IGM FINANCIAL INC. ANNUAL REPORT 2018

IGM FINANCIAL ANNUAL REPORT 2018

TSX: IGM

INVESTED IN HELPING CANADIANS

DR. JAMES OBAJI, MD
IG WEALTH MANAGEMENT
CLIENT SINCE 2004

and

DR. ZEIN FARAJ, MD CCFP
IG WEALTH MANAGEMENT
CLIENT SINCE 2016

IGM Financial™

Contents

"We have a very friendly, honest relationship with our Consultant. We get complete, comprehensive services."

Wanda McCall
RETIRED PHYSIOTHERAPIST
IG WEALTH MANAGEMENT CLIENT SINCE 1992

Warren McCall
PRESIDENT & CEO inUnison
IG WEALTH MANAGEMENT CLIENT SINCE 1992

Readers are referred to the caution regarding Forward-Looking Statements and Non-IFRS Financial Measures and Additional IFRS Measures on page 24 of this Annual Report.

We are committed to improving the financial well-being of Canadians and helping them achieve their goals at every stage of their lives.

Who we are

IGM FINANCIAL INC. (TSX: IGM) is a leading wealth and asset management company supporting over 35,000 advisors and both individual and institutional investors throughout North America, Europe and Asia.

This network of advisors provides a broad range of financial and investment planning services to help more than two million Canadians meet their financial goals.

The company creates value for shareholders through four key areas:

- IG Wealth Management
- Mackenzie Investments
- Investment Planning Counsel
- Strategic Investments

Reasons to invest

- Bold steps taken to transform operating companies resulting in market share gains and operational efficiencies
- Experienced leadership team focused on driving innovation, an agile culture and exceptional client outcomes
- Exciting growth opportunities through investments in Fintech and Chinese markets
- Financial strength and scale, strong governance and benefits from cooperation with Power Financial group of companies
- Long-term view to shareholder value creation and demonstrated commitment to corporate responsibility

2018 Highlights

Our Clients

NUMBER OF CLIENTS

Over 1 Million

IG Wealth Management clients

NUMBER OF EXTERNAL ADVISORS

More than 30,000

advisors doing business with Mackenzie Investments

COMMITTED TO ADVICE

100%

of IG Wealth Management Consultant practices hold the CFP or F.Pl. designation, or are enrolled in the program

CLIENT SATISFACTION

#1 Ranked

IPC led 19 other firms in the 2018 Credo Consulting investor survey

PRI Principles for Responsible Investment

IG Wealth Management and Mackenzie Investments commit to the Principles for Responsible Investment whose goal is to develop a more sustainable global financial system

Our People

SUPERIOR ADVICE

#1 Ranked

by Financial Planning Standards Council, in terms of number of CFP or F.Pl. designation holders by IG Wealth Management Consultants

NUMBER OF EMPLOYEES

Over 3,300

across IGM

WOMEN'S EMPOWERMENT

31%

of IGM senior leadership roles (Vice-President level and higher) are held by women with a target of at least 35% in 2020

CONSULTANT PRACTICES

1,973

IG Wealth Management Consultants with more than four years experience and a total network of 3,711 Consultants and Associates

VOLUNTEERING

24,750 Hours

1 paid volunteer day per year available to every IGM employee

Our Community

COMMUNITY INVESTMENT

$9.7 Million

invested across 1,300 charities

CLIMATE CHANGE LEADER

CDP A List

position earned, IGM recognized as top 5 in Canada for our work tackling climate change through disclosure

IG WALK FOR ALZHEIMER'S

$5 Million

raised as the first national sponsor with 300 walks and 25,000 volunteers

IG EMPOWER YOUR TOMORROW
Building financial confidence together

new community program focuses on raising the financial confidence of youth, seniors, Indigenous peoples and new Canadians

MACKENZIE TOUR

Over $1 Million

raised for the 4th year in a row for Canadian charities

We are proud of our commitments and achievements in working towards a sustainable future

Shareholder Highlights

NET EARNINGS PER SHARE

$3.18

ADJUSTED NET EARNINGS PER SHARE

$3.29

all-time high, up 9% from 2017

INVESTMENT FUND NET SALES

$1.4 Billion

2nd highest result in a decade

MUTUAL FUND GROSS SALES

$20 Billion

all-time high, up 1.4% from 2017

TOTAL ASSETS UNDER MANAGEMENT

$149.1 Billion

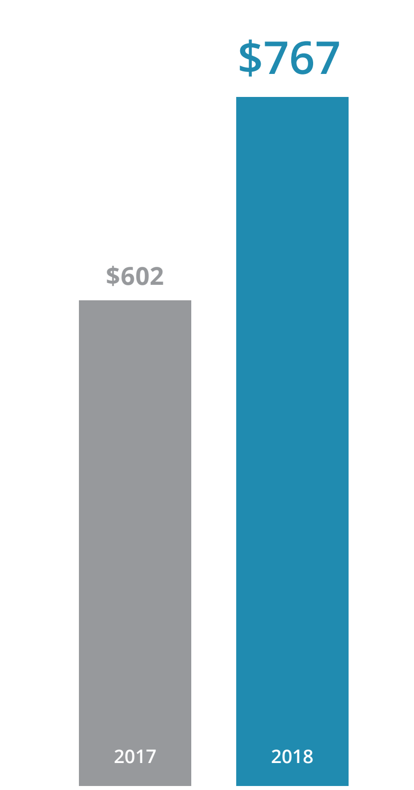
at December 31, 2018

DIVIDENDS PAID

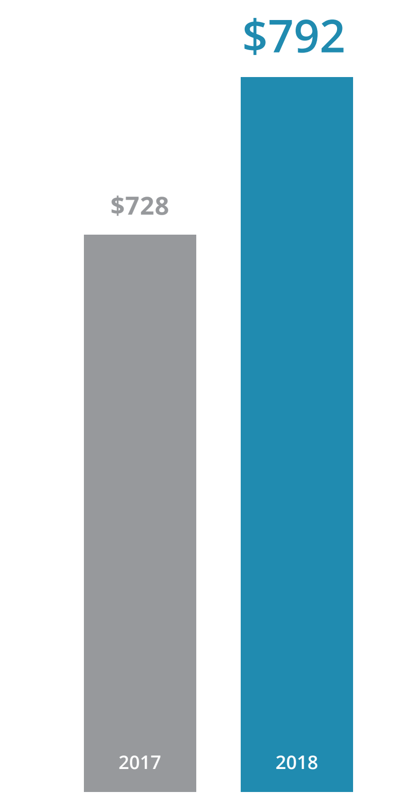
$2.25

dividends declared per common share

Strong Earnings



Net earnings available to common shareholders ($ million)



Adjusted net earnings available to common shareholders ($ million)

Investment fund net sales by business segment

	2017	2018
IG Wealth Management	$1,944	**$485**
Mackenzie Investments	$1,780	**$1,382**
Investment Planning Counsel	$79	**($18)**

Report to shareholders

On behalf of the IGM team, we are pleased to report that in 2018 we continued our commitment to clients through the execution of our multi-year strategy to innovate, streamline and simplify our business, engage our employees and deliver long-term growth and value to shareholders.

As one of Canada's leading diversified wealth and asset management firms, 2018 was a strong year for us and included increased net earnings and market share gains in a challenging environment. Throughout the year, volatile financial markets caused by global trade tensions, political uncertainty, and concerns of market cycle slowdown, tested investor and advisor confidence. In these types of environments, clients need the confidence that comes from working with a financial advisor and having well-developed plans to achieve their financial goals. Advisors need the right product solutions and support to meet the needs of investors' increasingly complex financial lives.

