Common shares purchased for cancellation	(9,152)	-
Perpetual preferred share dividends paid	(2,213)	(2,213)
Common share dividends paid	(135,498)	(135,375)
	207,428	(273,825)
<b>Investing activities</b>		
Purchase of other investments	(35,351)	(50,240)
Proceeds from the sale of other investments	20,219	25,805
Increase in loans	(293,324)	(383,643)
Repayment of loans and other	341,255	403,007
Net additions to capital assets	(5,250)	(4,512)
Net cash used in additions to intangible assets and acquisitions	(10,151)	(23,057)
Investment in Personal Capital Corporation	(66,811)	-
	(49,413)	(32,640)
Increase (decrease) in cash and cash equivalents	186,861	(188,600)
Cash and cash equivalents, beginning of period	650,228	966,843
<b>Cash and cash equivalents, end of period</b>	<b>\$ 837,089</b>	<b>\$ 778,243</b>
Cash	\$ 56,119	\$ 49,566
Cash equivalents	780,970	728,677
	\$ 837,089	\$ 778,243
<b>Supplemental disclosure of cash flow information related to operating activities</b>		
Interest and dividends received	\$ 72,066	\$ 69,925
Interest paid	\$ 64,169	\$ 65,917

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

### NOTE 1 CORPORATE INFORMATION

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

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

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2018. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report.

#### CHANGES IN ACCOUNTING POLICIES

##### **IFRS 16 LEASES (IFRS 16)**

As of January 1, 2019, the Company adopted IFRS 16 using the modified retrospective method with no restatement of comparative financial information. Under this approach, the Company recognized a lease liability of \$105.5 million equal to the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied was 4.4%. A right-of-use asset of \$96.1 million representing the Company's property leases was also recognized at its carrying amount as if IFRS 16 had been applied since each lease commencement date, net of the accumulated amortization that would have been recognized up to January 1, 2019. The difference between the right-of-use asset and the lease liability of \$9.4 million was recognized as an adjustment to retained earnings as at January 1, 2019. The following practical expedients were applied on transition:

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

Amortization expense increased due to the amortization of the right-of-use asset and interest expense increased due to the imputed interest on the lease liability; however total expenses are not materially different due to the offsetting decrease to operating lease expense.



NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16 LEASES (IFRS 16) (continued)

Impact of the changes in accounting policies on the Consolidated Balance Sheet:

	DECEMBER 31, 2018	ADJUSTMENT DUE TO ADOPTION OF IFRS 16	JANUARY 1, 2019
<b>Assets</b>			
Other assets <sup>(1)</sup>	\$ 46,531	\$ (61)	\$ 46,470
Capital assets	138,647	96,065	234,712
		<u>\$ 96,004</u>	
<b>Liabilities &amp; Shareholders' Equity</b>			
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ 397,379	\$ (1,958)	\$ 395,421
Lease obligations	–	105,539	105,539
Deferred income taxes	295,719	(2,009)	293,710
Retained earnings	2,840,566	(5,568)	2,834,998
		<u>\$ 96,004</u>	

(1) Write-off of free rent inducement on capitalized leases

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term and is recorded in Non-commission expense. Imputed interest on the lease liability is recorded in Interest expense.

Lease payments included in the measurement of the lease liability comprises fixed payments less any lease incentives receivable, variable payments that depend on an index or a rate, and payments or penalties for terminating the lease, if any. The lease payments are discounted using the Company's incremental borrowing rate, which is applied to portfolios of leases with reasonably similar characteristics.

The Company does not recognize a right-of-use asset or lease liability for leases that, at commencement date, have a lease term of 12 months or less, and leases for which the underlying asset is of low value. The Company recognizes the payments associated with these leases as an expense on a straight-line basis over the term of the lease.

COMPARATIVE FIGURES

The Company reclassified certain comparative figures in its Statements of Cash Flows to conform to the current year's presentation. The reclassifications are intended to provide additional details on the nature of the Company's cash flows and had no impact on the net earnings of the Company.

