MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2019 and 2018 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2019 is as of February 14, 2020.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

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

PRINCIPAL HOLDERS OF VOTING SHARES

As at December 31, 2019, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 62.1% and 3.9%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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 to 4.

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.

IGM Financial's assets under administration were $190.2 billion as at December 31, 2019, up 11.8% from $170.1 billion at December 31, 2018.

Total assets under management were $166.8 billion at December 31, 2019, the highest level in the history of the Company, compared with $149.1 billion at December 31, 2018, as detailed in Tables 6 and 7. Average total assets under management for the year ended December 31, 2019 were $161.0 billion compared to $156.9 billion in 2018. Average total assets under management for the fourth quarter of 2019 were $164.5 billion compared to $153.0 billion in 2018.

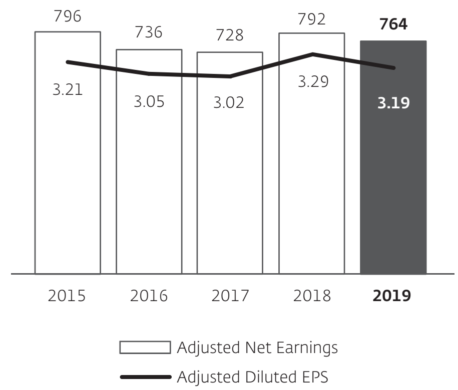
Investment fund assets under management, also at a record high, were $161.8 billion at December 31, 2019 compared with $143.3 billion at December 31, 2018. Average investment fund assets under management for the year ended December 31, 2019 were $155.5 billion compared to $150.5 billion in 2018. Average investment fund assets under management for the fourth quarter of 2019 were $159.5 billion compared to $147.0 billion in 2018.

Net earnings available to common shareholders for the year ended December 31, 2019 were $746.7 million or $3.12 per share compared to net earnings available to common shareholders of $767.3 million or $3.18 per share in 2018, a decrease of 1.9% in earnings per share. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2019 were $763.9 million or $3.19 per share compared to adjusted net earnings available to common shareholders of $791.8 million or $3.29 per share in 2018, a decrease of 3.0% in adjusted earnings per share.

Net earnings available to common shareholders for the three months ended December 31, 2019 were $191.6 million or 80 cents per share compared to net earnings available to common shareholders of $179.9 million or 75 cents per share for the comparative period in 2018. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended December 31, 2019 were $200.8 million or 84 cents per share compared to adjusted net earnings available to common shareholders of $179.9 million or 75 cents per share in 2018.

Adjusted Net Earnings and Adjusted Net Earnings per Share

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



Adjusted net earnings and adjusted net earnings per share excluded the following after-tax amounts:

2015 - a charge related to restructuring and other charges.

2016 - a reduction in income tax estimates related to certain tax filings.

2017 - charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.

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

2019 - the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges.

Other items for the year ended December 31, 2019 consisted of:

- A one-time charge of $9.2 million, recorded in the fourth quarter, which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments related to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction.
- A one-time charge of $8.0 million, recorded in the second quarter, which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax loss on the sale of its United States individual life insurance and annuity business.

Other items for the year ended December 31, 2018 consisted of:

- Restructuring and other charges of $16.7 million after-tax ($22.7 million pre-tax) resulting from the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve the Company's offerings and operational effectiveness.
- A premium of $7.8 million after-tax ($10.7 million pre-tax) paid on the early redemption of the $375 million 7.35% debentures on August 10, 2018.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
($ millions)	**2019 DEC. 31**	2019 SEP. 30	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 200.8**	$ 202.5	$ 179.9	**$ 763.9**	$ 791.8
Proportionate share of associate's one-time charges	**(9.2)**	–	–	**(17.2)**	–
Premium paid on early redemption of debentures, net of tax	**–**	–	–	**–**	(7.8)
Restructuring and other, net of tax	**–**	–	–	**–**	(16.7)
Net earnings available to common shareholders – IFRS	**$ 191.6**	$ 202.5	$ 179.9	**$ 746.7**	$ 767.3
Adjusted net earnings per share(1) available to common shareholders – Non-IFRS measure	**$ 0.84**	$ 0.85	$ 0.75	**$ 3.19**	$ 3.29
Proportionate share of associate's one-time charges	**(0.04)**	–	–	**(0.07)**	–
Premium paid on early redemption of debentures, net of tax	**–**	–	–	**–**	(0.04)
Restructuring and other, net of tax	**–**	–	–	**–**	(0.07)
Net earnings per share(1) available to common shareholders – IFRS	**$ 0.80**	$ 0.85	$ 0.75	**$ 3.12**	$ 3.18
EBITDA before sales commissions – Non-IFRS measure	**$ 336.5**	$ 337.1	$ 296.8	**$ 1,294.0**	$ 1,333.0
Sales-based commissions paid	**(45.2)**	(38.2)	(41.2)	**(165.1)**	(188.5)
EBITDA after sales commissions – Non-IFRS measure	**291.3**	298.9	255.6	**1,128.9**	1,144.5
Sales-based commissions paid subject to amortization	**23.5**	16.3	13.2	**67.2**	55.7
Amortization of capitalized sales commissions	**(6.5)**	(5.9)	(4.3)	**(22.4)**	(14.4)
Amortization of capital, intangible and other assets(2)	**(19.9)**	(19.9)	(14.4)	**(79.5)**	(56.1)
Interest expense(3)	**(27.8)**	(27.7)	(24.1)	**(108.4)**	(110.2)
Adjusted Earnings before income taxes – Non-IFRS measure	**260.6**	261.7	226.0	**985.8**	1,019.5
Proportionate share of associate's one-time charges	**(9.2)**	–	–	**(17.2)**	–
Premium paid on early redemption of debentures	**–**	–	–	**–**	(10.7)
Restructuring and other	**–**	–	–	**–**	(22.7)
Earnings before income taxes	**251.4**	261.7	226.0	**968.6**	986.1
Income taxes	**(59.8)**	(59.2)	(43.9)	**(219.7)**	(210.0)
Perpetual preferred share dividends	**–**	–	(2.2)	**(2.2)**	(8.8)
Net earnings available to common shareholders – IFRS	**$ 191.6**	$ 202.5	$ 179.9	**$ 746.7**	$ 767.3

(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 as a result of the Company's adoption of IFRS 16, Leases (fourth quarter - $6.0 million; third quarter - $6.0 million; 2019 - $23.5 million).

(3) 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 (fourth quarter - $1.0 million; third quarter - $1.0 million; 2019 - $4.1 million).

Shareholders' equity was $4.5 billion at December 31, 2019, compared to $4.6 billion at December 31, 2018. Return on average common equity based on adjusted net earnings for the year ended December 31, 2019 was 17.2%, compared with 18.2% for the comparative period in 2018. The quarterly dividend per common share was 56.25 cents in 2019, unchanged from the end of 2018.

2019 DEVELOPMENTS

TRANSFORMATION ACTIVITIES

IGM Financial has previously announced a five-year transformation to modernize its digital platforms and technology infrastructure to enable the company to enhance operations, achieve efficiencies and further improve the service experience for its clients. As part of this transformation effort, we announced two initiatives during the year:

- IGM Financial has selected CIBC Mellon to assume most of its fund services functions. This will add fund administration servicing solutions to the custody and related services that CIBC Mellon already performed for the Company.
- We have chosen Google Cloud to manage our data platform. We are among the first major Canadian financial services companies to move SAP applications and data to the Google Cloud Platform. The migration of the firm's data to a cloud-based environment will enhance operational efficiencies through greater productivity and business agility, and enhanced service levels.

CAPITAL MANAGEMENT ACTIVITIES

IGM Financial initiated a number of capital and liquidity transactions in 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 purchased 2,762,788 shares at a cost of $100 million.

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 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 24.8% 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 Consolidated Financial Statements).

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

Non-commission expense in 2019 was $3.8 million lower and interest expense was $4.1 million higher as a result of the adoption of IFRS 16. If IFRS 16 had been applied retrospectively, non-commission expense in 2018 would have been $0.5 million lower and interest expense $4.1 million higher.

IFRS 16 impacted 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.

In 2019, EBITDA before sales commissions increased by $27.3 million to $1,294.0 million as a result of IFRS 16. If IFRS 16 had been applied retroactively, EBITDA before sales commission in 2018, would have increased by $22.9 million to $1,355.9 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, 3 and 4 reflect the Company's internal financial reporting and performance measurement.

Certain items reflected in Tables 2, 3, and 4 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt and, in 2019 also includes interest expense on leases 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.
- *2019 Proportionate share of associate's one-time charges* – consisted of:
  - $9.2 million representing the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2019 VS. Q4 2018

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED ($ millions)	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31
Revenues								
Fee income	**$ 501.0**	$ 477.0	**$ 207.3**	$ 195.1	**$ 70.5**	$ 71.6	**$ 778.8**	$ 743.7
Net investment income and other	**16.8**	11.0	**0.6**	(3.1)	**36.5**	39.9	**53.9**	47.8
	517.8	488.0	**207.9**	192.0	**107.0**	111.5	**832.7**	791.5
Expenses								
Commission	**159.6**	156.3	**73.9**	69.7	**44.8**	46.4	**278.3**	272.4
Non-Commission[1]	**151.9**	159.6	**92.6**	86.9	**21.5**	22.5	**266.0**	269.0
	311.5	315.9	**166.5**	156.6	**66.3**	68.9	**544.3**	541.4
Earnings before interest and taxes	**$ 206.3**	$ 172.1	**$ 41.4**	$ 35.4	**$ 40.7**	$ 42.6	**288.4**	250.1
Interest expense[2]							**(27.8)**	(24.1)
Proportionate share of associate's one time charges							**(9.2)**	–
Earnings before income taxes							**251.4**	226.0
Income taxes							**59.8**	43.9
Net earnings							**191.6**	182.1
Perpetual preferred share dividends							**–**	2.2
Net earnings available to common shareholders							**$ 191.6**	$ 179.9
Adjusted net earnings available to common shareholders[3]							**$ 200.8**	$ 179.9

(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 $1.0 million as a result of the Company's adoption of IFRS 16, Leases.*

(3) *Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures. 2019 adjusted net earnings excluded the proportionate share of associate's one-time charges of $9.2 million, which was recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.*

  – $8.0 million representing the Company's proportionate share in Great-West Lifeco Inc.'s after-tax loss, recorded in the second quarter, on the sale of its United States individual life insurance and annuity business.

- *2018 Premium paid on early redemption of debentures* – represents the premium paid on the early redemption of the $375 million 7.35% debentures on August 10, 2018.
- *2018 Restructuring and other* – $22.7 million ($16.7 million after-tax) recorded in the third quarter resulted from the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve the Company's offerings and operational effectiveness.
- *Income taxes* – changes in the effective tax rates are shown in Table 5.

  Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other 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. The decrease in the preferred share dividends reflects the redemption of the $150.0 million in preferred shares on April 30, 2019.

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

TWELVE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2019 DEC. 31	IG WEALTH MANAGEMENT 2018 DEC. 31	MACKENZIE INVESTMENTS 2019 DEC. 31	MACKENZIE INVESTMENTS 2018 DEC. 31	CORPORATE & OTHER 2019 DEC. 31	CORPORATE & OTHER 2018 DEC. 31	TOTAL 2019 DEC. 31	TOTAL 2018 DEC. 31
Revenues								
Fee income	**$ 1,958.8**	$ 1,940.0	**$ 807.6**	$ 806.5	**$ 284.0**	$ 290.7	**$ 3,050.4**	$ 3,037.2
Net investment income and other	**56.2**	46.7	**4.2**	(1.9)	**139.0**	167.1	**199.4**	211.9
	2,015.0	1,986.7	**811.8**	804.6	**423.0**	457.8	**3,249.8**	3,249.1
Expenses								
Commission	**628.8**	623.4	**292.9**	291.1	**179.5**	184.2	**1,101.2**	1,098.7
Non-Commission[1]	**615.9**	597.3	**350.4**	335.1	**88.1**	88.3	**1,054.4**	1,020.7
	1,244.7	1,220.7	**643.3**	626.2	**267.6**	272.5	**2,155.6**	2,119.4
Earnings before interest and taxes	**$ 770.3**	$ 766.0	**$ 168.5**	$ 178.4	**$ 155.4**	$ 185.3	**1,094.2**	1,129.7
Interest expense[2]							**(108.4)**	(110.2)
Proportionate share of associate's one-time charges							**(17.2)**	–
Premium paid on early redemption of debentures							**–**	(10.7)
Restructuring and other							**–**	(22.7)
Earnings before income taxes							**968.6**	986.1
Income taxes							**219.7**	210.0
Net earnings							**748.9**	776.1
Perpetual preferred share dividends							**2.2**	8.8
Net earnings available to common shareholders							**$ 746.7**	$ 767.3
Adjusted net earnings available to common shareholders[3]							**$ 763.9**	$ 791.8

(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 $4.1 million as a result of the Company's adoption of IFRS 16, Leases.

(3) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

Adjusted net earnings exclude other items as follows:

– 2019 – Proportionate share of associate's one-time charges of $17.2 million, which was recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.

– 2018 – Premium paid on early redemption of debentures of $10.7 million ($7.8 million after-tax), which was recorded in Interest expense in the Consolidated Statements of Earnings.