Against this backdrop of volatility and uncertainty, we continued to do what's best for our clients, employees, shareholders and advisor community – with strong results. Our investment fund net sales were $1.4 billion, our second-best level in the last decade. Average investment fund assets under management of $150.5 billion were up 5% relative to the prior year, and was our highest level in the company's history. Our net earnings per share (EPS) were $3.18, and our adjusted net earnings per share of $3.29 were a record high and a 9% increase over 2017. Our dividends were $2.25 per share, unchanged from last year.

STRATEGIC TRANSFORMATION FOR SHARE GROWTH

In 2018 we continued our transformation, which began at Mackenzie Investments in 2013 and at IG Wealth Management in 2016. This year, our teams settled into the new IGM Financial shared services model, while our senior executives focused on

"We continue to transform to ensure we offer competitive performance while strengthening our investment offerings to improve the client experience."

Jeffrey R. Carney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL INC.

R. Jeffrey Orr
CHAIR OF THE BOARD
IGM FINANCIAL INC.

creating a high performance and agile culture, with a strong emphasis on talent development and recruiting. We also began to transform, digitize and automate our back office, while establishing an enterprise-wide data platform that will deliver further improvements to our clients. Our 'One IGM approach' improved efficiencies and reduced non-commission expense growth to 5%, as per our guidance, and we saw our overall strategy reaffirmed through two consecutive years of market share gains.

In the fall, Investors Group rebranded to IG Wealth Management. It's an exciting evolution of the brand that better reflects how we help clients grow and manage their wealth. We also introduced the IG Living Plan™, which gives clients an integrated view of their finances – including retirement and estate planning, investments and tax strategies – allowing them to develop a truly holistic plan that evolves as their lives do. For the distinct needs of the high net worth market we launched IG Private Wealth Management. In addition, clients were introduced to technological enhancements like e-statement capabilities and our new secure online account access, delivering a more modern client experience. Clients are also benefiting from our new product offerings, supported by new partnerships with high-quality sub-advisors including

More than ever, momentum is on our side.

BlackRock, T. Rowe Price and PIMCO. And finally, we continued our industry leadership by commencing the migration of all our clients to unbundled pricing, allowing for improved transparency and competitive pricing, particularly for high net worth clients.

Mackenzie Investments made strong market share gains in 2018 – driven by retail sales – and recorded both our best retail mutual fund net sales in 20 years and the best total mutual fund gross sales in our history. Our performance also continued to improve, with 17 of our top 20 funds rated 4 and 5 star by Morningstar. Our team also launched innovative new products – including ETF portfolios with dynamic asset allocation and an absolute return alternative fund that was the first to the Canadian market under the new regulatory framework. These positive results are setting the stage for Mackenzie Investments to grow our institutional business and expand its sub-advisory relationships, while continuing to develop innovative investment solutions and increase our investment fund market share with a focus on advisors.

Investment Planning Counsel received the highest rating in client satisfaction – leading 19 other firms in the 2018 Credo Consulting investor survey. Counsel Portfolio Services and IPC Private Wealth achieved their highest combined gross sales in 2018, reaching close to $1 billion.

Barry McInerney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MACKENZIE INVESTMENTS

POSITIONED FOR GROWTH: CANADA, CHINA & FINTECH

In 2018 a key focus for us was growing our business in Canada's $4.5 trillion wealth market. We anticipate that continued growth in this market will come, in large part, from the increasingly complex financial needs of an aging population and a vast generational transfer of wealth. With the market expected to grow at 6% per year – reaching $7.4 trillion by 2026 – we have a $2.9 trillion opportunity to provide advice for the next generation, while serving the fast-growing high net worth segment. We have a 3% share of Canada's current total wealth market and are appropriately scaled and positioned to accelerate our business, capture greater share, and win both advisors and clients with our holistic approach to wealth management.

We also expanded our international reach in 2018 – entering the Hong Kong market with the launch of the China AMC Mackenzie Global Strategic Income Fund with our partner China Asset Management Co., Ltd. (China AMC). China AMC is the premier asset management firm in the world's second-largest economy, with retail clients outnumbering Canada's population. Our 13.9% stake offers us the potential to diversify and accelerate our earnings growth by participating in a high-growth market that also provides Mackenzie Investments with the potential for enhanced distribution and product capabilities.

Our growth strategy also includes investments in companies that give us significant Fintech exposure, access to emerging technology, and hands-on learning and experience with cutting-edge innovations. These investments include Wealthsimple, one of Canada's largest automated advisory platforms; Personal Capital, a market-leading digital wealth advisor platform in the U.S.; and Portag3, a Fintech venture capital fund. These innovators give us access to the latest digital technology and provide opportunities to diversify and grow our earnings.

LEVERAGING OPERATIONAL AND FINANCIAL STRENGTH

We are fortunate to be part of the Power Financial Corporation group of companies, including our 4% ownership stake in Great-West Lifeco. We benefit greatly from shared intellectual capital, technology investments, product manufacturing and distribution relationships, and opportunities with shared risk and financial synergies. Our strong balance sheet, cash flow and prudent capital management give us two key things: the immediate return of value to shareholders in the form of dividends, and the foundation for a strong future.

WORKING FOR A SUSTAINABLE FUTURE

Our long history of responsible management and belief that considering the environmental, social and governance impacts of our business is an essential part of creating long-term, sustainable value for our clients, shareholders, advisors, employees, and communities. In 2018, we developed a number of exciting new initiatives, programs and partnerships:

- **Communities**: Our new IG Empower Your Tomorrow program promotes the financial confidence of Canadians at risk, and our national partnership with the Alzheimer Society of Canada supports more than 300 community walks across Canada, raising funds and awareness for families living with dementia.

- **Responsible investment:** We expanded our commitment to active ownership in the companies we invest in and enhanced our suite of sustainable products through the launch the Mackenzie Global Environmental Equity Fund.
- **Diversity:** We promoted reconciliation with Canada's Indigenous peoples, diversity in the workplace, and gender equality, including establishing targets for senior leadership and signing the UN Women's Empowerment Principles.

LEADERSHIP AND GOVERNANCE

We thank our Board of Directors for their leadership and confidence in us over the past year. In May 2018, we announced several changes to the Board of Directors. Beth D. Wilson, Chief Executive Officer for Dentons Canada LLP, was elected to the Board. Retiring from the Board were Henri-Paul Rousseau and Jacques Parisien. Mr. Rousseau had served on the Board since 2009, and during his term, had been a member of the Executive Committee and Investment Committee. Mr. Parisien, who had been a Board member since 2014, served on the Executive Committee, Audit Committee and Investment Committee. We thank our departing directors for their years of service and valuable contributions to the Board.

LOOKING AHEAD

We are entering 2019 excited by the bright future we see ahead and the critical role we can play to help our clients achieve their financial goals and aspirations. More than ever, momentum is on our side. We will continue to build on our strong foundation for the future through new investments and organic growth, which is already accelerating. IGM Financial is uniquely positioned to take advantage of its diverse range of products, solutions, distribution channels and geographies and strong growth prospects in the Canadian wealth industry.

At IGM Financial, we are proud of the accomplishments of our outstanding teams. They are the heart and soul of our company and the primary drivers of our value. It is because of them and their unwavering commitment to excellence that we are able to help advisors meet our clients' diversified and complex financial needs. We will continue to deliver on our strategy in 2019 and the pledge we have made to our shareholders and the communities with which we work and live.

On behalf of the Board of Directors,

Jeffrey R. Carney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL INC.