### NOTE 3 OTHER INVESTMENTS

	MARCH 31, 2019		DECEMBER 31, 2018	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 196,187	\$ 231,895	\$ 303,619	\$ 372,396
Fair value through profit or loss (FVTPL)				
Equity securities	17,009	15,549	16,976	12,915
Proprietary investment funds	81,719	81,543	78,504	74,600
	98,728	97,092	95,480	87,515
	\$ 294,915	\$ 328,987	\$ 399,099	\$ 459,911

In January 2019, the Company invested an additional amount of \$66.8 million (USD \$50.0 million) in Personal Capital Corporation which increased its voting interest to 22.7% and resulted in reclassification of the investment in Personal Capital Corporation from FVTOCI to the equity method (Note 6).

In the first quarter of 2019, the Company invested an additional \$17.9 million in WealtheSimple Financial Corporation.

On April 15, 2019 the Company invested an additional \$11.0 million in Portag3 Ventures II LP.

### NOTE 4 LOANS

	CONTRACTUAL MATURITY			MARCH 31 2019 TOTAL	DECEMBER 31 2018 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
<b>Amortized cost</b>					
Residential mortgages	\$ 1,315,873	\$ 6,356,866	\$ 10,427	\$ 7,683,166	\$ 7,734,529
Less: Allowance for expected credit losses				811	801
				7,682,355	7,733,728
<b>Fair value through profit or loss</b>				5,330	4,303
				\$ 7,687,685	\$ 7,738,031

The change in the allowance for expected credit losses is as follows:

Balance, beginning of period	\$ 801	\$ 806
Write-offs, net of recoveries	(398)	(326)
Provision for credit losses	408	321
Balance, end of period	\$ 811	\$ 801

Total credit impaired loans as at March 31, 2019 were \$2,921 (December 31, 2018 – \$3,271).

Total interest income on loans was \$54.5 million (2018 – \$52.2 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$44.1 million (2018 – \$39.9 million). Gains realized on the sale of residential mortgages totalled \$0.3 million (2018 – \$0.8 million). Fair value adjustments related to mortgage banking operations totalled negative \$3.4 million (2018 – negative \$3.9 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

## NOTE 5 SECURITIZATIONS

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

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a negative fair value of \$5.5 million at March 31, 2019 (December 31, 2018 – positive \$4.9 million).

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

	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
<b>MARCH 31, 2019</b>			
Carrying value			
NHA MBS and CMB Program	\$ 4,301,389	\$ 4,288,284	\$ 13,105
Bank sponsored ABCP	3,153,738	3,174,396	(20,658)
Total	\$ 7,455,127	\$ 7,462,680	\$ (7,553)
Fair value	\$ 7,540,808	\$ 7,578,167	\$ (37,359)
<b>DECEMBER 31, 2018</b>			
Carrying value			
NHA MBS and CMB Program	\$ 4,246,668	\$ 4,250,641	\$ (3,973)
Bank sponsored ABCP	3,102,498	3,119,552	(17,054)
Total	\$ 7,349,166	\$ 7,370,193	\$ (21,027)
Fair value	\$ 7,405,170	\$ 7,436,873	\$ (31,703)

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

## NOTE 6 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
<b>MARCH 31, 2019</b>				
Balance, beginning of period	\$ 967,830	\$ 683,475	\$ -	\$ 1,651,305
Transfer from corporate investments (FVTOCI)	-	-	216,952	216,952
Dividends received	(16,411)	-	-	(16,411)
Proportionate share of:				
Earnings (losses)	28,642	7,369	(3,361)	32,650
Other comprehensive income (loss) and other adjustments	19,445	1,936	143	21,524
Balance, end of period	\$ 999,506	\$ 692,780	\$ 213,734	\$ 1,906,020
<b>MARCH 31, 2018</b>				
Balance, beginning of period	\$ 901,405	\$ 647,880	\$ -	\$ 1,549,285
Dividends received	(15,458)	-	-	(15,458)
Proportionate share of:				
Earnings	30,181	7,803	-	37,984
Other comprehensive income (loss) and other adjustments	5,836	38,842	-	44,678
Balance, end of period	\$ 921,964	\$ 694,525	\$ -	\$ 1,616,489

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

### GREAT-WEST LIFECO INC. (LIFECO)

At March 31, 2019, the Company held 39,737,388 (December 31, 2018 – 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (December 31, 2018 – 4.0%).