– Restructuring and other charges of $22.7 million ($16.7 million after tax), which was recorded in Commission and Non-commission expenses in the Consolidated Statements of Earnings.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2019 VS. Q3 2019

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED ($ millions)	**2019 DEC. 31**	2019 SEP. 30	**2019 DEC. 31**	2019 SEP. 30	**2019 DEC. 31**	2019 SEP. 30	**2019 DEC. 31**	2019 SEP. 30
Revenues								
Fee income	**$ 501.0**	$ 492.9	**$ 207.3**	$ 205.0	**$ 70.5**	$ 71.7	**$ 778.8**	$ 769.6
Net investment income and other	**16.8**	15.8	**0.6**	(1.4)	**36.5**	32.1	**53.9**	46.5
	517.8	508.7	**207.9**	203.6	**107.0**	103.8	**832.7**	816.1
Expenses								
Commission	**159.6**	154.7	**73.9**	73.0	**44.8**	44.7	**278.3**	272.4
Non-Commission[1]	**151.9**	148.2	**92.6**	84.2	**21.5**	21.9	**266.0**	254.3
	311.5	302.9	**166.5**	157.2	**66.3**	66.6	**544.3**	526.7
Earnings before interest and taxes	**$ 206.3**	$ 205.8	**$ 41.4**	$ 46.4	**$ 40.7**	$ 37.2	**288.4**	289.4
Interest expense[2]							**(27.8)**	(27.7)
Proportionate share of associate's one-time charges							**(9.2)**	–
Earnings before income taxes							**251.4**	261.7
Income taxes							**59.8**	59.2
Net earnings							**191.6**	202.5
Perpetual preferred share dividends							**–**	–
Net earnings available to common shareholders							**$ 191.6**	$ 202.5
Adjusted net earnings available to common shareholders[3]							**$ 200.8**	$ 202.5

(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 interest on leases as a result of the Company's adoption of IFRS 16, Leases (fourth quarter - $1.0 million; third quarter - $1.0 million)

(3) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures. Fourth quarter adjusted net earnings excluded the proportionate share of associate's one-time charges of $9.2 million, which was recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.

TABLE 5: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	**26.76 %**	26.75 %	26.83 %	**26.77 %**	26.81 %
Effect of:					
Proportionate share of associates' earnings	**(3.43)**	(2.89)	(3.79)	**(3.31)**	(3.79)
Tax loss consolidation[1]	**(1.36)**	(1.32)	(1.56)	**(1.41)**	(1.40)
Other items	**0.83**	0.09	(2.07)	**0.15**	(0.33)
Effective income tax rate – adjusted net earnings	**22.80**	22.63	19.41	**22.20**	21.29
Proportionate share of associate's one-time charges	**0.99**	–	–	**0.48**	–
Effective income tax rate – net earnings	**23.79 %**	22.63 %	19.41 %	**22.68 %**	21.29 %

(1) See Note 26 - Related Party Transactions of the Consolidated Financial Statements included in the 2019 IGM Financial Inc. Annual Report (Annual Financial Statements).

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT AND ADMINISTRATION

Assets under administration were $190.2 billion at December 31, 2019 compared to $170.1 billion at December 31, 2018, an increase of 11.8%. Total assets under management were $166.8 billion at December 31, 2019 compared to $149.1 billion at December 31, 2018, an increase of 11.9%. Changes in assets under management and administration are detailed in Tables 6 and 7.

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.

TABLE 6: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q4 2019 VS. Q4 2018[1]

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		INVESTMENT PLANNING COUNSEL		INTERCOMPANY ELIMINATIONS[2]		CONSOLIDATED	
THREE MONTHS ENDED ($ millions)	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31
Investment funds										
Mutual funds[3][4]										
Gross sales	**$ 2,251**	$ 2,118	**$ 2,587**	$ 2,328	**$ 147**	$ 229	**$ –**	$ –	**$ 4,985**	$ 4,675
Net sales	**(247)**	(125)	**18**	(146)	**(114)**	(65)	**–**	–	**(343)**	(336)
ETFs										
Net creations	**–**	–	**646**	137	**–**	–	**–**	–	**646**	137
Inter-product eliminations[2]	**–**	–	**(399)**	(82)	**–**	–	**(45)**	56	**(444)**	(26)
Total investment fund net sales	**(247)**	(125)	**265**	(91)	**(114)**	(65)	**(45)**	56	**(141)**	(225)
Sub-advisory, institutional and other accounts										
Net sales	**–**	–	**(86)**	(224)	**–**	–	**14**	75	**(72)**	(149)
Combined net sales	**$ (247)**	$ (125)	**$ 179**	$ (315)	**$ (114)**	$ (65)	**$ (31)**	$ 131	**$ (213)**	$ (374)
Change in total assets under management										
Net sales	**$ (247)**	$ (125)	**$ 179**	$ (315)	**$ (114)**	$ (65)	**$ (31)**	$ 131	**$ (213)**	$ (374)
Investment returns	**2,629**	(5,730)	**1,755**	(4,304)	**140**	(342)	**(39)**	102	**4,485**	(10,274)
Net change in assets	**2,382**	(5,855)	**1,934**	(4,619)	**26**	(407)	**(70)**	233	**4,272**	(10,648)
Beginning assets	**90,779**	88,992	**68,271**	67,347	**5,365**	5,532	**(1,879)**	(2,157)	**162,536**	159,714
Ending assets	**$ 93,161**	$ 83,137	**$ 70,205**	$ 62,728	**$ 5,391**	$ 5,125	**$ (1,949)**	$ (1,924)	**$166,808**	$149,066
Total assets under management consists of:										
Investment funds										
Mutual funds[3]	**$ 93,161**	$ 83,137	**$ 60,838**	$ 53,407	**$ 5,391**	$ 5,125	**$ –**	$ –	**$159,390**	$141,669
ETFs	**–**	–	**4,749**	2,949	**–**	–	**–**	–	**4,749**	2,949
Inter-product eliminations[2]	**–**	–	**(1,596)**	(848)	**–**	–	**(780)**	(488)	**(2,376)**	(1,336)
Total investment funds	**93,161**	83,137	**63,991**	55,508	**5,391**	5,125	**(780)**	(488)	**161,763**	143,282
Sub-advisory, institutional and other accounts	**–**	–	**6,214**	7,220	**–**	–	**(1,169)**	(1,436)	**5,045**	5,784
Ending assets	**$ 93,161**	$ 83,137	**$ 70,205**	$ 62,728	**$ 5,391**	$ 5,125	**$ (1,949)**	$ (1,924)	**$166,808**	$149,066
Assets under administration[1]	**$ 97,277**	$ 86,287	**$ 70,205**	$ 62,728	**$ 27,728**	$ 25,706	**$ (4,972)**	$ (4,633)	**$190,238**	$170,088

(1) Assets under management consists of assets in the Company's funds and pools. Assets under administration consists of assets in Client accounts administered by the Company.

(2) 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 $1.9 billion at December 31, 2019 (2018 - $1.9 billion) and net redemptions of $31 million for the fourth quarter of 2019 (2018 - net sales of $131 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $1.6 billion at December 31, 2019 (2018 - $848 million) and net sales of $399 million in the three months ending December 31, 2019 (2018 - $82 million).*

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

(4) During the fourth quarter of 2019, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of $129 million, redemptions of $165 million and net redemptions of $36 million.

TABLE 7: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2019 VS. 2018[1]

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		INVESTMENT PLANNING COUNSEL		INTERCOMPANY ELIMINATIONS[2]		CONSOLIDATED	
TWELVE MONTHS ENDED *($ millions)*	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31	**2019 DEC. 31**	2018 DEC. 31
Investment funds										
Mutual funds[3][4]										
Gross sales	**$ 8,723**	$ 9,075	**$ 9,886**	$ 9,951	**$ 694**	$ 960	**$ –**	$ –	**$ 19,303**	$ 19,986
Net sales	**(1,089)**	485	**512**	113	**(272)**	(18)	**–**	–	**(849)**	580
ETFs										
Net creations	**–**	–	**1,559**	1,799	**–**	–	**–**	–	**1,559**	1,799
Inter-product eliminations[2]	**–**	–	**(655)**	(530)	**–**	–	**(197)**	(407)	**(852)**	(937)
Total investment fund net sales	**(1,089)**	485	**1,416**	1,382	**(272)**	(18)	**(197)**	(407)	**(142)**	1,442
Sub-advisory, institutional and other accounts[5]										
Net sales	**–**	–	**(1,894)**	(487)	**–**	–	**403**	(117)	**(1,491)**	(604)
Combined net sales	**$ (1,089)**	$ 485	**$ (478)**	$ 895	**$ (272)**	$ (18)	**$ 206**	$ (524)	**$ (1,633)**	$ 838
Change in total assets under management										
Net sales	**$ (1,089)**	$ 485	**$ (478)**	$ 895	**$ (272)**	$ (18)	**$ 206**	$ (524)	**$ (1,633)**	$ 838
Investment returns	**11,113**	(5,356)	**7,955**	(2,676)	**538**	(234)	**(231)**	(19)	**19,375**	(8,285)
Net change in assets	**10,024**	(4,871)	**7,477**	(1,781)	**266**	(252)	**(25)**	(543)	**17,742**	(7,447)
Beginning assets	**83,137**	88,008	**62,728**	64,509	**5,125**	5,377	**(1,924)**	(1,381)	**149,066**	156,513
Ending assets	**$ 93,161**	$ 83,137	**$ 70,205**	$ 62,728	**$ 5,391**	$ 5,125	**$ (1,949)**	$ (1,924)	**$166,808**	$149,066
Assets under administration[1]	**$ 97,277**	$ 86,287	**$ 70,205**	$ 62,728	**$ 27,728**	$ 25,706	**$ (4,972)**	$ (4,633)	**$190,238**	$170,088

(1) *Assets under management consists of assets in the Company's funds and pools. Assets under administration consists of assets in Client accounts administered by the Company.*

(2) *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 $1.9 billion at December 31, 2019 (2018 - $1.9 billion) and net redemptions of $206 million for the twelve months ending December 31, 2019 (2018 - net sales of $524 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $1.6 billion at December 31, 2019 (2018 - $848 million) and net sales of $655 million for the twelve months ending December 31, 2019 (2018 - $530 million).*

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

(4) *During 2019, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of $129 million, redemptions of $165 million and net redemptions of $36 million.*

During 2018, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of $409 million, redemptions of $807 million and net redemptions of $398 million.

(5) *During the third quarter of 2019, MD Financial Management reassigned sub-advisory responsibilities totalling $1.2 billion on mandates advised upon by Mackenzie.*

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 8.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 8, variations in net earnings and total revenues result primarily from changes in average daily mutual fund assets under management. Investment fund assets under management were $149.8 billion in 2017, decreased to $143.3 billion in 2018 and increased to $161.8 billion in 2019, driven largely by changes in financial markets during the period. Average investment fund assets under management for the year ended December 31, 2019 were $155.5 billion compared to $150.5 billion in 2018. The impact on earnings and revenues of changes in average daily investment fund assets under management and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

Total assets under management at December 31, 2019 were $166.8 billion and included investment fund assets under management totalling $161.8 billion. Net earnings in future periods will largely be determined by the level of investment fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.25 in 2019, unchanged from 2018 and 2017.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 9 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 9, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

TABLE 8: SELECTED ANNUAL INFORMATION

	2019	2018	2017
Consolidated statements of earnings *($ millions)*			
Revenues			
Fee income	$ 3,050.4	$ 3,037.2	$ 3,005.7
Net investment income and other	199.4	211.9	167.3
	3,249.8	3,249.1	3,173.0
Expenses	2,264.0	2,229.6	2,224.4
	985.8	1,019.5	948.6
Proportionate share of associate's one-time charges	(17.2)	–	(14.0)
Premium paid on early redemption of debentures	–	(10.7)	–
Restructuring and other	–	(22.7)	(195.3)
Pension plan	–	–	50.4
Proportionate share of associate's provision	–	–	(5.1)
Earnings before income taxes	968.6	986.1	784.6
Income taxes	219.7	210.0	173.9
Net earnings	748.9	776.1	610.7
Perpetual preferred share dividends	2.2	8.8	8.8
Net earnings available to common shareholders	$ 746.7	$ 767.3	$ 601.9
Reconciliation of Non-IFRS financial measures[1] *($ millions)*			
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 763.9	$ 791.8	$ 727.8
Other items:			
Proportionate share of associate's one-time charges	(17.2)	–	(14.0)
Premium paid on early redemption of debentures, net of tax	–	(7.8)	–
Restructuring and other, net of tax	–	(16.7)	(143.6)
Pension plan, net of tax	–	–	36.8
Proportionate share of associate's provision	–	–	(5.1)
Net earnings available to common shareholders – IFRS	$ 746.7	$ 767.3	$ 601.9
Earnings per share *($)*			
Adjusted net earnings available to common shareholders[1]			
– Basic	$ 3.19	$ 3.29	$ 3.03
– Diluted	3.19	3.29	3.02
Net earnings available to common shareholders			
– Basic	3.12	3.19	2.50
– Diluted	3.12	3.18	2.50
Dividends per share *($)*			
Common	$ 2.25	$ 2.25	$ 2.25
Preferred, Series B	0.37	1.48	1.48
Average daily investment fund assets *($ millions)*	$ 155,532	$ 150,502	$ 143,735
Total investment fund assets under management *($ millions)*	$ 161,763	$ 143,282	$ 149,819
Total assets under management *($ millions)*	$ 166,808	$ 149,066	$ 156,513
Total assets under administration *($ millions)*	$ 190,238	$ 170,088	$ 179,081
Total corporate assets *($ millions)*	$ 15,391	$ 15,609	$ 16,499
Total long-term debt *($ millions)*	$ 2,100	$ 1,850	$ 2,175
Outstanding common shares *(thousands)*	238,294	240,885	240,666