R. Jeffrey Orr
CHAIR OF THE BOARD
IGM FINANCIAL INC.

Board of Directors and Executive Leadership

BOARD OF DIRECTORS

Marc A. Bibeau (1,3,4)
PRESIDENT AND CHIEF EXECUTIVE OFFICER
BEAUWARD REAL ESTATE INC.

Jeffrey R. Carney (4)
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL INC.
IG WEALTH MANAGEMENT

Marcel R. Coutu (3,4)
CORPORATE DIRECTOR

André Desmarais, O.C., O.Q. (2,3,4)
DEPUTY CHAIRMAN, PRESIDENT AND CO-CHIEF EXECUTIVE OFFICER
POWER CORPORATION OF CANADA

EXECUTIVE CO-CHAIRMAN
POWER FINANCIAL CORPORATION

Paul Desmarais, Jr., O.C., O.Q. (2,3,4)
CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICER
POWER CORPORATION OF CANADA

EXECUTIVE CO-CHAIRMAN
POWER FINANCIAL CORPORATION

Gary Doer (2,4)
SENIOR BUSINESS ADVISOR
DENTONS CANADA LLP

Susan Doniz (1,4)
GROUP CHIEF INFORMATION OFFICER
QANTAS AIRWAYS LIMITED

Claude Généreux (3,4)
EXECUTIVE VICE-PRESIDENT
POWER CORPORATION OF CANADA AND POWER FINANCIAL CORPORATION

Sharon L. Hodgson (1,4,5)
CORPORATE DIRECTOR

Sharon MacLeod (1,3,4,5)
CORPORATE DIRECTOR

Susan J. McArthur (2,3,4)
MANAGING PARTNER
GREENSOIL INVESTMENTS

John S. McCallum (1,2,4,5)
PROFESSOR OF FINANCE
UNIVERSITY OF MANITOBA

R. Jeffrey Orr (2,3,4)
CHAIR OF THE BOARD
IGM FINANCIAL INC.

PRESIDENT AND CHIEF EXECUTIVE OFFICER
POWER FINANCIAL CORPORATION

Gregory D. Tretiak, FCPA, FCA (4)
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER
POWER CORPORATION OF CANADA AND POWER FINANCIAL CORPORATION

Beth Wilson (4,5)
CHIEF EXECUTIVE OFFICER
DENTONS CANADA LLP

EXECUTIVE LEADERSHIP

Jeffrey R. Carney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL AND
IG WEALTH MANAGEMENT

Barry McInerney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MACKENZIE INVESTMENTS

Chris Reynolds
PRESIDENT AND CHIEF EXECUTIVE OFFICER
INVESTMENT PLANNING COUNSEL

Luke Gould
EXECUTIVE VICE-PRESIDENT, CHIEF FINANCIAL OFFICER
IGM FINANCIAL

Todd Asman
EXECUTIVE VICE-PRESIDENT, PRODUCTS & FINANCIAL PLANNING
IG WEALTH MANAGEMENT

Cynthia Currie
EXECUTIVE VICE-PRESIDENT, CHIEF HUMAN RESOURCES OFFICER
IGM FINANCIAL

Michael Dibden
CHIEF OPERATING OFFICER
IGM FINANCIAL

Tony Elavia
EXECUTIVE VICE-PRESIDENT, CHIEF INVESTMENT OFFICER
MACKENZIE INVESTMENTS

Rhonda Goldberg
SENIOR VICE-PRESIDENT, GENERAL COUNSEL
IGM FINANCIAL

Mark Kinzel
EXECUTIVE VICE-PRESIDENT, FINANCIAL SERVICES
IG WEALTH MANAGEMENT

Charles McDevitt
EXECUTIVE VICE-PRESIDENT, STRATEGY EXECUTION OFFICE
IGM FINANCIAL

Douglas Milne
EXECUTIVE VICE-PRESIDENT, CHIEF MARKETING AND STRATEGY OFFICER
IGM FINANCIAL

Damon Murchison
EXECUTIVE VICE-PRESIDENT, HEAD OF RETAIL
MACKENZIE INVESTMENTS

Blaine Shewchuk
SENIOR VICE-PRESIDENT, CORPORATE PLANNING AND DEVELOPMENT
IGM FINANCIAL

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(1) AUDIT COMMITTEE | Chair: John S. McCallum

(2) GOVERNANCE AND NOMINATING COMMITTEE | Chair: R. Jeffrey Orr

(3) HUMAN RESOURCES COMMITTEE | Chair: Claude Généreux

(4) INVESTMENT COMMITTEE | Chair: Gregory D. Tretiak

(5) RELATED PARTY AND CONDUCT REVIEW COMMITTEE | Chair: John S. McCallum

Our Guiding Principles

CLIENTS COME FIRST IN ALL WE DO

We will leverage the IGM ecosystem to deliver the best outcomes for our clients

STRONG BUSINESSES & A STRONG IGM

We will maintain the unique externally-oriented strategies of our individual businesses while at the same time maximizing the value of shared knowledge and resources

TALENT STRENGTH FOR ALL OF IGM

We will use our scale to attract, retain and develop diverse top talent by offering vibrant career opportunities

SCALABLE GROWTH

We will pursue growth while maximizing the use of scalable processes across all of our businesses

INNOVATION ACCELERATION

We will drive speed, creativity, and adaptability by maintaining an open, flexible and collaborative organization

"My Consultant always returns my calls, and no question is left unanswered. IG has my future in mind always."

Kathryn Berens
NURSE
and **John Berens**
IG WEALTH MANAGEMENT
CLIENT SINCE 1998

Corporate Structure

IGM Financial

IG Wealth Management	Mackenzie Investments	Investment Planning Counsel® — Financial Solutions for Life

Strategic Investments

China: ChinaAMC

Fintech: Personal Capital, Wealthsimple, Portage

Partner: Great-West Lifeco Inc.

POWER FINANCIAL CORPORATION

Power Financial Corporation is a diversified management and holding company that has interests, directly or indirectly, in companies in the financial services sector in Canada, the United States and Europe. Power Financial and The Great-West Life Assurance Company hold 61.4% and 3.8%, respectively, of IGM Financial's common shares.

STRENGTH AND SCALE AS PART OF POWER CORPORATION GROUP OF COMPANIES

- Scale advantages through shared technology, back office and procurement
- Access to distribution, product capabilities and expertise
- Strong governance and oversight
- Benefits through cooperation
- Financial strength

At a Glance

IG WEALTH MANAGEMENT

IG Wealth Management is a leading provider of comprehensive, personal financial planning and wealth management through its network of Consultants to over one million individuals, families and business owners in Canada.

0% **100 PERCENT** 100%

of Consultant practices hold the Certified Financial Planner (CFP) or Financial Planner (F.Pl.) designation or are enrolled in the programs

$83.1 BILLION

TOTAL ASSETS UNDER MANAGEMENT

$9.1 BILLION

MUTUAL FUND GROSS SALES

“My Consultant makes a point of connecting with me on a schedule that works for me and ensures all my wealth management needs are proactively addressed. Nothing slips through the cracks.”

Murray Seward
OWNER
Outback Team Building & Training
IG WEALTH MANAGEMENT CLIENT SINCE 1998

NEW BRAND REFLECTS HOLISTIC APPROACH TO FINANCIAL WELL BEING

The name tells the story. In October, Investors Group became IG Wealth Management to better reflect its central focus of helping clients to grow their wealth and to prepare to capitalize on the potential of Canada’s growing high net worth market. The firm also announced the launch of the IG Living Plan™, which offers a single, integrated view of all aspects of a client’s finances – including retirement and estate planning, investments, and tax strategies – to give them a truly synchronized plan that evolves with them throughout their lives.