Subsequent to March 31, 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.

### CHINA ASSET MANAGEMENT CO., LTD. (CHINA AMC)

China AMC is an asset management company established in Beijing, China and is controlled by CITIC Securities Company Limited.

As at March 31, 2019, the Company held a 13.9% equity interest in China AMC (2018 – 13.9%).

### PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In January 2019, the Company invested an additional amount of \$66.8 million (USD \$50.0 million) in Personal Capital which increased its voting interest to 22.7% (March 31, 2018 – 15.5%) and, combined with its board representation, resulted in the Company exercising significant influence.

As at March 31, 2019, the Company held a 25.2% equity interest in Personal Capital. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net income adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company.

## NOTE 7 LONG-TERM DEBT

On March 20, 2019, the Company issued \$250.0 million 4.206% debentures maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of \$150.0 million of its issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

## NOTE 8 SHARE CAPITAL

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### AUTHORIZED

Unlimited number of:

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

### ISSUED AND OUTSTANDING

	MARCH 31, 2019		MARCH 31, 2018	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	6,000,000	\$ 150,000	6,000,000	\$ 150,000
Common shares:				
Balance, beginning of period	240,885,317	\$ 1,611,263	240,666,131	\$ 1,602,726
Issued under Stock Option Plan	138,598	3,908	139,776	\$ 6,234
Purchased for cancellation	(266,093)	(1,783)	–	–
Balance, end of period	240,757,822	\$ 1,613,388	240,805,907	\$ 1,608,960

### PERPETUAL PREFERRED SHARES

The company redeemed the \$150.0 million First preferred shares, Series B on April 30, 2019.

### NORMAL COURSE ISSUER BID

In the first quarter of 2019, there were 266,093 shares (2018 – nil) purchased at a cost of \$9.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

The Company commenced a normal course issuer bid on March 26, 2019 which is effective until the earlier of March 25, 2020 and the date on which the Corporation has purchased the maximum number of common shares permitted under the Normal Course Issuer Bid. Pursuant to this bid, the Company may purchase up to 4.0 million or 1.7% of its common shares outstanding as at March 14, 2019. The Company's previous normal course issuer bid expired on March 19, 2018.

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

## NOTE 9 CAPITAL MANAGEMENT

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The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2019 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2018.

## NOTE 10 SHARE-BASED PAYMENTS

### STOCK OPTION PLAN

	MARCH 31 2019	DECEMBER 31 2018
Common share options		
– Outstanding	10,975,380	9,701,894
– Exercisable	5,672,049	4,742,050

In the first quarter of 2019, the Company granted 1,485,310 options to employees (2018 – 1,318,390). The fair value of options granted during the three months ended March 31, 2019 has been estimated at \$1.82 per option (2018 – \$2.56) using the Black-Scholes option pricing model. The closing share price at the grant date was \$34.30. The assumptions used in these valuation models include:

	THREE MONTHS ENDED MARCH 31	
	2019	2018
Exercise price	\$ 34.29	\$ 39.29
Risk-free interest rate	2.07%	2.35%
Expected option life	7 years	6 years
Expected volatility	18.00%	17.00%
Expected dividend yield	6.56%	5.73%

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

## NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
<b>MARCH 31, 2019</b>				
Balance, beginning of period	\$ (149,052)	\$ 57,234	\$ 46,020	\$ (45,798)
Other comprehensive income (loss)	(19,980)	(7,138)	22,667	(4,451)
Transfer out of FVTOCI	–	(21,468)	–	(21,468)
Balance, end of period	\$ (169,032)	\$ 28,628	\$ 68,687	\$ (71,717)
<b>MARCH 31, 2018</b>				
Balance, beginning of period	\$ (132,529)	\$ 39,068	\$ 22,348	\$ (71,113)
Other comprehensive income (loss)	(3,427)	(2,746)	38,062	31,889
Balance, end of period	\$ (135,956)	\$ 36,322	\$ 60,410	\$ (39,224)

Amounts are recorded net of tax.