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

TABLE 9: SUMMARY OF QUARTERLY RESULTS

	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	$ 581.2	$ 574.0	$ 567.5	$ 545.2	$ 546.0	$ 573.8	$ 562.8	$ 556.6
Administration fees	104.2	104.5	104.1	101.7	103.3	109.1	107.1	107.6
Distribution fees	93.4	91.1	94.2	89.3	94.4	93.3	89.9	93.3
Net investment income and other	53.9	46.5	46.1	52.9	47.8	55.8	56.2	52.1
	832.7	816.1	811.9	789.1	791.5	832.0	816.0	809.6
Expenses								
Commission	278.3	272.4	275.8	274.7	272.4	270.1	270.1	286.1
Non-commission	266.0	254.3	259.7	274.4	269.0	245.9	252.7	253.1
Interest[1]	27.8	27.7	27.7	25.2	24.1	27.0	28.8	30.3
	572.1	554.4	563.2	574.3	565.5	543.0	551.6	569.5
Earnings before undernoted	260.6	261.7	248.7	214.8	226.0	289.0	264.4	240.1
Proportionate share of associate's one-time charges	(9.2)	–	(8.0)	–	–	–	–	–
Premium paid on early redemption of debentures	–	–	–	–	–	(10.7)	–	–
Restructuring and other	–	–	–	–	–	(22.7)	–	–
Earnings before income taxes	251.4	261.7	240.7	214.8	226.0	255.6	264.4	240.1
Income taxes	59.8	59.2	55.6	45.1	43.9	55.2	58.5	52.4
Net earnings	191.6	202.5	185.1	169.7	182.1	200.4	205.9	187.7
Perpetual preferred share dividends	–	–	–	2.2	2.2	2.2	2.2	2.2
Net earnings available to common shareholders	$ 191.6	$ 202.5	$ 185.1	$ 167.5	$ 179.9	$ 198.2	$ 203.7	$ 185.5
Reconciliation of Non-IFRS financial measures[2] *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 200.8	$ 202.5	$ 193.1	$ 167.5	$ 179.9	$ 222.7	$ 203.7	$ 185.5
Other items:								
Proportionate share of associate's one-time charges	(9.2)	–	(8.0)	–	–	–	–	–
Premium paid on early redemption of debentures, net of tax	–	–	–	–	–	(7.8)	–	–
Restructuring and other, net of tax	–	–	–	–	–	(16.7)	–	–
Net earnings available to common shareholders – IFRS	$ 191.6	$ 202.5	$ 185.1	$ 167.5	$ 179.9	$ 198.2	$ 203.7	$ 185.5
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders[1]								
– Basic	84	85	81	70	75	92	85	77
– Diluted	84	85	81	70	75	92	85	77
Net earnings available to common shareholders								
– Basic	80	85	77	70	75	82	85	77
– Diluted	80	85	77	70	75	82	85	77
Average daily investment fund assets *($ billions)*	$ 159.5	$ 156.8	$ 155.7	$ 149.9	$ 147.0	$ 154.0	$ 150.9	$ 150.1
Total investment fund assets under management *($ billions)*	$ 161.8	$ 157.6	$ 156.3	$ 154.3	$ 143.3	$ 153.4	$ 152.5	$ 149.2
Total assets under management *($ billions)*	$ 166.8	$ 162.5	$ 162.3	$ 160.5	$ 149.1	$ 159.7	$ 159.1	$ 155.8
Assets under administration *($ billions)*	$ 190.2	$ 185.1	$ 184.7	$ 182.8	$ 170.1	$ 182.6	$ 181.6	$ 177.9

(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 2019 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

IG Wealth Management provides a broad range of financial and investment planning services to Canadians through its exclusive network of Consultants across the country.

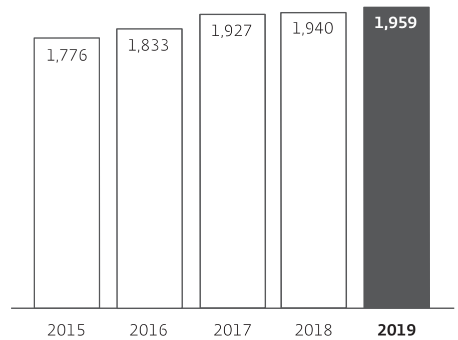
Fee income is primarily generated from the management, administration and distribution of IG Wealth Management mutual funds and the provision of advisory services to our clients.

Fee income is also earned from the distribution of insurance, securities and other financial services.

Additional revenue is derived from net investment income and other income, primarily related to our mortgage business.

Revenues depend largely on the level and composition of mutual fund assets under management. The comprehensive planning approach, provided by our Consultants through the broad range of financial products and services offered by IG Wealth Management, has resulted in a mutual fund redemption rate lower than the industry average.

Fee Income – IG Wealth Management
For the financial year ($ millions)



2019 DEVELOPMENTS

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

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

IG Wealth Management is increasing fee transparency by making unbundled solutions available to all client segments in the fourth quarter of 2019. Previously, these solutions have been available only to high net worth clients. Under unbundled solutions, clients pay an advisory fee to the dealer for its services as opposed to dealer compensation being bundled within mutual fund management fees. Prior to this change, IG's unbundled fee option (Series U and Series I) had been limited to high net worth clients and had represented over 80% of high net worth client gross sales year to date. Over the next year, our Consultants will be migrating clients to unbundled solutions. To facilitate the move to unbundled fee options, IG Wealth Management also introduced the IG Advisory Account (IGAA) in the fourth quarter of 2019. IGAA is a fee-based account that improves fee transparency by offering the ability to simplify and consolidate investments into a single account while providing all of our clients with unbundled pricing solutions. IGAA accounts can hold both IG Wealth Management and eligible external assets. IG Wealth Management earns fees from these external assets while also compensating its Consultants on these assets.

The company has also introduced more competitive pricing to encourage consolidation of our clients' assets with IG Wealth Management and to increase the competitiveness of our products to attract new clients. On 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.

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 December 31, 2019:

- 1,759 Consultant practices (1,973 at December 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 and productivity of Consultant practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.
- 591 New Consultants (700 at December 31, 2018), which are those Consultants with less than four years of IG Wealth Management experience.
- 1,031 Associates and Regional Directors (1,038 at December 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 3,381 (3,711 at December 31, 2018).

IG Wealth Management's recruiting standards increase 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.

IG Wealth Management combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners. This process is continually reviewed in our efforts to select the most appropriate candidates as new Consultants to improve their likelihood of success in the future.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers through a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics.

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 similar product and service offerings.

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 approximately one million clients located in communities throughout Canada.

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

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of 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.

The National Service Centre, launched in 2018, allows us to offer a targeted, consistent and improved real-time experience for clients with smaller accounts, while our credentialed planners focus on those clients who have more complicated and sophisticated needs. The National Service Centre supports more than 200,000 clients and $1.7 billion assets under management.

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 180 employees and operating units for most functions supporting approximately 730 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately $17 billion as at December 31, 2019.

IG Wealth Management continually reviews and enhances our Consultant technology platform, bringing greater efficiencies to our Consultants' contact management and portfolio information and financial planning systems to help them serve our clients more effectively.

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base. The platform is expected to result in efficiencies over the long term. IG Wealth Management continues the transitioning of clients to this platform.

IG Wealth Management's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education, risk management and estate planning.

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 and other surveys are utilized to ensure that employees and Consultants are fully engaged and have the resources required to excel.

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 allows us to provide clients with products that provide diversification and global reach.

A strong selection process exists to ensure the best available sub-advisors are selected to manage IG Wealth Management's investment products. IG Wealth Management oversees all sub-advisors to ensure that their activities are consistent with its investment philosophy and with the investment objectives and strategies of the products that they advise.

IG Wealth Management's primary focus is on providing managed solutions that deliver superior risk-adjusted returns to our clients so that they can confidently pursue their goals and a more secure financial future. Engaging numerous high quality investment management organizations from all over the world is a key design aspect of these managed solutions that enables the delivery of multi-disciplinary teams, global connections, depth of research and use of information technology. Investment Managers are selected through a rigorous process followed by continuous performance monitoring and oversight. IG Wealth Management's advisory relationships include Mackenzie Investments, as well as other world class investment firms.

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.

- *Mutual Funds* – IG Wealth Management offers a wide breadth and depth of mutual funds that assist clients and their Consultants to develop customized portfolios to meet their objectives by diversifying their holdings across investment managers, asset categories, investment styles, geography, capitalization and sectors.
- *IG Wealth Portfolios* – IG Wealth Management offers managed portfolios that seek to provide diversification and long-term consistent performance. Portfolios rebalance investments to ensure that the chosen mix of risk and return is maintained. IG Wealth Management has a variety of portfolio solutions including IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.
- *iProfile™* - iProfile is a unique portfolio management program that is available for households with investments held at IG Wealth Management in excess of $250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions.
- *Segregated Funds* - IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). GIFs are segregated fund policies issued by The Great-West Life Assurance Company and include 14 fund-of-fund segregated portfolios and six individual segregated funds. These segregated funds provide for long-term investment growth potential combined with risk management, full and partial maturity and death benefit guarantee features, potential creditor protection and estate planning efficiencies.
- *Separately Managed Accounts and Fee-Based Brokerage Account* - IG Wealth Management's separately managed account program, Azure Managed Investments™ is offered through IG Wealth Management's brokerage services firm, Investors Group Securities Inc. Azure Managed Investments are discretionary dealer-managed accounts that allow clients to delegate responsibility for day-to-day investment decisions to a portfolio manager. There are seven different investment mandates available that provide core equity exposure in Canadian, U.S., North American and International equity markets. IG Wealth Management's Fee-Based Account program is a non-discretionary, fee-based brokerage account offering clients the benefits of a holistic approach to managing their portfolio.
- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA was introduced in the fourth quarter of 2019 and is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with unbundled pricing solutions. IGAA accounts increase fee transparency and can hold both IG Wealth Management and eligible external assets.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures where a separate advisory fee (IGAA, iProfile or Series U) is charged to the client account by the dealer. At December 31, 2019, $36.0 billion, or 38.7% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 42.2% from $25.3 billion at December 31, 2018 which represented 30.5% of assets under management. Sales of these products to high net worth clients totalled $1.1 billion for the fourth quarter of 2019, an increase of $364 million from the fourth quarter of 2018, representing 88% of total high net worth sales and 51% of total mutual fund sales. For the twelve months ended December 31, 2019, sales totalled $3.8 billion, an increase of $0.8 billion from 2018, representing 83% of total high net worth sales and 44% of total mutual fund sales.

Over the next year, the Company will migrate the majority of existing clients to unbundled fee products. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. Following this transition, IG Wealth Management will discontinue offering bundled purchase options for substantially all investment products.

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

At December 31, 2019, 57.4% of IG Wealth Management mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 16.5% had a rating of four or five stars. This compared to the Morningstar† universe of 69.5% for three stars or better and 34.4% for four and five star funds at December 31, 2019. Morningstar Ratings† 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 December 31, 2019, IG Wealth Management's mutual fund assets under management were $93.2 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 10.

HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, who 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 $50.0 billion at December 31, 2019, an increase of 20.5% from one year ago, and represented 54% of total assets under management. Sales of high net worth solutions totalled $1.3 billion for the fourth quarter of 2019, an increase of 27.5% from a year ago, and represented 58% of total sales up from 48% in 2018. For the twelve month period, sales of high net worth solutions totalled $4.6 billion and represented 52% of total sales up from 45% in 2018.

- Series U is available to all clients 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 December 31, 2019, Series U assets under management related to households with investments in IG Wealth Management funds in excess of $500,000 had increased to $20.9 billion, compared to $16.3 billion at December 31, 2018, an increase of 28.3%.
- iProfile™ - 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 December 31, 2019, the iProfile program assets under management were $15.1 billion, an increase of 67.2% from $9.0 billion at December 31, 2018.
- Series J is available for households with investments in IG Wealth Management funds in excess of $500,000 and had assets of $14.0 billion at December 31, 2019, a decrease of 13.5% from $16.1 billion at December 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.

CHANGES IN ASSETS UNDER MANAGEMENT AND ADMINISTRATION– 2019 VS. 2018

IG Wealth Management's assets under administration were $97.3 billion at December 31, 2019, representing an increase of 12.7% from $86.3 billion at December 31, 2018. IG Wealth Management's mutual fund assets under management were $93.2 billion at December 31, 2019, representing an increase of 12.1% from $83.1 billion at December 31, 2018. Average daily mutual fund assets were $91.9 billion in the fourth quarter of 2019, up 8.0% from $85.1 billion in the fourth quarter of 2018. Average daily mutual fund assets were $89.9 billion for the twelve months ended December 31, 2019, up 2.6% from $87.6 billion in 2018.

For the quarter ended December 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were $2.3 billion, an increase of 6.3% from the comparable period in 2018. Mutual fund redemptions totalled $2.5 billion, an increase of 11.4% from 2018. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2019 were $247 million compared with net redemptions of $125 million in 2018. During the fourth quarter, investment returns resulted in an increase of $2.6 billion in mutual fund assets compared to a decrease of $5.7 billion in the fourth quarter of 2018.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 10.2% in the fourth quarter of 2019, compared to 9.7% in the fourth quarter of 2018. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 10.3% at December 31, 2019, compared to 9.2% at December 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 16.2% at December 31, 2019. The increase in the redemption rate primarily relates to weakened investor confidence over the last year.

For the twelve months ended December 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were $8.7 billion, a decrease of 3.9% from 2018. Mutual fund redemptions totalled $9.8 billion, an increase of 14.2% from 2018. Net redemptions of IG Wealth Management mutual funds were $1.1 billion compared with net sales of $485 million in 2018. During 2019, investment returns resulted in an increase of $11.1 billion in mutual fund assets compared to a decrease of $5.4 million in 2018.