A FOCUS ON CLIENTS: GREATER FEE TRANSPARENCY AND LOWER FEES

In November, the company increased its fee transparency for clients by announcing an enhanced unbundled pricing model – under which clients pay a separate advisory fee that is no longer rolled into mutual fund management fees. Unbundled offerings were very successful throughout the year, representing 74% of high net worth client sales for the year. This new pricing model will be rolled out to all clients in 2019. Also announced for 2019 was more competitive pricing to reward client loyalty. These moves strengthen the relationship between Consultants and clients and positions the company for growth.

IMPROVING THE FINANCIAL LITERACY FOR THOSE WHO NEED IT MOST

Building on IG Wealth Management's vision of inspiring financial confidence in Canadians, a new community platform in 2018 championed the financial literacy of Canadians who can most benefit from the financial skills that will help them make informed money decisions. Through the new IG Empower Your Tomorrow program, the company focused its efforts on four groups that will be best served by education and resources to build financial knowledge and confidence: Indigenous peoples, new Canadians, seniors and youth.

At a Glance

MACKENZIE Investments

Mackenzie Investments is a diversified asset management solutions provider with 14 distinct boutique investment managers providing 86 different investment mandates to over 30,000 external advisors serving more than one million clients, including retail and institutional investors.

47 PERCENT

0% 100%

of Mackenzie Investments mutual fund assets rated 4 or 5 Star by Morningstar

$62.7 BILLION

TOTAL ASSETS UNDER MANAGEMENT

$1.8 BILLION

ETF NET CREATIONS IN 2018
3RD HIGHEST IN INDUSTRY

$10.0 BILLION

MUTUAL FUND GROSS SALES
HIGHEST IN FIRM HISTORY

"Mackenzie is an innovator and committed to advisors. I appreciate the support they provide and the training they offer."

Chantal Lareau
FINANCIAL ADVISOR
National Bank Financial - Wealth Management
DOING BUSINESS WITH MACKENZIE INVESTMENTS SINCE 1998

A CANADIAN FIRST: AN ABSOLUTE RETURN ALTERNATIVE MUTUAL FUND

Most alternative investments in Canada are traditionally offered only to high net worth and institutional investors through select advisors. In May, Mackenzie Investments introduced the Mackenzie Multi-Strategy Absolute Return Fund to give retail investors access to a non-traditional investment solution that delivers innovative strategies that seek a positive total return over a market cycle, regardless of the ups and downs. The new fund offers the potential for a lower volatility experience through a modern, multi-strategy approach.

ANOTHER YEAR OF AWARD-WINNING INVESTMENT MANAGEMENT

The Mackenzie investment management team was once again recognized for the stellar performance of Mackenzie Investments funds and the IG Wealth Management funds they sub-advise. Six funds were recognized for their performance at the Thomson Reuters Lipper® Fund Awards. These awards recognize the most successful funds for their performance over various time periods relative to their peers. The team was also acknowledged in five categories at the 2019 Fundata FundGrade A+ Awards in January, which recognize funds that achieve consistently high FundGrade scores through an entire calendar year. And Philip Taller – portfolio manager of the $2.6 billion Mackenzie U.S. Mid Cap Growth Class fund and head of Mackenzie's growth team – was named 2018 Mutual Fund Manager of the Year by Investment Executive.

SIMPLIFYING THE RELATIONSHIP FOR INVESTORS AND ADVISORS

Mackenzie Investments continued to focus on the needs of investors throughout the year with a number of changes to its mutual funds and ETFs, introducing fee reductions, simpler, more competitive pricing for a number of products, and fund mergers to streamline its product shelf. These changes all worked to bring clarity to pricing and made products easier to navigate, for both investors and the advisors who work with Mackenzie Investments products.

At a Glance

Investment Planning Counsel®

FINANCIAL SOLUTIONS FOR LIFE

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services and advice through its network of approximately 750 independent financial advisors.

$5.1 BILLION

ASSETS UNDER MANAGEMENT IN IPC

$960 MILLION

MUTUAL FUND GROSS SALES

$25.7 BILLION

ASSETS UNDER ADMINISTRATION

"Drafting a will is not an easy task and can be an emotional experience as difficult family decisions are being made. Our advisor made the process simple, and he didn't try to rush the process."

Lesley Connors
and **Ivan Robic**
OWNER
Robic Group International
INVESTMENT PLANNING COUNSEL CLIENTS SINCE 2017

ALTERNATIVE INVESTMENTS FOR HIGH NET WORTH INVESTORS

IPC Private Wealth introduced multi-strategy alternatives as part of its discretionary portfolio offering. The mandate offers investors access to real estate, hedge funds, infrastructure and private equity investments. It provides high net worth investors the opportunity to smooth out their portfolio returns and reduce the negative impact of market volatility on their portfolios over time, which will improve the goal of capital preservation.

NEW SOLUTIONS FOR COST-SENSITIVE INVESTORS

In the final quarter of 2018, IPC and IPC Private Wealth launched ETF-based portfolio solutions to meet the needs of cost-sensitive investors in the retail and high net worth segments, while still providing the benefit of some active portfolio management.

- The IPC Essentials Portfolios – IPC's first ETF-based solution is designed for retail investors.
- IPC Private Wealth Fundamentals – is a discretionary offering that combines ETFs and directly owned equities through a separately managed account and targets cost-conscious, mass affluent clients.

At a Glance

Strategic Investments

IGM Financial's Strategic Investments diversify our earnings sources, expand our capabilities, and fuel growth opportunities in key markets and segments.

During 2017 we invested $638 million for a 13.9% stake in China AMC. This investment gives us access to the second largest economy in the world and one of the fastest growing wealth markets. IGM is one of the largest foreign investors with participation in the Chinese domestic asset management industry.

Over the last three years we have invested $383 million[1] in a number of leading financial technology firms. This portfolio provides innovative capabilities to our core businesses while also providing IGM access to markets with significant potential for growth.

We have a long-term, strategic partnership with our sister company Great-West Lifeco. Our 4% ownership stake, with a market value of $1.1 billion[2] at December 31, 2018, provides IGM with meaningful earnings and cash flow contribution.

China: ChinaAMC

Fintech: PERSONAL CAPITAL

Wealthsimple

PORTAGE

Partner: GREAT-WEST LIFECO INC.

1 as at January 31, 2019

2 Great-West Lifeco trades on the TSX (TSX: GWO) and this value represents the closing share price on December 31, 2018

CHINA ASSET MANAGEMENT CO., LTD.

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.

$180.0 CAD BILLION	ASSETS UNDER MANAGEMENT AS AT JUNE 30, 2018	13.9%	OWNERSHIP INTEREST

PERSONAL CAPITAL CORPORATION

Personal Capital is a market-leading digital wealth advisor platform that offers free financial planning tools for investors and fee-based wealth management services in the U.S.

$7.8 USD BILLION	ASSETS UNDER MANAGEMENT AS AT DECEMBER 31, 2018	2 MILLION	REGISTERED USERS	$650 USD BILLION	IN AGGREGATED ASSETS

WEALTHSIMPLE FINANCIAL CORPORATION

Wealthsimple is Canada's largest online investment management service. This strategic investment offers best-in-class digital access, innovation, client service and delivery.