## NOTE 12 RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2019 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2018.

## NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Fair value is determined using the following methods and assumptions:

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

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

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

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

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

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

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

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

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

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

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

	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>MARCH 31, 2019</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 231,895	\$ –	\$ –	\$ 231,895	\$ 231,895
– FVTPL	97,092	96,473	–	619	97,092
Loans					
– FVTPL	5,330	–	5,330	–	5,330
Derivative financial instruments	15,809	–	11,247	4,562	15,809
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	7,682,355	–	226,563	7,540,808	7,767,371
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	26,191	–	16,103	10,088	26,191
Other financial liabilities	9,522	9,423	99	–	9,522
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	531,583	–	531,966	–	531,966
Obligations to securitization entities	7,462,680	–	–	7,578,167	7,578,167
Long-term debt	2,100,000	–	2,397,774	–	2,397,774
<b>DECEMBER 31, 2018</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 372,396	\$ –	\$ –	\$ 372,396	\$ 372,396
– FVTPL	87,515	86,963	–	552	87,515
Loans					
– FVTPL	4,303	–	4,303	–	4,303
Derivative financial instruments	16,364	–	7,179	9,185	16,364
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	7,733,728	–	380,372	7,405,170	7,785,542
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	28,990	–	24,704	4,286	28,990
Other financial liabilities	8,237	8,235	2	–	8,237
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	568,799	–	569,048	–	569,048
Obligations to securitization entities	7,370,193	–	–	7,436,873	7,436,873
Long-term debt	1,850,000	–	2,050,299	–	2,050,299

There were no significant transfers between Level 1 and Level 2 in 2019 and 2018.



NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS <sup>(1)</sup>	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE MARCH 31
<b>MARCH 31, 2019</b>							
Other investments							
– FVTOCI	\$ 372,396	\$ –	\$ (8,251)	\$ 17,891	\$ –	\$ (150,141) <sup>(2)</sup>	\$ 231,895
– FVTPL	552	67	–	–	–	–	619
Derivative financial instruments, net	4,899	(9,148)	–	(973)	304	–	(5,526)
<b>MARCH 31, 2018</b>							
Other investments							
– FVTOCI	\$ 262,825	\$ –	\$ (3,175)	\$ 47,132	\$ –	\$ –	\$ 306,782
– FVTPL	661	20	–	–	–	–	681
Derivative financial instruments, net	4,095	(2,685)	–	194	(3,820)	–	5,424

(1) Included in Net investment income in the Consolidated Statements of Earnings.

(2) Reclassification of investment in Personal Capital from Other investments (FVTOCI) to Investment in associates (equity method).

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31	
	2019	2018
<b>Earnings</b>		
Net earnings	\$ 169,716	\$ 187,751
Perpetual preferred share dividends	2,213	2,213
Net earnings available to common shareholders	\$ 167,503	\$ 185,538
<b>Number of common shares (in thousands)</b>		
Weighted average number of common shares outstanding	240,941	240,759
Add: Potential exercise of outstanding stock options <sup>(1)</sup>	–	322
Average number of common shares outstanding – Diluted basis	240,941	241,081
<b>Earnings per common share (in dollars)</b>		
Basic	\$ 0.70	\$ 0.77
Diluted	\$ 0.70	\$ 0.77

(1) Excludes 3,013 thousand shares for the three months ended March 31, 2019 (2018 – 720 thousand) related to outstanding stock options that were anti-dilutive.

## NOTE 15 SEGMENTED INFORMATION

The Company's reportable segments are:

- IG Wealth Management
- Mackenzie Investments
- Corporate and Other

These segments reflect the Company's internal financial reporting and performance measurement. In the third quarter of 2018, the Company announced that it has rebranded Investors Group as IG Wealth Management.