TABLE 10: CHANGE IN ASSETS UNDER MANAGEMENT AND ADMINISTRATION – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Mutual fund assets under management					
Sales	$ 2,251	$ 2,077	$ 2,118	8.4 %	6.3 %
Redemptions	2,498	2,368	2,243	5.5	11.4
Net sales (redemptions)	(247)	(291)	(125)	15.1	(97.6)
Investment returns	2,629	894	(5,730)	194.1	N/M
Net change in assets	2,382	603	(5,855)	N/M	N/M
Beginning assets	90,779	90,176	88,992	0.7	2.0
Ending assets	$ 93,161	$ 90,779	$ 83,137	2.6 %	12.1 %
Assets under administration	$ 97,277	$ 94,456	$ 86,287	3.0 %	12.7 %
Daily average mutual fund assets	$ 91,931	$ 90,363	$ 85,128	1.7 %	8.0 %

TWELVE MONTHS ENDED ($ millions)	2019 DEC. 31	2018 DEC. 31	% CHANGE
Mutual fund assets under management			
Sales	$ 8,723	$ 9,075	(3.9) %
Redemptions	9,812	8,590	14.2
Net sales (redemptions)	(1,089)	485	N/M
Investment returns	11,113	(5,356)	N/M
Net change in assets	10,024	(4,871)	N/M
Beginning assets	83,137	88,008	(5.5)
Ending assets	$ 93,161	$ 83,137	12.1 %
Assets under administration	$ 97,277	$ 86,287	12.7 %
Daily average mutual fund assets	$ 89,875	$ 87,595	2.6 %

CHANGES IN ASSETS UNDER MANAGEMENT AND ADMINISTRATION – Q4 2019 VS. Q3 2019

IG Wealth Management's assets under administration were $97.3 billion at December 31, 2019, an increase of 3.0% from $94.5 billion at September 30, 2019. IG Wealth Management's mutual fund assets under management were $93.2 billion at December 31, 2019, an increase of 2.6% from $90.8 billion at September 30, 2019. Average daily mutual fund assets were $91.9 billion in the fourth quarter of 2019 compared to $90.4 billion in the third quarter of 2019, an increase of 1.7%.

For the quarter ended December 31, 2019, sales of IG Wealth Management mutual funds through its Consultant network were $2.3 billion, an increase of 8.4% from the third quarter of 2019. Mutual fund redemptions, which totalled $2.5 billion for the fourth quarter, increased 5.5% from the previous quarter and the annualized quarterly redemption rate was 10.2% in the fourth quarter compared to 9.9% in the third quarter of 2019. IG Wealth Management mutual fund net redemptions were $247 million for the current quarter compared to net redemptions of $291 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 December 31, 2019, total segregated fund assets were $1.6 billion, unchanged from December 31, 2018.

INSURANCE

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. The Canada Life Assurance Company is a leading provider of the Company's insurance products. Effective as of January 1, 2020, Great-West, London

Life and Canada Life, amalgamated into a single company, The Canada Life Assurance Company.

The average number of policies sold by each insurance-licensed Consultant was 2.5 for the quarter ended December 31, 2019, compared to 2.6 in 2018. For the year ended December 31, 2019, the average number of policies sold by each insurance-licensed Consultant was 10.0, compared to 9.7 in 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.

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†, 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†.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking† for the three and twelve months ended December 31, 2019 were $293 million and $1.2 billion compared to $305 million and $1.3 billion in 2018, a decrease of 3.9% and 9.8%, respectively. At December 31, 2019, mortgages offered through both sources totalled $10.3 billion, compared to $10.7 billion at December 31, 2018, a decrease of 3.7%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and twelve month periods ended December 31, 2019 were $240 million and $770 million, respectively, compared to $187 million and $931 million in 2018. At December 31, 2019, the balance outstanding of Solutions Banking† All-in-One products was $2.9 billion, compared to $2.6 billion one year ago, and represented approximately 50% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking† include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking†, clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking† 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† offering, including Solutions Banking† mortgages totalled $4.5 billion at December 31, 2019, compared to $4.1 billion at December 31, 2018.

IG Wealth Management's earnings before interest and taxes are presented in Table 11.

2019 VS. 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† 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 $381.7 million in the fourth quarter of 2019, an increase of $25.0 million

TABLE 11: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Revenues					
Management fees	**$ 381.7**	$ 376.2	$ 356.7	1.5 %	7.0 %
Administration fees	**75.3**	75.2	75.2	0.1	0.1
Distribution fees	**44.0**	41.5	45.1	6.0	(2.4)
	501.0	492.9	477.0	1.6	5.0
Net investment income and other	**16.8**	15.8	11.0	6.3	52.7
	517.8	508.7	488.0	1.8	6.1
Expenses					
Commission					
Commission amortization	**6.5**	5.9	4.4	10.2	47.7
Mutual fund sales commissions expensed as incurred	**16.1**	16.4	22.2	(1.8)	(27.5)
Other commissions	**30.7**	29.0	30.4	5.9	1.0
	53.3	51.3	57.0	3.9	(6.5)
Asset-based compensation	**106.3**	103.4	99.3	2.8	7.0
Non-commission	**151.9**	148.2	159.6	2.5	(4.8)
	311.5	302.9	315.9	2.8	(1.4)
Earnings before interest and taxes	**$ 206.3**	$ 205.8	$ 172.1	0.2 %	19.9 %

TWELVE MONTHS ENDED ($ millions)	2019 DEC. 31	2018 DEC. 31	% CHANGE
Revenues			
Management fees	**$ 1,488.0**	$ 1,458.1	2.1 %
Administration fees	**299.6**	310.4	(3.5)
Distribution fees	**171.2**	171.5	(0.2)
	1,958.8	1,940.0	1.0
Net investment income and other	**56.2**	46.7	20.3
	2,015.0	1,986.7	1.4
Expenses			
Commission			
Commission amortization	**22.4**	14.5	54.5
Mutual fund sales commissions expensed as incurred	**72.8**	103.4	(29.6)
Other commissions	**121.9**	118.3	3.0
	217.1	236.2	(8.1)
Asset-based compensation	**411.7**	387.2	6.3
Non-commission	**615.9**	597.3	3.1
	1,244.7	1,220.7	2.0
Earnings before interest and taxes	**$ 770.3**	$ 766.0	0.6 %

or 7.0% from $356.7 million in 2018. For the twelve months ended December 31, 2019, management fees were $1,488.0 million, an increase of $29.9 million or 2.1% from $1,458.1 million in 2018.

The net increase in management fees in the fourth quarter of 2019 was primarily due to the increase in average assets under management of 8.0%, as shown in Table 10. The average management fee rate for the fourth quarter was 165.2 basis points of average assets under management compared to 166.1 basis points in 2018, reflecting pricing reductions effective March 1, 2019.

The net increase in management fees in the year ended December 31, 2019 was primarily due to the increase in average assets under management of 2.6%, as shown in Table 10. The average management fee rate for the twelve months ended December 31, 2019, was 165.9 basis points of average assets under management compared to 166.4 basis points in 2018, reflecting pricing reductions effective March 1, 2019.

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 $75.3 million in the current quarter, up slightly from $75.2 million a year ago. Administration fees were $299.6 million for the twelve month period ended December 31, 2019 compared to $310.4 million in 2018, a decrease of 3.5%. The decrease in the twelve month period 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:

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

Distribution fee income of $44.0 million for the fourth quarter of 2019 decreased by $1.1 million from $45.1 million in 2018, primarily due to lower distribution fee income from insurance products and lower redemption fees, offset in part by higher banking income. For the twelve month period, distribution fee income of $171.2 million decreased by $0.3 million from $171.5 million in 2018, primarily due to lower redemption fees, offset in part by the increase in distribution fee income from insurance and banking products. 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 $16.8 million in the fourth quarter of 2019, an increase of $5.8 million from $11.0 million in 2018. For the year ended December 31, 2019, net investment income and other totalled $56.2 million, an increase of $9.5 million from $46.7 million in 2018.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $12.8 million for the fourth quarter of 2019 compared to $6.0 million in 2018, an increase of $6.8 million. For the year ended December 31, 2019, net investment income related to IG Wealth Management's mortgage banking operations totalled $45.4 million compared to $36.9 million in 2018, an increase of $8.5 million. The changes in mortgage banking income were largely due to fair value adjustments which increased by $6.3 million and $9.3 million for the three and twelve month periods ended December 31, 2019 to $0.2 million and ($4.3) million, respectively, compared to 2018. The increases in both periods were primarily due to negative fair value adjustments in 2018 on certain securitization related financial instruments. A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 12.

EXPENSES

IG Wealth Management incurs commission expense in connection with the distribution of its 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 $53.3 million for the fourth quarter of 2019, a decrease of $3.7 million from $57.0 million in 2018 primarily due to lower mutual fund sales and lower compensation related to the distribution of insurance products. For the twelve month period, commission expense was $217.1 million, a decrease of $19.1 million from $236.2 million in 2018. The decrease in mutual fund commissions was primarily due to lower mutual fund sales partially offset by higher compensation related to the distribution of insurance products.

TABLE 12: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 50.5**	$ 52.4	$ 51.7	(3.6) %	(2.3) %
Interest expense	**41.3**	42.9	42.5	(3.7)	(2.8)
Net interest income	**9.2**	9.5	9.2	(3.2)	–
Gains on sales[1]	**0.6**	0.9	–	(33.3)	N/M
Fair value adjustments	**0.2**	0.7	(6.1)	(71.4)	N/M
Other	**2.8**	2.8	2.9	–	(3.4)
	$ 12.8	$ 13.9	$ 6.0	(7.9) %	113.3 %
Average mortgages serviced					
Securitizations	**$ 6,996**	$ 7,185	$ 7,264	(2.6) %	(3.7) %
Other	**2,744**	2,750	3,104	(0.2)	(11.6)
	$ 9,740	$ 9,935	$ 10,368	(2.0) %	(6.1) %
Mortgage sales to:[2]					
Securitizations	**$ 284**	$ 469	$ 550	(39.4) %	(48.4) %
Other[1]	**256**	166	81	54.2	216.0
	$ 540	$ 635	$ 631	(15.0) %	(14.4) %

TWELVE MONTHS ENDED ($ millions)	2019 DEC. 31	2018 DEC. 31	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	**$ 208.0**	$ 204.0	2.0 %
Interest expense	**171.9**	165.1	4.1
Net interest income	**36.1**	38.9	(7.2)
Gains on sales[1]	**3.2**	1.5	113.3
Fair value adjustments	**(4.3)**	(13.6)	68.4
Other	**10.4**	10.1	3.0
	$ 45.4	$ 36.9	23.0 %
Average mortgages serviced			
Securitizations	**$ 7,232**	$ 7,388	(2.1) %
Other	**2,782**	3,174	(12.4)
	$ 10,014	$ 10,562	(5.2) %
Mortgage sales to:[2]			
Securitizations	**$ 1,517**	$ 1,841	(17.6) %
Other[1]	**558**	357	56.3
	$ 2,075	$ 2,198	(5.6) %

(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.

Asset-based compensation, which is based on the value of assets under management, increased by $7.0 million and $24.5 million for the three and twelve month periods ended December 31, 2019 to $106.3 million and $411.7 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 $151.9 million for the fourth quarter of 2019 compared to $159.6 million in 2018, a decrease of $7.7 million or 4.8%. The decrease for the quarter was primarily due to advertising and marketing expenses resulting from the brand re-launch recorded in the fourth quarter of 2018. For the twelve month period, non-commission expenses were $615.9 million in 2019 compared to $597.3 million in 2018, an increase of $18.6 million or 3.1%. The increase in 2019 was primarily due to increased technology expenses in the first quarter 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.

Q4 2019 VS. Q3 2019

FEE INCOME

Management fee income increased by $5.5 million or 1.5% to $381.7 million in the fourth quarter of 2019 compared with the third quarter. The increase in management fees in the fourth quarter was primarily due to the increase in average assets under management of 1.7% for the quarter, as shown in Table 10.

Administration fees were $75.3 million in the fourth quarter of 2019, up slightly from the third quarter.

Distribution fee income of $44.0 million in the fourth quarter of 2019 increased by $2.5 million from $41.5 million in the third quarter primarily due to an increase in distribution fee income from insurance product sales offset by lower redemption fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $16.8 million in the fourth quarter of 2019 compared to $15.8 million in the previous quarter, an increase of $1.0 million.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $12.8 million in the fourth quarter, a decrease of $1.1 million from $13.9 million in the previous quarter as shown in Table 12.

EXPENSES

Commission expense in the current quarter was $53.3 million compared with $51.3 million in the previous quarter. The increase related to higher cash commissions paid being expensed in the quarter primarily due to higher mutual fund sales and compensation related to the distribution of insurance product sales.

Non-commission expenses increased to $151.9 million in the current quarter compared to $148.2 million in the prior quarter primarily due to the seasonality of expenses offset in part by ongoing efforts to manage non-commission expense.

MACKENZIE INVESTMENTS

REVIEW OF THE BUSINESS

Mackenzie's core business is the provision of investment management and related services offered through diversified investment solutions, distributed through multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on the experience and perspective gained through over 50 years in the investment management business.

Mackenzie earns revenue primarily from:

- Management fees earned from its investment funds, sub-advised accounts and institutional clients.
- Fees earned from its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

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

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.

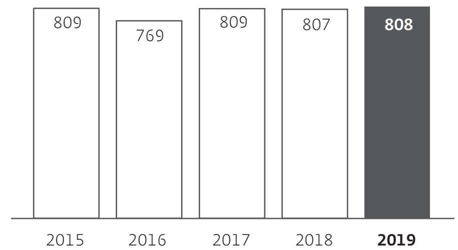
Supporting this vision and strategic mandate are six key foundational capabilities that our employees strive to achieve:

- 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.

Fee Income – Mackenzie

For the financial year ($ millions)



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 13 and the changes in total assets under management are summarized in Table 14.