$3.4 BILLION	ASSETS UNDER MANAGEMENT AS AT DECEMBER 31, 2018	129,500	CUSTOMERS

PORTAG3 VENTURES LP

Portag3, a venture capital fund focused on the financial technology sector, has holdings in more than two dozen early-stage financial technology companies including Wealthsimple. It is one of only a few platforms dedicated solely to investing in financial technology, and its success points the way for the digital future of asset and wealth management.

30	DIFFERENT INVESTMENTS

GREAT-WEST LIFECO INC.

Great-West Lifeco, which is controlled by Power Financial Corporation, is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses.

4%	INTEREST

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2018 and 2017 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, 2018 is as of February 8, 2019.

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, 2018, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 61.4% and 3.8%, 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.

Total assets under management were $149.1 billion at December 31, 2018 compared with $156.5 billion at December 31, 2017, as detailed in Tables 6 and 7. Average total assets under management for the year ended December 31, 2018 were $156.9 billion compared to $149.3 billion in 2017. Average total assets under management for the fourth quarter of 2018 were $153.0 billion compared to $154.2 billion in 2017.

Investment fund assets under management were $143.3 billion at December 31, 2018 compared with $149.8 billion at December 31, 2017. Average investment fund assets under management for the year ended December 31, 2018 were $150.5 billion compared to $143.7 billion in 2017. Average investment fund assets under management for the fourth quarter of 2018 were $147.0 billion compared to $148.1 billion in 2017.

The decline in assets under management were primarily due to changes in financial markets.

Net earnings available to common shareholders for the year ended December 31, 2018 were $767.3 million or $3.18 per share compared to net earnings available to common shareholders of $601.9 million or $2.50 per share in 2017, an increase of 27.2% in earnings per share. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2018 were $791.8 million or $3.29 per share compared to adjusted net earnings available to common shareholders of $727.8 million or $3.02 per share in 2017, an increase of 8.9% in adjusted earnings per share. This represents the highest adjusted net earnings per share in the history of the company.

Net earnings available to common shareholders for the three months ended December 31, 2018 were $179.9 million or 75 cents per share compared to net earnings available to common shareholders of $50.6 million or 21 cents per share for the comparative period in 2017. Adjusted net earnings available to common shareholders for the three months ended December 31, 2018 were $179.9 million or 75 cents per share compared to adjusted net earnings available to common shareholders, excluding other items outlined below, of $191.4 million or 79 cents per share in 2017.

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

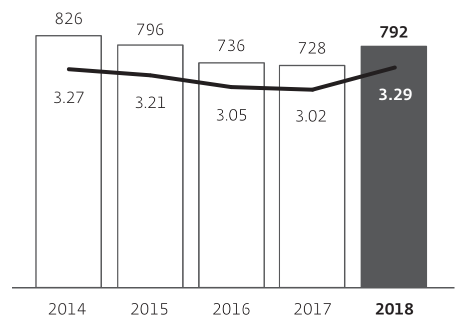
- Restructuring and other charges of $16.7 million after-tax ($22.7 million pre-tax), recorded in the third quarter, resulting from the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve the Company's offerings and operational effectiveness.
- 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.

Other items for the year ended December 31, 2017 consisted of:

- Restructuring and other charges of $126.8 million after-tax ($172.3 million pre-tax) recorded in the fourth quarter resulting from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.
- Restructuring and other charges of $16.8 million after-tax ($23.0 million pre-tax) recorded in the second quarter including severance and termination costs largely associated with the reduction of our region office footprint.
- Favourable revaluation of the Company's registered pension plan obligation of $36.8 million after-tax ($50.4 million pre-tax) in the second quarter, reflecting a new policy which limits the possibility of certain benefit increases in the future.
- An after-tax charge of $14.0 million in the fourth quarter representing the Company's proportionate share in Great-West

Adjusted Net Earnings and Adjusted Net Earnings per Share

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



2014 excluded an after-tax charge related to client distributions and other costs, and an after-tax charge related to restructuring and other charges.

2015 excluded an after-tax charge related to restructuring and other charges.

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

2017 excluded 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 excluded charges related to restructuring and other and the premium paid on the early redemption of debentures.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES(1)

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
($ millions)	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 179.9**	$ 222.7	$ 191.4	**$ 791.8**	$ 727.8
Premium paid on early redemption of debentures, net of tax	**–**	(7.8)	–	**(7.8)**	–
Restructuring and other, net of tax	**–**	(16.7)	(126.8)	**(16.7)**	(143.6)
Pension plan, net of tax	**–**	–	–	**–**	36.8
Proportionate share of associate's one-time charges	**–**	–	(14.0)	**–**	(14.0)
Proportionate share of associate's provision	**–**	–	–	**–**	(5.1)
Net earnings available to common shareholders – IFRS	**$ 179.9**	$ 198.2	$ 50.6	**$ 767.3**	$ 601.9
Adjusted net earnings per share(2) available to common shareholders – Non-IFRS measure	**$ 0.75**	$ 0.92	$ 0.79	**$ 3.29**	$ 3.02
Premium paid on early redemption of debentures, net of tax	**–**	(0.03)	–	**(0.04)**	–
Restructuring and other, net of tax	**–**	(0.07)	(0.52)	**(0.07)**	(0.59)
Pension plan, net of tax	**–**	–	–	**–**	0.15
Proportionate share of associate's one-time charges	**–**	–	–	**–**	(0.06)
Proportionate share of associate's provision	**–**	–	(0.06)	**–**	(0.02)
Net earnings per share(2) available to common shareholders – IFRS	**$ 0.75**	$ 0.82	$ 0.21	**$ 3.18**	$ 2.50
EBITDA before sales commissions – Non-IFRS measure	**$ 296.8**	$ 360.8	$ 353.8	**$ 1,333.0**	$ 1,354.5
Sales-based commissions paid	**(41.2)**	(40.5)	(63.6)	**(188.5)**	(271.6)
EBITDA after sales commissions – Non-IFRS measure	**255.6**	320.3	290.2	**1,144.5**	1,082.9
Sales-based commissions paid subject to amortization	**13.2**	13.5	63.6	**55.7**	271.6
Amortization of capitalized sales commissions	**(4.3)**	(3.8)	(57.6)	**(14.4)**	(230.9)
Amortization of capital assets and intangible assets and other	**(14.4)**	(14.0)	(17.9)	**(56.1)**	(60.9)
Interest expense on long-term debt	**(24.1)**	(27.0)	(29.7)	**(110.2)**	(114.1)
Adjusted Earnings before income taxes – Non-IFRS measure	**226.0**	289.0	248.6	**1,019.5**	948.6
Premium paid on early redemption of debentures	**–**	(10.7)	–	**(10.7)**	–
Restructuring and other	**–**	(22.7)	(172.3)	**(22.7)**	(195.3)
Pension plan	**–**	–	–	**–**	50.4
Proportionate share of associate's one-time charges	**–**	–	–	**–**	(14.0)
Proportionate share of associate's provision	**–**	–	(14.0)	**–**	(5.1)
Earnings before income taxes	**226.0**	255.6	62.3	**986.1**	784.6
Income taxes	**(43.9)**	(55.2)	(9.5)	**(210.0)**	(173.9)
Perpetual preferred share dividends	**(2.2)**	(2.2)	(2.2)	**(8.8)**	(8.8)
Net earnings available to common shareholders – IFRS	**$ 179.9**	$ 198.2	$ 50.6	**$ 767.3**	$ 601.9

(1) On January 1, 2018, the Company adopted IFRS 15 which resulted in an increase in certain sales commissions which are expensed immediately, offset by a decrease in capitalized sales commissions and related amortization.