IG Wealth Management earns fee-based revenues in the conduct of its core business activities which are primarily related to the distribution, management and administration of its investment funds. It also earns fee revenues from the provision of brokerage services and the distribution of insurance and banking products. In addition, IG Wealth Management earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

Mackenzie Investments earns fee-based revenues from services it provides as fund manager to its investment funds and as investment advisor to sub-advisory and institutional accounts.

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco, China AMC and Personal Capital (Note 6), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

2019

THREE MONTHS ENDED MARCH 31	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	\$ 358,153	\$ 168,278	\$ 18,793	\$ 545,224
Administration fees	73,949	23,272	4,478	101,699
Distribution fees	41,112	1,439	46,723	89,274
Net investment income and other	10,038	4,179	6,016	20,233
Proportionate share of associates' earnings	–	–	32,650	32,650
	483,252	197,168	108,660	789,080
Expenses				
Commission	156,984	72,448	45,234	274,666
Non-commission	162,926	88,790	22,722	274,438
	319,910	161,238	67,956	549,104
Earnings before undernoted	\$ 163,342	\$ 35,930	\$ 40,704	239,976
Interest expense <sup>(1)</sup>				25,216
Earnings before income taxes				214,760
Income taxes				45,044
Net earnings				169,716
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				\$ 167,503
Identifiable assets	\$ 9,065,689	\$ 1,183,641	\$ 3,060,625	\$ 13,309,955
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	\$ 10,413,470	\$ 2,352,221	\$ 3,204,531	\$ 15,970,222

(1) Interest expense includes interest on long-term debt and, beginning January 1, 2019, includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

NOTE 15 SEGMENTED INFORMATION (continued)

2018

THREE MONTHS ENDED MARCH 31	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
<b>Revenues</b>				
Management fees	\$ 360,807	\$ 175,930	\$ 19,864	\$ 556,601
Administration fees	78,041	24,882	4,611	107,534
Distribution fees	43,318	2,066	47,936	93,320
Net investment income and other	10,336	(174)	4,047	14,209
Proportionate share of associates' earnings	-	-	37,984	37,984
	492,502	202,704	114,442	809,648
<b>Expenses</b>				
Commission	164,758	75,273	46,067	286,098
Non-commission	144,726	85,830	22,589	253,145
	309,484	161,103	68,656	539,243
Earnings before undernoted	\$ 183,018	\$ 41,601	\$ 45,786	270,405
Interest expense				30,264
Earnings before income taxes				240,141
Income taxes				52,390
Net earnings				187,751
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				\$ 185,538
<b>Identifiable assets</b>				
Identifiable assets	\$ 8,855,206	\$ 1,203,987	\$ 2,976,020	\$ 13,035,213
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	\$ 10,202,987	\$ 2,372,567	\$ 3,119,926	\$ 15,695,480

# SHAREHOLDER INFORMATION

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Fax: 204 947 1659

## AUDITOR

**Deloitte LLP**

## TRANSFER AGENT AND REGISTRAR

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Telephone: 800 564 6253  
service@computershare.com

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

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

## STOCK EXCHANGE LISTING

### Toronto Stock Exchange

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

Common Shares: IGM  
First Preferred Shares, Series B: IGM.PR.B

## SHAREHOLDER INFORMATION

For additional financial information about the Company, please contact:

### Investor Relations

investor.relations@igmfinancial.com

For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at 204 956 8328 or visit our website at [www.igmfinancial.com](http://www.igmfinancial.com)

## NORMAL COURSE ISSUER BID

The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from March 26, 2019 to March 25, 2020. During the course of the Bid, the Company intends to purchase for cancellation up to but not more than 4,000,000 of its common shares, representing approximately 1.7% of its outstanding common shares. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

## WEBSITES

Visit our websites at

[www.igmfinancial.com](http://www.igmfinancial.com)

[www.investorsgroup.com](http://www.investorsgroup.com)

[www.mackenzieinvestments.com](http://www.mackenzieinvestments.com)

[www.ipcc.ca](http://www.ipcc.ca)

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