At December 31, 2019, Mackenzie's investment fund assets under management were $64.0 billion, an all-time high, and total assets under management were $70.2 billion. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

TABLE 13: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED ($ millions)	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Sales	$ 2,587	$ 2,253	$ 2,328	14.8 %	11.1 %
Redemptions	2,569	2,114	2,474	21.5	3.8
Mutual fund net sales (redemptions)[2]	18	139	(146)	(87.1)	N/M
ETF net creations	646	597	137	8.2	N/M
Inter-product eliminations[3]	(399)	(245)	(82)	(62.9)	N/M
Investment fund net sales (redemptions)	265	491	(91)	(46.0)	N/M
Investment returns	1,576	264	(3,894)	N/M	N/M
Net change in assets	1,841	755	(3,985)	143.8	N/M
Beginning assets	62,150	61,395	59,493	1.2	4.5
Ending assets	$ 63,991	$ 62,150	$ 55,508	3.0 %	15.3 %
Consists of:					
Mutual funds	$ 60,838	$ 59,275	$ 53,407	2.6 %	13.9 %
ETFs	4,749	4,051	2,949	17.2	61.0
Inter-product eliminations[3]	(1,596)	(1,176)	(848)	(35.7)	(88.2)
Investment funds	$ 63,991	$ 62,150	$ 55,508	3.0 %	15.3 %
Daily average investment fund assets	$ 62,969	$ 61,802	$ 57,138	1.9 %	10.2 %

TWELVE MONTHS ENDED ($ millions)	2019 DEC. 31	2018 DEC. 31	% CHANGE
Sales	$ 9,886	$ 9,951	(0.7) %
Redemptions	9,374	9,838	(4.7)
Mutual fund net sales (redemptions)[2]	512	113	N/M
ETF net creations	1,559	1,799	(13.3)
Inter-product eliminations[3]	(655)	(530)	(23.6)
Investment fund net sales (redemptions)	1,416	1,382	2.5
Investment returns	7,067	(2,417)	N/M
Net change in assets	8,483	(1,035)	N/M
Beginning assets	55,508	56,543	(1.8)
Ending assets	$ 63,991	$ 55,508	15.3 %
Daily average investment fund assets	$ 60,949	$ 57,918	5.2 %

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

(2) During 2019 and 2018, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

– Fourth quarter of 2019 – resulted in sales of $129 million, redemptions of $165 million and net redemptions of $36 million.

– During 2018 – resulted in sales of $409 million, redemptions of $807 million and net redemptions of $398 million.

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

TABLE 14: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – MACKENZIE[1]

THREE MONTHS ENDED ($ millions)	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Net sales (redemptions)					
Mutual funds[2]	$ 18	$ 139	$ (146)	(87.1) %	N/M %
ETF net creations	646	597	137	8.2	N/M
Inter-product eliminations[3]	(399)	(245)	(82)	(62.9)	N/M
Investment funds	265	491	(91)	(46.0)	N/M
Sub-advisory, institutional and other accounts[4]	(86)	(1,171)	(224)	92.7	61.6
Total net sales (redemptions)	179	(680)	(315)	N/M	N/M
Investment returns	1,755	343	(4,304)	N/M	N/M
Net change in assets	1,934	(337)	(4,619)	N/M	N/M
Beginning assets	68,271	68,608	67,347	(0.5)	1.4
Ending assets	$ 70,205	$ 68,271	$ 62,728	2.8 %	11.9 %
Consists of:					
Mutual funds	$ 60,838	$ 59,275	$ 53,407	2.6 %	13.9 %
ETFs	4,749	4,051	2,949	17.2	61.0
Inter-product eliminations[3]	(1,596)	(1,176)	(848)	(35.7)	(88.2)
Investment funds	63,991	62,150	55,508	3.0	15.3
Sub-advisory, institutional and other accounts[4]	6,214	6,121	7,220	1.5	(13.9)
Total assets under management	$ 70,205	$ 68,271	$ 62,728	2.8 %	11.9 %
Average total assets[5]	$ 69,137	$ 68,209	$ 64,628	1.4 %	7.0 %

TWELVE MONTHS ENDED ($ millions)	2019 DEC. 31	2018 DEC. 31	% CHANGE
Net sales (redemptions)			
Mutual funds[2]	$ 512	$ 113	N/M %
ETF net creations	1,559	1,799	(13.3)
Inter-product eliminations[3]	(655)	(530)	(23.6)
Investment funds	1,416	1,382	2.5
Sub-advisory, institutional and other accounts[4]	(1,894)	(487)	N/M
Total net sales (redemptions)	(478)	895	N/M
Investment returns	7,955	(2,676)	N/M
Net change in assets	7,477	(1,781)	N/M
Beginning assets	62,728	64,509	(2.8)
Ending assets	$ 70,205	$ 62,728	11.9 %
Average total assets[5]	$ 67,772	$ 65,860	2.9 %

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

(2) During 2019 and 2018, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

– Fourth quarter of 2019 – resulted in sales of $129 million, redemptions of $165 million and net redemptions of $36 million.

– During 2018 – resulted in sales of $409 million, redemptions of $807 million and net redemptions of $398 million.

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

(4) During the third quarter of 2019, MD Financial Management reassigned sub-advisory responsibilities totalling $1.2 billion on mandates advised upon by Mackenzie.

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

CHANGE IN ASSETS UNDER MANAGEMENT – 2019 VS. 2018

Mackenzie's total assets under management at December 31, 2019 were $70.2 billion, an increase of 11.9% from $62.7 billion at December 31, 2018. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2019 were $6.2 billion, a decrease of 13.9% from $7.2 billion last year.

Mackenzie's investment fund assets under management were $64.0 billion at December 31, 2019, an increase of 15.3% from December 31, 2018. Mackenzie's mutual fund assets under management were $60.8 billion at December 31, 2019, an increase of 13.9% from $53.4 billion at December 31, 2018. Mackenzie's ETF assets were $4.7 billion at December 31, 2019, inclusive of $1.6 billion in investments from Mackenzie mutual funds, compared to $2.9 billion at December 31, 2018, inclusive of $848 million in investments from Mackenzie mutual funds.

In the three months ended December 31, 2019, Mackenzie's mutual fund gross sales were $2.6 billion, the highest fourth quarter gross sales in the Company's history, compared to $2.3 billion in 2018. Mutual fund redemptions in the current quarter were $2.6 billion, an increase of 3.8% from last year. Mutual fund net sales for the three months ended December 31, 2019 were $18 million, as compared to net redemptions of $146 million last year. In the three months ended December 31, 2019, ETF net creations were $646 million compared to $137 million last year, inclusive of $399 million and $82 million, respectively, in investments from Mackenzie mutual funds. Investment fund net sales in the current quarter were $265 million compared to net redemptions of $91 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by $1.6 billion compared to a decrease of $3.9 billion last year.

During the fourth quarter of 2019, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $129 million, redemptions of $165 million and net redemptions of $36 million. Excluding these transactions in 2019, mutual fund gross sales increased 5.6% and mutual fund redemptions decreased 2.8% in the three months ended December 31, 2019 compared to last year and mutual fund net sales of $54 million in 2019 compared to mutual fund net redemptions of $146 million last year.

Total net sales for the three months ended December 31, 2019 were $179 million, compared to net redemptions of $315 million last year. During the current quarter, investment returns resulted in assets increasing by $1.8 million compared to a decrease of $4.3 billion last year. Excluding the mutual fund allocation changes made by third party programs during the fourth quarter of 2019, total net sales were $215 million in the current quarter compared to net redemptions of $315 million last year.

In the twelve months ended December 31, 2019, Mackenzie's mutual fund gross sales were $9.9 billion, a decrease of 0.7% from $10.0 billion in the comparative period last year. Mutual fund redemptions in the current period were $9.4 billion, a decrease of 4.7% from last year. Mutual fund net sales for the twelve months ended December 31, 2019 were $512 million, as compared to net sales of $113 million last year. In the twelve months ended December 31, 2019, ETF net creations were $1.6 billion, inclusive of $655 million in investments from Mackenzie mutual funds, compared to ETF net creations of $1.8 billion, inclusive of $530 million in investments from Mackenzie mutual funds last year. Investment fund net sales in the current period were $1.4 billion, an increase of 2.5% from last year. During the current period, investment returns resulted in investment fund assets increasing by $7.1 billion as compared to a decrease of $2.4 billion last year.

During the twelve months ended December 31, 2019, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $129 million, redemptions of $165 million and net redemptions of $36 million. During the twelve months ended December 31, 2018, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $409 million, redemptions of $807 million and net redemptions of $398 million. Excluding these transactions in 2019 and 2018, mutual fund gross sales increased 2.3% and mutual fund redemptions increased 2.0% in the twelve months ended December 31, 2019 compared to last year and mutual fund net sales were $548 million in the current year compared to $511 million last year.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2019, were $2.5 billion and $9.0 billion, respectively, as compared to $2.4 billion and $9.5 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were $8.8 billion in the twelve months ended December 31, 2019, compared to $8.7 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 16.4% in the fourth quarter of 2019, compared to 17.1% in the fourth quarter of 2018. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 15.3% in the fourth quarter of 2019. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 15.6% at December 31, 2019, as compared to 17.1% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 15.3% at December 31, 2019, compared to 15.6% at December 31, 2018. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately

15.8% at December 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.

Total net redemptions for the twelve months ended December 31, 2019 were $478 million, as compared to net sales of $895 million last year. During the twelve months ended December 31, 2019, investment returns resulted in assets increasing by $8.0 billion, compared to a decrease of $2.7 billion last year. During the third quarter of 2019, MD Financial Management reassigned $1.2 billion of sub-advisory mandates managed by Mackenzie. The pro-forma impact on Mackenzie's pre-tax earnings from these mandate changes is not meaningful. Excluding the reassigned MD Financial Management sub-advisory mandates during the third quarter of 2019 and the mutual fund allocation changes in 2019 and 2018 previously discussed, total net sales were $720 million for the current period compared to net sales of $1.3 billion last year.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2019 VS. Q3 2019

Mackenzie's total assets under management at December 31, 2019, were $70.2 billion, an increase of 2.8% from $68.3 billion at September 30, 2019. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2019 were $6.2 billion, an increase of 1.5% from $6.1 billion at September 30, 2019.

Mackenzie's investment fund assets under management were $64.0 billion at December 31, 2019, an increase of 3.0% from $62.2 billion at September 30, 2019. Mackenzie's mutual fund assets under management were $60.8 billion at December 31, 2019, an increase of 2.6% from $59.3 billion at September 30, 2019. Mackenzie's ETF assets were $4.7 billion at December 31, 2019, inclusive of $1.6 billion in investments from Mackenzie mutual funds compared to $4.1 billion at September 30, 2019, inclusive of $1.2 billion in investments from Mackenzie mutual funds.

For the quarter ended December 31, 2019, Mackenzie mutual fund gross sales were $2.6 billion, an increase of 14.8% from the third quarter of 2019. Mutual fund redemptions, which totalled $2.6 billion for the fourth quarter, increased by 21.5% from the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were $18 million compared with net sales of $139 million in the previous quarter. Excluding the mutual fund allocation changes made by third party programs during the fourth quarter of 2019, mutual fund gross sales increased 9.1% and mutual fund redemptions increased 13.7% in the fourth quarter compared to the third quarter and mutual fund net sales of $54 million in the fourth quarter compared to net sales of $139 million in the third quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.5 billion, compared to $2.0 billion in the third quarter of 2019. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 16.4% compared to 13.7% for the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding the mutual fund allocation changes made by third party programs was 15.3% during the fourth quarter. Net redemptions of long-term funds for the current quarter were $19 million compared to net sales of $88 million in the previous quarter.

For the quarter ended December 31, 2019, Mackenzie ETF net creations were $646 million, compared to $597 million in the third quarter. In the current quarter, ETF net creations were inclusive of $399 million in investments from Mackenzie mutual funds compared to $245 million in the third quarter.

Investment fund net sales in the current quarter were $265 million compared to net sales of $491 million in the third quarter. Excluding the mutual fund allocation changes made by third party programs during the fourth quarter of 2019, investment fund net sales of $301 million in the fourth quarter compared to net sales of $491 million in the third quarter.

INVESTMENT MANAGEMENT

Mackenzie has $140.1 billion in assets under management at December 31, 2019, including $69.9 billion of advisory mandates to the IG Wealth Management family of funds. It has teams located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong.

This investment management organization continues to deliver its investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This process is focused upon i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Mackenzie currently has fourteen boutiques. Initiatives during 2019 impacting the in-house investment offerings include the following:

- Mackenzie changed the portfolio management of two of its mutual funds by bringing their investment management in-house. The Mackenzie Fixed Income Team assumed management of the Mackenzie Corporate Bond Fund and the Mackenzie North American Corporate Bond Fund. These funds were previously sub-advised by a third party.

- Mackenzie's Fixed Income Team assumed portfolio management responsibilities for all externally sub-advised mandates within the Symmetry Canadian Bond Fund. This fund is utilized in the Symmetry Managed Solutions program.

In addition to its own investment teams, Mackenzie supplements its investment capabilities through the use of third party sub-advisors in selected areas. These sub-advisors include Putnam Investments Inc., TOBAM, China AMC, Pax Ellevate Management LLC, Rockefeller & Co and Greenchip Financial.

Mackenzie's assets under management are diversified by investment objective as set out in Table 15. The development of a broad range of investment capabilities and products has proven to be, and continues to be, a key strength of the organization in satisfying the evolving financial needs of our clients.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2019, 48.3% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 54.4% for the three year time frame and 58.3% 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† fund ranking service. At December 31, 2019, 75.1% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 47.3% had a rating of four or five stars. This compared to the Morningstar† universe of 83.9% for three stars or better and 46.0% for four and five star funds at December 31, 2019. These ratings exclude the Quadrus Group of Funds†.