(2) Diluted earnings per share

Lifeco Inc.'s charges related to the impact of United States tax reforms and the pending sale of an equity investment.

- An after-tax charge of $5.1 million in the second quarter representing the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision.

Shareholders' equity was $4.6 billion at December 31, 2018, compared to $4.8 billion at December 31, 2017. Return on average common equity based on adjusted net earnings for the year ended December 31, 2018 was 18.2%, compared with 15.6% for the comparative period in 2017. The reduction in Shareholders' equity in 2018 was largely due to the adoption of IFRS 15 which resulted in an adjustment to opening retained earnings of $514.6 million. The quarterly dividend per common share was 56.25 cents in 2018, unchanged from the end of 2017.

ADOPTION OF IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

On January 1, 2018, the Company adopted a change in accounting policy (IFRS 15 *Revenue from Contracts with Customers*) which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers (Note 2 to the Consolidated Financial Statements). The standard outlines various criteria for the eligibility of capitalizing contract costs.

Commissions are paid on investment product sales where the Company either receives a fee directly from the client or where it receives a fee directly from the investment fund. Prior to January 1, 2018, commissions paid on the sale of investment product sales were capitalized and amortized over a maximum period of seven years. The application of IFRS 15 has resulted in a change to the accounting policy related to the Company's commission expense as follows:

- Commissions that are paid on investment product sales where the Company receives a fee directly from the client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years.
- All other commissions paid on investment product sales are expensed as incurred.

This new accounting standard has no impact on the economics of our business. The implementation of IFRS 15 will result in a change in timing of the recognition of commission expenses but has no effect on the cash flows of the Company.

On adoption of IFRS 15, the Company introduced two measures of EBITDA (Table 1). EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods and EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows.

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. In the third quarter of 2018, the Company announced that it has rebranded Investors Group as IG Wealth Management. In 2017, the Company combined the investment management functions of IG Wealth Management and Mackenzie Investments resulting in the formation of a single global investment management organization under Mackenzie to support both companies. As a result, the Company changed the definition of the Mackenzie segment to exclude investment advisory mandates to IG Wealth Management effective October 1, 2017. These mandates are no longer reflected within the Mackenzie segment's assets under management, net sales and revenues. With these changes, the IG Wealth Management and Mackenzie segments each reflect their proportionate share of the expenses of the investment management function to better align with internal reporting. Segment operations are discussed in each of their respective Review of Segment Operating Results sections of the MD&A.

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

- *Interest expense* – represents interest expense on long-term debt. The change in interest expense in the period resulted from the impact of the following transactions:
  - The issuance of $250 million 4.115% debentures on December 7, 2017;
  - The redemption of $150 million 6.58% debentures on March 7, 2018;
  - The issuance of $200 million 4.174% debentures on July 11, 2018, and;
  - The early redemption of $375 million 7.35% debentures on August 10, 2018.
- *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. The premium was recorded in Interest expense in the Consolidated Statements of Earnings.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2018 VS. Q4 2017

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		CORPORATE & OTHER		TOTAL	
THREE MONTHS ENDED ($ millions)	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31
Revenues								
Fee income	**$ 477.0**	$ 493.1	**$ 195.1**	$ 204.5	**$ 71.6**	$ 72.4	**$ 743.7**	$ 770.0
Net investment income and other	**11.0**	(3.7)	**(3.1)**	3.3	**39.9**	37.1	**47.8**	36.7
	488.0	489.4	**192.0**	207.8	**111.5**	109.5	**791.5**	806.7
Expenses								
Commission	**156.3**	165.7	**69.7**	75.7	**46.4**	46.7	**272.4**	288.1
Non-Commission	**159.6**	138.8	**86.9**	82.0	**22.5**	19.5	**269.0**	240.3
	315.9	304.5	**156.6**	157.7	**68.9**	66.2	**541.4**	528.4
Earnings before interest and taxes	**$ 172.1**	$ 184.9	**$ 35.4**	$ 50.1	**$ 42.6**	$ 43.3	**250.1**	278.3
Interest expense							**(24.1)**	(29.7)
Restructuring and other							**–**	(172.3)
Proportionate share of associate's one-time charges							**–**	(14.0)
Earnings before income taxes							**226.0**	62.3
Income taxes							**43.9**	9.5
Net earnings							**182.1**	52.8
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 179.9**	$ 50.6
Adjusted net earnings available to common shareholders(1)							**$ 179.9**	$ 191.4

(1) 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.
(2) Other items in 2017:
– Restructuring and other charges were recorded in Commission and Non-commission expenses in the Consolidated Statements of Earnings.
– Proportionate share of associate's one-time charges were recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.

- *Restructuring and other* – resulting from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness:
  - 2018 charges recorded in the third quarter 2018 totalling $22.7 million ($16.7 million after-tax) 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.
  - 2017 charges consisted of:
    - $172.3 million ($126.8 million after-tax) recorded in the fourth quarter which resulted from efforts in respect of the implementation of a number of initiatives to assist in the Company's operational effectiveness.
    - $23.0 million ($16.8 million after-tax) recorded in the second quarter which represented severance and termination costs largely associated with the reduction of our region office footprint.
- *2017 Pension plan* – change in policy relating to granting increases to certain pension benefits paid under the Company's registered pension plan, resulting in a one-time expense reduction of $50.4 million ($36.8 million after-tax), recorded in the second quarter. The Company, at its discretion, may from time to time increase the benefits paid to retired members of the plan. The Company has implemented a new policy that limits the possibility of future benefit increases.
- *2017 Proportionate share of associate's one-time charges* – represents the Company's proportionate share in Great-West Lifeco Inc.'s charges recorded in the fourth quarter related to the impact of United States tax reforms and the pending sale of an equity investment.

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – YTD 2018 VS. YTD 2017

TWELVE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2018 DEC. 31	IG WEALTH MANAGEMENT 2017 DEC. 31	MACKENZIE INVESTMENTS 2018 DEC. 31	MACKENZIE INVESTMENTS 2017 DEC. 31	CORPORATE & OTHER 2018 DEC. 31	CORPORATE & OTHER 2017 DEC. 31	TOTAL 2018 DEC. 31	TOTAL 2017 DEC. 31
Revenues								
Fee income	**$ 1,940.0**	$ 1,927.5	**$ 806.5**	$ 808.5	**$ 290.7**	$ 269.7	**$ 3,037.2**	$ 3,005.7
Net investment income and other	**46.7**	41.7	**(1.9)**	1.2	**167.1**	124.4	**211.9**	167.3
	1,986.7	1,969.2	**804.6**	809.7	**457.8**	394.1	**3,249.1**	3,173.0
Expenses								
Commission	**623.4**	654.4	**291.1**	300.0	**184.2**	183.4	**1,098.7**	1,137.8
Non-Commission	**597.3**	576.3	**335.1**	329.3	**88.3**	66.9	**1,020.7**	972.5
	1,220.7	1,230.7	**626.2**	629.3	**272.5**	250.3	**2,119.4**	2,110.3
Earnings before interest and taxes	**$ 766.0**	$ 738.5	**$ 178.4**	$ 180.4	**$ 185.3**	$ 143.8	**1,129.7**	1,062.7
Interest expense							**(110.2)**	(114.1)
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 one-time charges							**–**	(14.0)
Proportionate share of associate's provision							**–**	(5.1)
Earnings before income taxes							**986.1**	784.6
Income taxes							**210.0**	173.9
Net earnings							**776.1**	610.7
Perpetual preferred share dividends							**8.8**	8.8
Net earnings available to common shareholders							**$ 767.3**	$ 601.9
Adjusted net earnings available to common shareholders[1]							**$ 791.8**	$ 727.8

(1) 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.