Mackenzie was once again recognized for industry leading performance, winning four 2019 Lipper Awards. The award honours funds that lead in delivering strong, risk-adjusted performance relative to their peers:

- Mackenzie Canadian Growth Balanced Fund Series A – Best three-year and five-year performance in the Canadian Equity Balanced category. This fund is co-managed by Mackenzie's Bluewater, Fixed Income and Asset Allocation Teams.
- Mackenzie Floating Rate Income Fund Series A – Best three-year performance in the Floating Rate Loan category. This fund is managed by Mackenzie's Fixed Income Team
- Mackenzie Core Plus Canadian Fixed Income ETF – Best three-year performance in the Canadian Fixed Income category. This fund is managed by Mackenzie's Fixed Income team.

In addition, twelve funds were recognized for industry leading performance at the 2019 Fundata FundGrade A+ Awards.

TABLE 15: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2019		2018	
Equity				
Domestic	$ 10,341	14.8 %	$ 10,442	16.6 %
Foreign	23,197	33.0	19,932	31.8
	33,538	47.8	30,374	48.4
Balanced				
Domestic	12,460	17.7	11,135	17.7
Foreign	14,273	20.3	12,202	19.5
	26,733	38.0	23,337	37.2
Fixed Income				
Domestic	4,898	7.0	4,512	7.2
Foreign	4,556	6.5	4,021	6.4
	9,454	13.5	8,533	13.6
Money Market				
Domestic	480	0.7	484	0.8
Total	$ 70,205	100.0 %	$ 62,728	100.0 %
Consists of:				
Investment funds	$ 63,991	91.1 %	$ 55,508	88.5 %
Sub-advisory, institutional and other accounts	6,214	8.9	7,220	11.5
	$ 70,205	100.0 %	$ 62,728	100.0 %

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2019, Mackenzie launched a number of new products, implemented pricing enhancements, and merged mutual funds 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.

During 2019, Mackenzie launched two new ETFs:

- Mackenzie Emerging Markets Bond Index ETF was launched to provide investors with broad exposure to emerging markets while investing in U.S. denominated, emerging market government bonds and government related bonds. This ETF hedges foreign currency back to the Canadian dollar.
- Mackenzie Emerging Markets Local Currency Bond Index ETF was launched to provide investors with the opportunity to access the strong growth and diversification benefits of investing in emerging markets.

Assets under management of these two launches surpassed $350 million by the end of the year, inclusive of $277 million in investments from Mackenzie mutual funds.

Mackenzie's current line-up consists of thirty ETFs: fifteen active and strategic beta ETFs and fifteen traditional index ETFs. During 2019, two milestones were achieved: i) ETF assets under management surpassed $4 billion and ii) traditional index ETF assets under management reached $2.0 billion. ETF assets under management ended the year at $4.7 billion, an all-time high, inclusive of $1.6 billion in investments from Mackenzie mutual funds. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management. Mackenzie's ETF assets under management passed $5 billion in January 2020.

MUTUAL FUNDS

During 2019 Mackenzie launched five mutual funds:

- Mackenzie Global Growth Balanced Fund was launched to give investors stronger geographic diversification and enhanced return potential. The Fund is managed by the Mackenzie Bluewater and Mackenzie Fixed Income Teams. Assets under management in this fund were $150 million by the end of the year.
- Three new liquid alternative funds (Mackenzie Credit Absolute Return Fund, Mackenzie Global Macro Fund and Mackenzie Global Long/Short Equity Alpha Fund) were launched to enhance diversified sources of return and improve portfolio stability. These three new funds bring our liquid alternative offering to five funds, supplementing our earlier launches of the Mackenzie Diversified Alternatives Fund and Mackenzie Multi-Strategy Absolute Return Funds which have attracted $1.3 billion to date.
- Mackenzie International Dividend Fund was launched to provide investors with access to high-quality, dividend-paying companies outside of Canada and the U.S. in order to help diversify geographic concentration. This fund is managed by Mackenzie's Global Equity & Income Team.

During 2019, Mackenzie also merged five mutual funds to streamline and strengthen its product shelf and make it easier to navigate.

PRICING ENHANCEMENTS

Mackenzie is focused on delivering clear, consistent and competitive pricing. Initiatives implemented during 2019 include the following:

- Mackenzie reduced management fees by 5 to 15 basis points on the six High Diversification funds sub-advised by TOBAM, two fixed income mutual funds and five ETF Portfolios.
- Mackenzie reduced management fees on all thirteen traditional index ETFs by 1 to 16 basis points.

Mackenzie's segment excludes revenue earned on advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds. The costs of the investment management team have been allocated across segments.

Mackenzie's earnings before interest and taxes are presented in Table 16.

2019 VS. 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

TABLE 16: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED ($ millions)	2019 DEC. 31	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Revenues					
Management fees	**$ 180.4**	$ 178.6	$ 169.9	1.0 %	6.2 %
Administration fees	**25.5**	25.0	23.8	2.0	7.1
Distribution fees	**1.4**	1.4	1.4	–	–
	207.3	205.0	195.1	1.1	6.3
Net investment income and other	**0.6**	(1.4)	(3.1)	N/M	N/M
	207.9	203.6	192.0	2.1	8.3
Expenses					
Commission	**5.6**	5.4	5.7	3.7	(1.8)
Trailing commission	**68.3**	67.6	64.0	1.0	6.7
Non-commission	**92.6**	84.2	86.9	10.0	6.6
	166.5	157.2	156.6	5.9	6.3
Earnings before interest and taxes	**$ 41.4**	$ 46.4	$ 35.4	(10.8) %	16.9 %

TWELVE MONTHS ENDED ($ millions)	2019 DEC. 31	2018 DEC. 31	% CHANGE
Revenues			
Management fees	**$ 703.5**	$ 701.4	0.3 %
Administration fees	**98.3**	98.4	(0.1)
Distribution fees	**5.8**	6.7	(13.4)
	807.6	806.5	0.1
Net investment income and other	**4.2**	(1.9)	N/M
	811.8	804.6	0.9
Expenses			
Commission	**24.8**	28.7	(13.6)
Trailing commission	**268.1**	262.4	2.2
Non-commission	**350.4**	335.1	4.6
	643.3	626.2	2.7
Earnings before interest and taxes	**$ 168.5**	$ 178.4	(5.5) %

the dealer compensation, these series have lower management fees. At December 31, 2019, these series had $11.0 billion in assets, an increase of 32.8% from the prior year.

Management fees were $180.4 million for the three months ended December 31, 2019, an increase of $10.5 million or 6.2% from $169.9 million last year. Management fees were $703.5 million for the twelve months ended December 31, 2019, an increase of $2.1 million or 0.3% from $701.4 million last year. The increase in both the three and twelve month periods was due to an increase in total average assets under management offset by a decline in the effective management fee rate. Mackenzie's average management fee rate was 103.8 and 104.0 basis points in the three and twelve months ended December 31, 2019 compared to 104.3 and 106.5 basis points, respectively, in the comparative periods in 2018.

The net change in management fees was due to a decline in the average management fee rate, offset by the increase in total average assets under management of 2.9%. Mackenzie's average management fee rate in the twelve months ended December 31, 2019 was 104.0 basis points compared to 106.5 basis points in 2018.

The decrease in the average management fee rate in both the three and twelve month periods 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.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were $25.5 million for the three months ended December 31, 2019, an increase of $1.7 million or 7.1% from last year. Administration fees were $98.3 million for the twelve months ended December 31, 2019, a decrease of $0.1 million or 0.1% from $98.4 million last year.

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 December 31, 2019 was $1.4 million, unchanged from the prior year. Distribution fee income in the twelve months ended December 31, 2019 was $5.8 million, a decrease of $0.9 million from $6.7 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 $0.6 million for the three months ended December 31, 2019 compared to ($3.1) million last year. Net investment income and other was $4.2 million for the twelve months ended December 31, 2019, an increase of $6.1 million from ($1.9) million last year.

EXPENSES

Mackenzie's expenses were $166.5 million for the three months ended December 31, 2019, an increase of $9.9 million or 6.3% from $156.6 million in 2018. Expenses for the twelve months ended December 31, 2019 were $643.3 million, an increase of $17.1 million or 2.7% from $626.2 million last year.

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 $5.6 million in the three months ended December 31, 2019, as compared to $5.7 million last year. Commission expense in the twelve months ended December 31, 2019 was $24.8 million compared to $28.7 million in 2018.

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 $68.3 million in the three months ended December 31, 2019, an increase of $4.3 million or 6.7% from $64.0 million last year. Trailing commissions in the twelve months ended December 31, 2019 were $268.1 million, an increase of $5.7 million or 2.2% from $262.4 million last year. The increase in both the three and twelve month periods was primarily due to the increase in average mutual fund assets offset by a decline in the effective trailing commission rate. Trailing commissions as a percentage of average mutual fund assets under management was 45.6 and 46.0 basis points in the three and twelve months ended December 31, 2019 compared to 46.6 and 46.7 basis points in the three and twelve months ended December 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 $92.6 million in the three months ended December 31, 2019, an increase of $5.7 million or 6.6% from $86.9 million in 2018. Non-commission expenses in the twelve months ended December 31, 2019 were $350.4 million, an increase of $15.3 million or 4.6% from $335.1 million in 2018.

Q4 2019 VS. Q3 2019

REVENUES

Mackenzie's revenues were $207.9 million for the current quarter, an increase of $4.3 million or 2.1% from $203.6 million in the third quarter.

Management fees were $180.4 million for the current quarter, an increase of $1.8 million or 1.0% from $178.6 million in the third quarter. Factors contributing to the net increase are as follows:

- Average assets under management were $69.1 billion in the current quarter, an increase of 1.4% from the prior quarter.
- Mackenzie's average management fee rate was 103.8 basis points in the current quarter compared to 104.2 basis points in the prior quarter.

Administration fees were $25.5 million in the current quarter, an increase of 2.0% from $25.0 million in the third quarter.

Net investment income and other includes investment returns related to Mackenzie's investments in proprietary funds. Net investment income and other was $0.6 million for the current quarter compared to ($1.4) million in the third quarter.

EXPENSES

Mackenzie's expenses were $166.5 million for the current quarter, an increase of $9.3 million or 5.9% from $157.2 million in the third quarter.

Commission expense related to selling commissions paid was $5.6 million in the quarter ended December 31, 2019, as compared to $5.4 million in the third quarter.

Trailing commissions were $68.3 million in the current quarter, an increase of $0.7 million or 1.0% from $67.6 million in the third quarter. The change in trailing commissions reflects the 1.5% 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 45.6 basis points in the current quarter compared to 45.8 basis points in the third quarter.

Non-commission expenses were $92.6 million in the current quarter, an increase of $8.4 million from $84.2 million in the third quarter, primarily attributed to the seasonality of expenses.

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.

On January 24, 2019, the Company invested an additional amount of $66.8 million (USD $50.0 million) in Personal Capital and, as a result, the Company began using 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 Wealthsimple Financial Corporation and Portag3 Ventures LPs.

Corporate and other earnings before interest and taxes are presented in Table 17.

2019 VS. 2018

The proportionate share of associates' earnings decreased by $2.0 million in the fourth quarter of 2019 and decreased by $27.6 million in the year ended December 31, 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 in the fourth quarter resulted primarily from the inclusion of the Company's proportionate share of Personal Capital's losses of $4.5 million, offset in part by an increase in Lifeco's earnings of $2.5 million. The decrease in the twelve month period ended December 31, 2019, resulted primarily from the inclusion of the Company's proportionate share of Personal Capital's losses of $16.8 million and the decrease in Lifeco's earnings of $11.9 million over 2018. Net investment income and other decreased to $3.9 million in the fourth quarter of 2019 compared to $5.3 million in 2018. For the twelve month period, net investment income and other decreased to $16.6 million compared to $17.1 million in 2018.

TABLE 17: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED *($ millions)*	**2019 DEC. 31**	2019 SEP. 30	2018 DEC. 31	% CHANGE 2019 SEP. 30	% CHANGE 2018 DEC. 31
Revenues					
Fee income	**$ 70.5**	$ 71.7	$ 71.6	(1.7) %	(1.5) %
Net investment income and other	**3.9**	3.2	5.3	21.9	(26.4)
Proportionate share of associates' earnings	**32.6**	28.9	34.6	12.8	(5.8)
	107.0	103.8	111.5	3.1	(4.0)
Expenses					
Commission	**44.8**	44.7	46.4	0.2	(3.4)
Non-commission	**21.5**	21.9	22.5	(1.8)	(4.4)
	66.3	66.6	68.9	(0.5)	(3.8)
Earnings before interest and taxes	**$ 40.7**	$ 37.2	$ 42.6	9.4 %	(4.5) %

TWELVE MONTHS ENDED *($ millions)*	**2019 DEC. 31**	2018 DEC. 31	% CHANGE
Revenues			
Fee income	**$ 284.0**	$ 290.7	(2.3) %
Net investment income and other	**16.6**	17.1	(2.9)
Proportionate share of associates' earnings	**122.4**	150.0	(18.4)
	423.0	457.8	(7.6)
Expenses			
Commission	**179.5**	184.2	(2.6)
Non-commission	**88.1**	88.3	(0.2)
	267.6	272.5	(1.8)
Earnings before interest and taxes	**$ 155.4**	$ 185.3	(16.1) %

Earnings before interest and taxes related to Investment Planning Counsel were $1.4 million higher in the fourth quarter of 2019 compared to the same period in 2018 and were $0.7 million higher in the twelve month period.

Q4 2019 VS. Q3 2019

The proportionate share of associates' earnings was $32.6 million in the fourth quarter of 2019, an increase of $3.7 million from the third quarter of 2019 primarily resulting from an increase in Lifeco's earnings. Net investment income and other was $3.9 million in the fourth quarter of 2019, compared to $3.2 million in the third quarter.

Earnings before interest and taxes related to Investment Planning Counsel were $0.7 million lower in the fourth quarter of 2019 compared to the prior quarter.

IGM FINANCIAL INC.

CONSOLIDATED FINANCIAL POSITION

IGM Financial's total assets were $15.4 billion at December 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 18.

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, and Portag3 Ventures LP and Portag3 Ventures II LP. 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 Company's parent, Power Financial Corporation. As at December 31, 2019, the Company had invested a total of $48.9 million in Portag3, including $14.8 million which was invested during 2019.

Wealthsimple Financial Corporation (Wealthsimple) is an online investment manager that provides financial investment guidance. As at December 31, 2019, the Company had invested a total of $186.9 million in Wealthsimple through a limited partnership controlled by the Company's parent, Power Financial Corporation. The Company invested a total of $51.9 million during the current year.

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 19.

Loans consisted of residential mortgages and represented 46.8% of total assets at December 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 $6.9 billion at December 31, 2019, compared to $7.4 billion at December 31, 2018.

TABLE 18: OTHER INVESTMENTS

	DECEMBER 31, 2019		DECEMBER 31, 2018	
($ millions)	**COST**	**FAIR VALUE**	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	**$ 245.0**	**$ 301.2**	$ 303.6	$ 372.4
Fair value through profit or loss				
Equity securities	**1.6**	**1.8**	17.0	12.9
Proprietary investment funds	**51.3**	**54.4**	78.5	74.6
	52.9	**56.2**	95.5	87.5
	$ 297.9	**$ 357.4**	$ 399.1	$ 459.9

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 $344.5 million at December 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. IG Wealth Management services $12.0 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 fourth quarter of 2019, the Company securitized loans through its mortgage banking operations with cash proceeds of $277.8 million compared to $531.3 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 6 to the Consolidated Financial Statements.

INVESTMENT IN ASSOCIATES

GREAT-WEST LIFECO INC. (LIFECO)

At December 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 year ended December 31, 2019 compared with 2018 are shown in Table 20.

In April 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.

In June 2019, Lifeco recorded a one-time loss in relation to the sale of substantially all of its United States individual life insurance and annuity business. In December 2019, Lifeco recorded one-time charges in relation to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction. The Company's after-tax proportionate share of these charges was $17.2 million.

TABLE 19: LOANS

($ millions)	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Amortized cost	**$ 7,198.7**	$ 7,734.5
Less: Allowance for expected credit losses	**0.7**	0.8
	7,198.0	7,733.7
Fair value through profit or loss	**–**	4.3
	$ 7,198.0	$ 7,738.0

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¥ 1,032.1 billion ($192.4 billion) at December 31, 2019, representing an increase of 17.3% (CAD$ increase of 10.3%) from RMB¥ 879.7 billion ($174.5 billion) at December 31, 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 three and twelve months ended December 31, 2019 are shown in Table 20. The change in other comprehensive income in the twelve month period of 2019 was due to a 6.0% depreciation of the Chinese Yuan relative to the Canadian dollar.

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 December 31, 2019, Personal Capital had 2.41 million registered users, individuals who have signed up to use Personal Capital's free dashboard platform, representing an increase of 19.8% from 2.01 million at December 31, 2018 and an increase of 4.2% from 2.32 million at September 30, 2019.

Personal Capital's total assets under management were USD $12.3 billion as at December 31, 2019, representing an increase of 57.2% from USD $7.8 billion at December 31, 2018 and an increase of 13.6% from USD $10.8 billion as at September 30, 2019.

Tracked Account Value (TAV), the gross value of assets and liabilities aggregated by registered users, was USD $841 billion as at December 31, 2019, representing an increase of 32.0% from USD $637 billion at December 31, 2018 and an increase of 7.2% from USD $784 billion as at September 30, 2019.

The equity method is used to account for the Company's 24.8% 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 loss 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 three and twelve months ended December 31, 2019 are shown in Table 20.

TABLE 20: INVESTMENT IN ASSOCIATES

($ millions)				2019 DECEMBER 31			2018 DECEMBER 31
	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL	LIFECO	CHINA AMC	TOTAL
THREE MONTH PERIOD							
Carrying value, October 1	$ 898.7	$ 651.2	$ 202.8	$ 1,752.7	$ 967.4	$ 641.3	$ 1,608.7
Dividends received	(15.4)	–	–	(15.4)	(15.4)	–	(15.4)
Proportionate share of:							
Earnings (losses)(1)	29.9	7.2	(4.5)	32.6	27.4	7.2	34.6
Associate's one-time charges(1)	(9.2)	–	–	(9.2)	–	–	–
Other comprehensive income (loss) and other adjustments	(7.3)	4.3	(3.8)	(6.8)	(11.6)	35.0	23.4
Carrying value, December 31	$ 896.7	$ 662.7	$ 194.5	$ 1,753.9	$ 967.8	$ 683.5	$ 1,651.3
TWELVE MONTH PERIOD							
Carrying value, January 1	$ 967.8	$ 683.5	$ –	$ 1,651.3	$ 901.4	$ 647.9	$ 1,549.3
Transfer from corporate investments (FVTOCI)	–	–	217.0	217.0	–	–	–
Proceeds from substantial issuer bid	(80.4)	–	–	(80.4)	–	–	–
Dividends received	(62.6)	(10.3)	–	(72.9)	(61.8)	(12.2)	(74.0)
Proportionate share of:							
Earnings (losses)(1)	109.1	30.1	(16.8)	122.4	121.0	29.0	150.0
Associate's one-time charges(1)	(17.2)	–	–	(17.2)	–	–	–
Other comprehensive income (loss) and other adjustments	(20.0)	(40.6)	(5.7)	(66.3)	7.2	18.8	26.0
Carrying value, December 31	$ 896.7	$ 662.7	$ 194.5	$ 1,753.9	$ 967.8	$ 683.5	$ 1,651.3

(1) *The proportionate share of earnings from the Company's investment in associates is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2, 3 and 4).*

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled $720.0 million at December 31, 2019 compared with $650.2 million at December 31, 2018. Cash and cash equivalents related to the Company's deposit operations were $2.2 million at December 31, 2019, compared to $2.4 million at December 31, 2018, as shown in Table 21.

Working capital, which consists of current assets less current liabilities, totalled $464.3 million at December 31, 2019 compared with $366.1 million at December 31, 2018 (Table 22).

Working capital is utilized to:

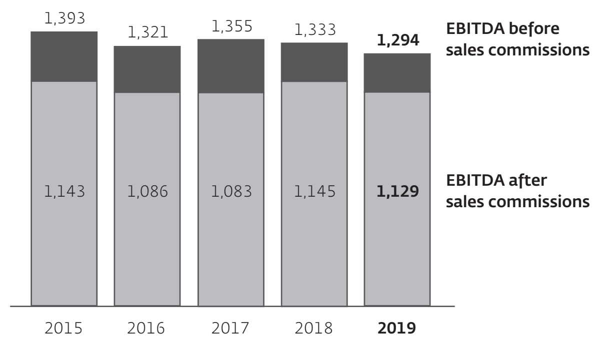
- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends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

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 $1,294.0 million in the year ended December 31, 2019 compared to $1,333.0 million in 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 $1,128.9 million in the year ended December 31, 2019 compared to $1,144.5 million in 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.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the financial year ($ millions)



Adjusted EBITDA before and after sales commissions excluded the following:

2015 - a charge related to restructuring and other charges.

2017 - charges related to restructuring and other, a favourable revaluation of the Company's pension plan obligation, charges representing the proportionate share in Great-West Lifeco Inc.'s one-time charges and restructuring provision.

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

2019 - the Company's proportionate share in Great-West Lifeco Inc.'s one-time charges.

TABLE 21: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (*$ millions*)	**2019**	2018
Assets		
Cash and cash equivalents	**$ 2.2**	$ 2.4
Client funds on deposit	**561.3**	546.8
Accounts and other receivables	**12.3**	8.8
Loans	**20.4**	21.3
Total assets	**$ 596.2**	$ 579.3
Liabilities and shareholders' equity		
Deposit liabilities	**$ 584.3**	$ 568.8
Other liabilities	**0.5**	0.5
Shareholders' equity	**11.4**	10.0
Total liabilities and shareholders' equity	**$ 596.2**	$ 579.3

TABLE 22: WORKING CAPITAL

AS AT DECEMBER 31 *($ millions)*	2019	2018
Current Assets		
Cash and cash equivalents	$ 720.0	$ 650.2
Client funds on deposit	561.3	546.8
Accounts receivable and other assets	345.3	311.9
Current portion of mortgages and other	1,531.7	1,280.1
	3,158.3	2,789.0
Current Liabilities		
Accounts and other payables	611.9	644.7
Deposits and certificates	579.0	562.4
Current portion of long-term liabilities	1,503.1	1,215.8
	2,694.0	2,422.9
Working Capital	$ 464.3	$ 366.1

CASH FLOWS

Table 23 - Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2019. Cash and cash equivalents increased by $69.8 million in 2019 compared to a decrease of $316.6 million in 2018.

Adjustments to determine net cash from operating activities during the year ended 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, intangible and other assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The add-back of one-time adjustments in 2018, which included a restructuring provision and other.
- The deduction of restructuring provision cash payments.

Financing activities during the year ended December 31, 2019 compared to 2018 related to:

- An increase in obligations to securitization entities of $1,456.3 million and repayments of obligations to securitization entities of $1,960.8 million in 2019 compared to an increase in obligations to securitization entities of $1,771.7 million and repayments of obligations to securitization entities of $2,034.4 million in 2018.
- Issuance of debentures of $250.0 million in 2019, compared to the issuance of debentures of $200.0 million in 2018.

TABLE 23: CASH FLOWS

TWELVE MONTHS ENDED *($ millions)*	2019 DEC. 31	2018 DEC. 31	% CHANGE
Operating activities			
Earnings before income taxes	$ 968.7	$ 986.1	(1.8) %
Income taxes paid	(236.7)	(132.6)	(78.5)
Adjustments to determine net cash from operating activities	(19.9)	(68.3)	70.9
	712.1	785.2	(9.3)
Financing activities	(1,068.9)	(1,131.8)	5.6
Investing activities	426.6	30.0	N/M
Change in cash and cash equivalents	69.8	(316.6)	N/M
Cash and cash equivalents, beginning of year	650.2	966.8	(32.7)
Cash and cash equivalents, end of year	$ 720.0	$ 650.2	10.7 %

- Repayment of debentures of $525.0 million in 2018.
- Redemption of preferred shares of $150.0 million in the second quarter of 2019.
- The purchase of 2,762,788 common shares in 2019 under IGM Financial's normal course issuer bid at a cost of $100.0 million. There were no purchases in 2018.
- The payment of perpetual preferred share dividends which totalled $4.4 million in 2019 compared to $8.8 million in 2018.
- The payment of regular common share dividends which totalled $539.0 million in 2019 compared to $541.8 million in 2018.

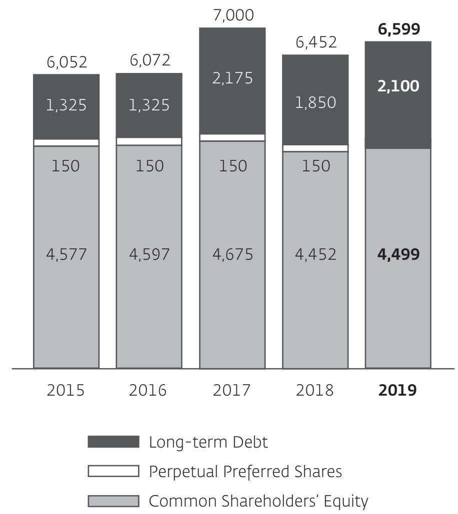
Investing activities during the year ended December 31, 2019 compared to 2018 primarily related to:

- The purchases of other investments totalling $118.9 million and sales of other investments with proceeds of $85.5 million in 2019 compared to $154.5 million and $93.5 million, respectively, in 2018.
- An increase in loans of $1,682.1 million with repayments of loans and other of $2,211.5 million in 2019 compared to $1,748.4 million and $1,895.6 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 $64.1 million in 2019 compared to $49.1 million in 2018.
- An additional investment in Personal Capital of $66.8 million in the first quarter of 2019.
- Proceeds of $80.4 million from the sale of 2,400,255 Lifeco shares in 2019 as a result of the Company's participation in the Lifeco substantial issuer bid.

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 December 31, 2019, compared to $6.4 billion at December 31, 2018. At December 31, 2018, capital included perpetual preferred shares of $150 million which were redeemed in April 2019. The Company regularly assesses its capital management practices in response to changing economic conditions.

Capital
As at December 31 ($ millions)



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

The total outstanding long-term debt was $2.1 billion at December 31, 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.

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 2,762,788 common shares during the year ended December 31, 2019 at a cost of $100.0 million under its normal course issuer bid (refer to Note 17 to the Consolidated 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 2019 included the declaration of perpetual preferred share dividends of $2.2 million or $0.36875 per share and common share dividends of $537.6 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

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

TABLE 24: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2019		DECEMBER 31, 2018	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	$ 301.2	$ 301.2	$ 372.4	$ 372.4
– Fair value through profit or loss	56.2	56.2	87.5	87.5
Loans				
– Fair value through profit or loss	–	–	4.3	4.3
Derivative financial instruments	15.2	15.2	16.4	16.4
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	7,198.0	7,273.8	7,733.7	7,785.5
Financial liabilities recorded at fair value				
Derivative financial instruments	17.2	17.2	29.0	29.0
Other financial liabilities	–	–	8.2	8.2
Financial liabilities recorded at amortized cost				
Deposits and certificates	584.3	584.7	568.8	569.0
Obligations to securitization entities	6,913.6	6,997.0	7,370.2	7,436.9
Long-term debt	2,100.0	2,453.6	1,850.0	2,050.3

FINANCIAL INSTRUMENTS

Table 24 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 23 of the Consolidated Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

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

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 and other business leaders.

A key funding requirement for the Company is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements 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 assess additional funding sources for the Company's mortgage banking operations.
- 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.
- Participated 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 contractual obligations are reflected in Table 25.