(2) Other items:

- *Premium paid on early redemption of debentures was recorded in Interest expense in the Consolidated Statements of Earnings.*
- *Restructuring and other charges were recorded in Commission and Non-commission expenses in the Consolidated Statements of Earnings.*
- *Pension plan was recorded in Non-commission expenses in the Consolidated Statements of Earnings.*
- *Proportionate share of associate's one-time charges and provision were recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.*

- *2017 Proportionate share of associate's provision* – represents the Company's proportionate share in Great-West Lifeco Inc.'s restructuring provision recorded in the second quarter.
- *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.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2018 VS. Q3 2018

THREE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2018 DEC. 31	IG WEALTH MANAGEMENT 2018 SEP. 30	MACKENZIE INVESTMENTS 2018 DEC. 31	MACKENZIE INVESTMENTS 2018 SEP. 30	CORPORATE & OTHER 2018 DEC. 31	CORPORATE & OTHER 2018 SEP. 30	TOTAL 2018 DEC. 31	TOTAL 2018 SEP. 30
Revenues								
Fee income	**$ 477.0**	$ 497.0	**$ 195.1**	$ 205.1	**$ 71.6**	$ 74.1	**$ 743.7**	$ 776.2
Net investment income and other	**11.0**	13.3	**(3.1)**	(1.1)	**39.9**	43.6	**47.8**	55.8
	488.0	510.3	**192.0**	204.0	**111.5**	117.7	**791.5**	832.0
Expenses								
Commission	**156.3**	150.7	**69.7**	73.2	**46.4**	46.2	**272.4**	270.1
Non-Commission	**159.6**	146.1	**86.9**	78.1	**22.5**	21.7	**269.0**	245.9
	315.9	296.8	**156.6**	151.3	**68.9**	67.9	**541.4**	516.0
Earnings before interest and taxes	**$ 172.1**	$ 213.5	**$ 35.4**	$ 52.7	**$ 42.6**	$ 49.8	**250.1**	316.0
Interest expense							**(24.1)**	(27.0)
Premium paid on early redemption of debentures							**–**	(10.7)
Restructuring and other							**–**	(22.7)
Earnings before income taxes							**226.0**	255.6
Income taxes							**43.9**	55.2
Net earnings							**182.1**	200.4
Perpetual preferred share dividends							**2.2**	2.2
Net earnings available to common shareholders							**$ 179.9**	$ 198.2
Adjusted net earnings available to common shareholders[(1)]							**$ 179.9**	$ 222.7

(1) 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.

(2 Other items:

– Premium paid on early redemption of debentures was recorded in Interest expense in the Consolidated Statements of Earnings.

– Restructuring and other charges were recorded in Non-commission expenses in the Consolidated Statements of Earnings.

TABLE 5: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED 2018 DEC. 31	THREE MONTHS ENDED 2018 SEP. 30	THREE MONTHS ENDED 2017 DEC. 31	TWELVE MONTHS ENDED 2018 DEC. 31	TWELVE MONTHS ENDED 2017 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	**26.83 %**	26.79 %	26.85 %	**26.81 %**	26.84 %
Effect of:					
Proportionate share of associates' earnings	**(3.79)**	(3.94)	(14.94)	**(3.79)**	(3.81)
Tax loss consolidation[(1)]	**(1.56)**	(1.35)	(5.11)	**(1.40)**	(1.55)
Other items	**(2.07)**	0.09	2.38	**(0.33)**	0.03
Effective income tax rate – adjusted net earnings	**19.41**	21.59	9.18	**21.29**	21.51
Proportionate share of associate's one-time charges	**–**	–	6.04	**–**	0.48
Proportionate share of associate's provision	**–**	–	–	**–**	0.17
Effective income tax rate – net earnings	**19.41 %**	21.59 %	15.22 %	**21.29 %**	22.16 %

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

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $149.1 billion at December 31, 2018 compared to $156.5 billion at December 31, 2017. Changes in total assets under management 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 2018 VS. Q4 2017[1]

	IG WEALTH MANAGEMENT		MACKENZIE INVESTMENTS		INVESTMENT PLANNING COUNSEL		INTERCOMPANY ELIMINATIONS		CONSOLIDATED[2]	
THREE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31	**2018 DEC. 31**	2017 DEC. 31
Investment funds										
Mutual funds[3]										
Gross sales	**$ 2,118**	$ 2,314	**$ 2,328**	$ 2,234	**$ 229**	$ 277	**$ –**	$ –	**$ 4,675**	$ 4,825
Net sales	**(125)**	332	**(146)**	137	**(65)**	48	**–**	–	**(336)**	517
ETFs										
Net creations			**137**	367			**–**	–	**137**	367
Mutual fund investment in ETF			**(82)**	(27)			**56**	(108)	**(26)**	(135)
Total investment fund net sales	**(125)**	332	**(91)**	477	**(65)**	48	**56**	(108)	**(225)**	749
Sub-advisory, institutional and other accounts										
Net sales			**(224)**	1,081			**75**	(13)	**(149)**	1,068
Combined net sales[2]	**$ (125)**	$ 332	**$ (315)**	$ 1,558	**$ (65)**	$ 48	**$ 131**	$ (121)	**$ (374)**	$ 1,817
Change in total assets under management										
Net sales	**$ (125)**	$ 332	**$ (315)**	$ 1,558	**$ (65)**	$ 48	**$ 131**	$ (121)	**$ (374)**	$ 1,817
Investment returns	**(5,730)**	2,450	**(4,304)**	2,111	**(342)**	152	**102**	(32)	**(10,274)**	4,681
Net change in assets	**(5,855)**	2,782	**(4,619)**	3,669	**(407)**	200	**233**	(153)	**(10,648)**	6,498
Beginning assets	**88,992**	85,226	**67,347**	60,840	**5,532**	5,177	**(2,157)**	(1,228)	**159,714**	150,015
Ending assets	**$ 83,137**	$ 88,008	**$ 62,728**	$ 64,509	**$ 5,125**	$ 5,377	**$ (1,924)**	$ (1,381)	**$149,066**	$156,513
Total assets under management consists of:										
Investment funds										
Mutual funds[3]	**$ 83,137**	$ 88,008	**$ 53,407**	$ 55,615	**$ 5,125**	$ 5,377	**$ –**	$ –	**$141,669**	$149,000
ETFs			**2,949**	1,296			**–**	–	**2,949**	1,296
Mutual fund investment in ETF			**(848)**	(368)			**(488)**	(110)	**(1,336)**	(478)
Total investment funds	**83,137**	88,008	**55,508**	56,543	**5,125**	5,377	**(488)**	(110)	**143,282**	149,818
Sub-advisory, institutional and other accounts			**7,220**	7,966			**(1,436)**	(1,271)	**5,784**	6,695
Ending assets[2]	**$ 83,137**	$ 88,008	**$ 62,728**	$ 64,509	**$ 5,125**	$ 5,377	**$ (1,924)**	$ (1,381)	**$149,066**	$156,513

(1) Effective October 1, 2017, the Mackenzie segment has been redefined to exclude advisory mandates to IG Wealth Management from its assets under management and revenues. Within Table 6 and 7, this change has been applied retroactively to provide comparability of results.