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

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $825 million at December 31, 2019, unchanged from December 31, 2018. The

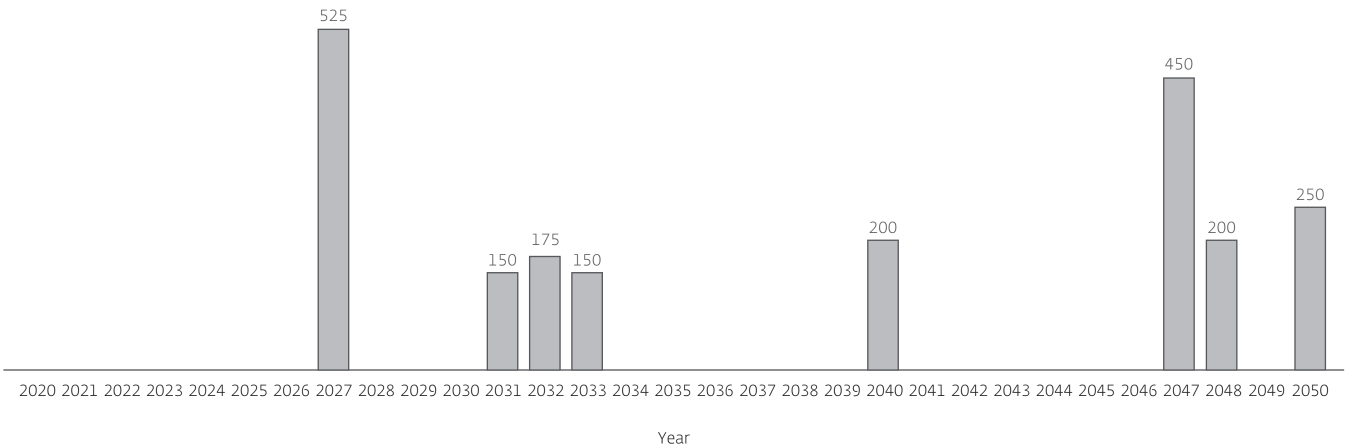
TABLE 25: CONTRACTUAL OBLIGATIONS

AS AT DECEMBER 31, 2019 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 6.9	$ 10.1	$ 0.2	$ 17.2
Deposits and certificates	573.0	6.0	4.2	1.1	584.3
Obligations to securitization entities	–	1,473.6	5,431.5	8.5	6,913.6
Leases(1)	–	26.2	54.7	23.5	104.4
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding(2)	–	26.1	–	–	26.1
Total contractual obligations	$ 573.0	$ 1,538.8	$ 5,500.5	$ 2,133.3	$ 9,745.6

(1) Includes remaining 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 2020 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Long-Term Debt Maturity Schedule
($ millions)



lines of credit at December 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 December 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. During 2019, the Company made contributions of $26.4 million (2018 - $40.4 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 contributions of approximately $26.1 million in 2020. 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 December 31, 2019, cash and cash equivalents of $720.0 million (2018 - $650.2 million) consisted of cash balances of $68.0 million (2018 - $81.8 million) on deposit with Canadian chartered banks and cash equivalents of $652.0 million (2018 - $568.4 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $34.5 million (2018 - $103.5 million), provincial government treasury bills and promissory notes of $206.5 million (2018 - $76.2 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $411.0 million (2018 - $364.3 million). Also included in 2018 were highly rated corporate commercial paper of $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 December 31, 2019, residential mortgages, recorded on the Company's balance sheet, of $7.2 billion (2018 - $7.7 billion) consisted of $6.8 billion sold to securitization programs (2018 - $7.3 billion), $344.5 million held pending sale or securitization (2018 - $363.9 million) and $24.2 million related to the Company's intermediary operations (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 $3.9 billion (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 $2.9 billion (2018 – $3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $71.9 million (2018 - $74.1 million) and $37.9 million (2018 - $35.6 million), respectively, at December 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 4.6% of mortgages held in ABCP Trusts insured at December 31, 2019 (2018 – 8.3%).

At December 31, 2019, residential mortgages recorded on balance sheet were 59.1% insured (2018 – 61.5%). As at December 31, 2019, impaired mortgages on these portfolios were $2.4 million, compared to $3.3 million at December 31, 2018. Uninsured non-performing mortgages over 90 days on these portfolios were $1.6 million at December 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 $0.7 million at December 31, 2019, compared to $0.8 million at 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 $15.7 million (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 $0.7 million at December 31, 2019 (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 December 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 Notes 2, 6 and 22 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 $0.9 million (December 31, 2018 – positive $4.9 million) and an outstanding notional amount of $0.8 billion at December 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 fair value of these swaps totalled negative $4.9 million (December 31, 2018 - negative $11.0 million), on an outstanding notional amount of $1.6 billion at December 31, 2019 (December 31, 2018 - $1.7 billion). The net fair value of these swaps of negative $5.8 million at December 31, 2019 (December 31, 2018 - negative $6.1 million) is recorded on the balance sheet and has an outstanding notional amount of $2.4 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 $0.6 million (December 31, 2018 - negative $1.8 million) on an outstanding notional amount of $180.4 million at December 31, 2019 (December 31, 2018 - $249.9 million).

As at December 31, 2019, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $2.0 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 $357.4 million at December 31, 2019 (December 31, 2018 - $459.9 million), as shown in Table 18.

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 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 $40.5 million ($44.8 million).

The Company's proportionate share of China AMC's and Personal Capital's earnings (losses), recorded in Proportionate share of associates' earnings in the Consolidated Statements 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 associates' earnings (losses) by approximately $0.7 million ($0.6 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2019, IGM Financial's total assets under management were $166.8 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

TABLE 26: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT DECEMBER 31, 2019	INVESTMENT FUNDS	TOTAL
Cash	1.8 %	2.0 %
Short-term fixed income and mortgages	4.8	4.7
Other fixed income	27.2	26.8
Domestic equity	22.2	22.3
Foreign equity	41.2	41.5
Real Property	2.8	2.7
	100.0 %	100.0 %
CAD	56.2 %	56.1 %
USD	28.4	28.2
Other	15.4	15.7
	100.0 %	100.0 %

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 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. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

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

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the 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 references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The 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.

CLIENT FOCUSED REFORMS

On October 3, 2019, the Canadian Securities Administrators (the CSA) published final rule amendments to implement enhancements to the obligations owed by registrants to their clients (the Client Focused Reforms).

The Client Focused Reforms include rule amendments that, when implemented, will require registrants to:

- Address all material conflicts of interest in the best interest of the client;
- Put the client's interest first when making a suitability determination; and
- Do more to clarify for clients what they should expect from their registrants.

The rule amendments are expected to come into force on December 31, 2019, with a phased transition period spanning over a two year period. The Company believes it is well positioned to implement the Client Focused Reforms.

MUTUAL FUND EMBEDDED COMMISSIONS

On December 19, 2019, the CSA published a notice announcing that all provinces and territories in Canada will eliminate trailing commissions paid to dealers who only execute orders and do not provide advice, such as discount brokers; and all provinces and territories, excluding Ontario, will eliminate the Deferred Sales Charge (DSC) purchase option.

The rule amendments are expected to be published in 2020 and be subject to a two-year transition period. The Ontario Securities Commission will explore alternative approaches to the elimination of the DSC purchase option in Ontario.

The Company believes it is well positioned to respond to these proposals, as IG Wealth Management and Investment Planning Counsel no longer offer the deferred sales charge option.

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 27 and are discussed in the IG Wealth Management and Mackenzie Segment Operating Results sections of this MD&A.

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.

TABLE 27: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2019 DEC. 31	2018 DEC. 31
IGM Financial Inc.		
IG Wealth Management	**10.3 %**	9.2 %
Mackenzie	**15.6 %**	17.1 %
Counsel	**19.3 %**	19.2 %

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 RISK

Environmental and social risk is the potential risk of financial loss or harm resulting from environmental or social issues arising from our business operations or investment activities. Environmental and social risks are identified as one of the six categories of risks within the Company's ERM Framework.

Environmental risks include issues such as climate change, biodiversity, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights, labour standards, diversity and inclusion, 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 ensuring that material environmental and social risks are appropriately identified, managed and monitored.

The Company's executive Risk Management Committee is responsible for providing oversight of the risk management process. Other management committees provide oversight of specific risks including the Corporate Responsibility Committee. The Corporate Responsibility Committee is comprised of senior executives of the Company who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance matters.

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). IG Wealth Management sub-advisors were also required to be signatories to the PRI by the end of 2019. Under the PRI, investors formally commit to incorporate environmental, social and governance issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Responsible Investment Policies outlining the practices at each company.

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.

CLIMATE CHANGE

We believe that financial services companies have an important role to play in addressing climate change. Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities

IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. For the 2018 and 2019 surveys, IGM Financial was the only Canadian firm recognized by CDP as a corporate leader in climate change disclosure with a position on their Climate Change A List.

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

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held $4.4 trillion in discretionary financial assets with financial institutions at December 31, 2018 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 65% ($2.9 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 40% of Canadian discretionary financial assets or $1.8 trillion resided in investment funds at December 31, 2018, 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 $162 billion in investment fund assets under management at December 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 46% of total industry long-term mutual fund assets at December 31, 2019.

The Canadian mutual fund industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 73% of industry long-term mutual fund assets and 73% of total mutual fund assets under management at December 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.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

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

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 11 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

  The Company completed its annual impairment tests of goodwill and indefinite life intangible assets as at April 1, 2019, and determined there was no impairment in the value of those assets.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 15 to the Consolidated Financial Statements.
- *Capitalized sales commissions* – Commissions paid directly by the client on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to its carrying value. At December 31, 2019, there were no indications of impairment to capitalized sales commissions.

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

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

  During 2019, the performance of the defined benefit pension plan assets was positively impacted by market conditions. Corporate bond yields decreased in 2019 thereby impacting the discount rate used to measure the Company's accrued benefit liability. The discount rate utilized to value the defined benefit pension plan accrued benefit liability at December 31, 2019 was 3.20% compared to 3.90% at December 31, 2018. Pension plan assets increased to $466.5 million at December 31, 2019 from $407.4 million at December 31, 2018. The increase in plan assets was due to market performance of $62.4 million comprised of interest income of $16.1 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial gains of $46.3 million, which were recorded in Other comprehensive income. The assets in the Company's registered defined benefit pension plan also increased due to the Company contributing $26.4 million (2018 - $40.4 million) to the pension plan. The decrease in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial losses of $62.0 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in net actuarial gains of $0.9 million. The total defined benefit pension plan obligation was $565.6 million at December 31, 2019 compared to $496.7 million at December 31, 2018. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $99.1 million at December 31, 2019 compared to $89.3 million at the end of 2018. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $69.2 million and $39.1 million, respectively, at December 31, 2019 compared to $62.1 million and $37.7 million in 2018.

  A decrease of 0.25% in the discount rate utilized in 2019 would result in a change of $27.3 million in the accrued pension obligation, $25.5 million in other comprehensive income, and $1.8 million in pension expense. Additional information regarding the Company's accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 14 of the Consolidated Financial Statements.

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 noticeably different due to the offsetting decrease to operating lease expense.

Table 28 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.

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 28: IMPACT OF IFRS 16 ON BALANCE SHEET

($ millions)	DECEMBER 31, 2018	ADJUSTMENT DUE TO ADOPTION OF IFRS 16	JANUARY 1, 2019
Assets			
Other assets[1]	$ 46.5	$ (0.1)	$ 46.4
Capital assets	138.6	96.1	234.7
		$ 96.0	
Liabilities			
Accounts payable and accrued liabilities [1]	$ 397.4	$ (1.9)	$ 395.5
Lease obligations	–	105.5	105.5
Deferred income taxes	295.7	(2.0)	293.7
Retained earnings	2,840.6	(5.6)	2,835.0
		$ 96.0	

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

DISCLOSURE CONTROLS AND PROCEDURES

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2019, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Effective November 18, 2019, IGM Financial entered into an outsourcing agreement with CIBC Mellon to assume most of IGM Financial's fund services functions. This will add fund administration servicing solutions to the custody and related services that CIBC Mellon already performs for IGM Financial. As a result of the outsourcing, substantially all of IGM Financial's employees in the outsourced functions were hired by CIBC Mellon and continued performing the same functions during the remainder of the fourth quarter. Contractually, CIBC Mellon is required to develop and implement internal controls and has agreed to work with IGM Financial to implement compliance measures to satisfy CSA National Instrument 52-109. CIBC Mellon has agreed to make minimal changes to processes and systems through year end 2019. Accordingly, management has concluded that this outsourcing has not materially affected the Company's internal controls in 2019. As the transition proceeds over the coming months and years, management will continually reassess its impact on the Company's internal control over financial reporting.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control - Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2019, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Notwithstanding the above, during the fourth quarter of 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.

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. Effective as of January 1, 2020, Great-West, London Life and Canada Life, amalgamated into a single company, The Canada Life Assurance Company. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2019 and 2018, the Company provided to and received from Great-West certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $54.8 million in distribution fees (2018 - $62.6 million). The Company received $17.1 million (2018 - $17.5 million) and paid $26.2 million (2018 - $25.4 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $78.8 million (2018 – $78.3 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2019, the Company sold residential mortgage loans to Great-West and London Life for $10.8 million compared to $61.4 million in 2018.

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. The acquisitions are expected to close in the fourth quarter of each year. The Company will recognize the benefit of the tax losses realized throughout the year. On each of December 31, 2019 and December 29, 2018, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired.

For further information on transactions involving related parties, see Notes 8 and 26 to the Company's Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2019 totalled 238,294,090. Outstanding stock options as at December 31, 2019 totalled 10,529,360, of which 5,470,178 were exercisable. As at February 11, 2020, outstanding common shares totalled 238,300,145 and outstanding stock options totalled 10,514,061 of which 5,464,123 were exercisable.

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Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.