(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, 2018 (2017 – $1.4 billion) and net sales of ($131) million for the fourth quarter of 2018 (2017 – $121 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $848 million at December 31, 2018 (2017 – $368 million) and net sales of $82 million for the three months ending December 31, 2018 (2017 – $27 million).*

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

TABLE 7: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2018 VS. 2017[1]

TWELVE MONTHS ENDED ($ millions)	IG WEALTH MANAGEMENT 2018 DEC. 31	IG WEALTH MANAGEMENT 2017 DEC. 31	MACKENZIE INVESTMENTS 2018 DEC. 31	MACKENZIE INVESTMENTS 2017 DEC. 31	INVESTMENT PLANNING COUNSEL 2018 DEC. 31	INVESTMENT PLANNING COUNSEL 2017 DEC. 31	INTERCOMPANY ELIMINATIONS 2018 DEC. 31	INTERCOMPANY ELIMINATIONS 2017 DEC. 31	CONSOLIDATED[2] 2018 DEC. 31	CONSOLIDATED[2] 2017 DEC. 31
Investment funds										
Mutual funds[3][4]										
Gross sales	**$ 9,075**	$ 9,693	**$ 9,951**	$ 9,124	**$ 960**	$ 889	**$ –**	$ –	**$ 19,986**	$ 19,706
Net sales	**485**	1,944	**113**	965	**(18)**	79	**–**	–	**580**	2,988
ETFs										
Net creations			**1,799**	1,156			**–**	–	**1,799**	1,156
Mutual fund investment in ETF			**(530)**	(341)			**(407)**	(108)	**(937)**	(449)
Total investment fund net sales	**485**	1,944	**1,382**	1,780	**(18)**	79	**(407)**	(108)	**1,442**	3,695
Sub-advisory, institutional and other accounts										
Net sales			**(487)**	1,189			**(117)**	(82)	**(604)**	1,107
Combined net sales[2]	**$ 485**	$ 1,944	**$ 895**	$ 2,969	**$ (18)**	$ 79	**$ (524)**	$ (190)	**$ 838**	$ 4,802
Change in total assets under management										
Net sales	**$ 485**	$ 1,944	**$ 895**	$ 2,969	**$ (18)**	$ 79	**$ (524)**	$ (190)	**$ 838**	$ 4,802
Investment returns	**(5,356)**	4,822	**(2,676)**	3,883	**(234)**	390	**(19)**	(72)	**(8,285)**	9,023
Net change in assets	**(4,871)**	6,766	**(1,781)**	6,852	**(252)**	469	**(543)**	(262)	**(7,447)**	13,825
Beginning assets	**88,008**	81,242	**64,509**	57,657	**5,377**	4,908	**(1,381)**	(1,119)	**156,513**	142,688
Ending assets	**$ 83,137**	$ 88,008	**$ 62,728**	$ 64,509	**$ 5,125**	$ 5,377	**$ (1,924)**	$ (1,381)	**$149,066**	$ 156,513

(1) Effective October 1, 2017, the Mackenzie segment has been redefined to exclude advisory mandates to IG Wealth Management from its assets under management and revenues. Within Table 6 and Table 7, this change has been applied retroactively to provide comparability of results.

(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, 2018 (2017 – $1.4 billion) and net sales of $524 million for the twelve months ending December 31, 2018 (2017 – $190 million).*
- *Included in ETFs are mutual fund investments in ETFs totalling $848 million at December 31, 2018 (2017 – $368 million) and net sales of $530 million for the twelve months ending December 31, 2018 (2017 – $341 million).*

(3) 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.

During 2017, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes which resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.

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

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 increased to $137.6 billion in 2016, $149.8 billion in 2017 and decreased to $143.3 billion in 2018, driven largely by changes in financial markets during the period. Average investment fund assets under management for the year ended December 31, 2018 were $150.5 billion compared to $143.7 billion in 2017. 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, 2018 were $149.1 billion and included investment fund assets under management totalling $143.3 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 2018, unchanged from 2017 and 2016.

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 strong net sales of the Company and changes in domestic and foreign markets.

TABLE 8: SELECTED ANNUAL INFORMATION

	2018	2017	2016
Consolidated statements of earnings *($ millions)*			
Revenues			
Fee income	$ 3,037.2	$ 3,005.7	$ 2,856.9
Net investment income and other	211.9	167.3	187.8
	3,249.1	3,173.0	3,044.7
Expenses	2,229.6	2,224.4	2,097.8
	1,019.5	948.6	946.9
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 one-time charges	–	(14.0)	–
Proportionate share of associate's provision	–	(5.1)	–
Earnings before income taxes	986.1	784.6	946.9
Income taxes	210.0	173.9	167.6
Net earnings	776.1	610.7	779.3
Perpetual preferred share dividends	8.8	8.8	8.8
Net earnings available to common shareholders	$ 767.3	$ 601.9	$ 770.5
Reconciliation of Non-IFRS financial measures[1] *($ millions)*			
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 791.8	$ 727.8	$ 736.5
Other items:			
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 one-time charges	–	(14.0)	–
Proportionate share of associate's provision	–	(5.1)	–
Reduction in income tax estimates related to certain tax filings	–	–	34.0
Net earnings available to common shareholders – IFRS	$ 767.3	$ 601.9	$ 770.5
Earnings per share *($)*			
Adjusted net earnings available to common shareholders[1]			
– Basic	$ 3.29	$ 3.03	$ 3.05
– Diluted	3.29	3.02	3.05
Net earnings available to common shareholders			
– Basic	3.19	2.50	3.19
– Diluted	3.18	2.50	3.19
Dividends per share *($)*			
Common	$ 2.25	$ 2.25	$ 2.25
Preferred, Series B	1.48	1.48	1.48
Average daily investment fund assets *($ millions)*	$ 150,502	$ 143,735	$ 130,201
Total investment fund assets under management *($ millions)*	$ 143,282	$ 149,819	$ 137,575
Total assets under management *($ millions)*	$ 149,066	$ 156,513	$ 142,688
Total corporate assets *($ millions)*	$ 15,609	$ 16,499	$ 15,625
Total long-term debt *($ millions)*	$ 1,850	$ 2,175	$ 1,325
Outstanding common shares *(thousands)*	240,885	240,666	240,516

(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

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	$ 546.0	$ 573.8	$ 562.8	$ 556.6	$ 564.4	$ 541.9	$ 547.0	$ 527.7
Administration fees	103.3	109.1	107.1	107.6	110.4	109.1	111.2	109.0
Distribution fees	94.4	93.3	89.9	93.3	95.2	89.8	94.8	105.2
Net investment income and other	47.8	55.8	56.2	52.1	36.7	32.5	50.3	47.8
	791.5	832.0	816.0	809.6	806.7	773.3	803.3	789.7
Expenses								
Commission	272.4	270.1	270.1	286.1	288.1	276.0	284.4	289.3
Non-commission	269.0	245.9	252.7	253.1	240.3	238.8	246.5	246.9
Interest	24.1	27.0	28.8	30.3	29.7	28.9	28.7	26.8
	565.5	543.0	551.6	569.5	558.1	543.7	559.6	563.0
Earnings before undernoted	226.0	289.0	264.4	240.1	248.6	229.6	243.7	226.7
Premium paid on early redemption of debentures	–	(10.7)	–	–	–	–	–	–
Restructuring and other	–	(22.7)	–	–	(172.3)	–	(23.0)	–
Pension plan	–	–	–	–	–	–	50.4	–
Proportionate share of associate's one-time charges	–	–	–	–	(14.0)	–	–	–
Proportionate share of associate's provision	–	–	–	–	–	–	(5.1)	–
Earnings before income taxes	226.0	255.6	264.4	240.1	62.3	229.6	266.0	226.7
Income taxes	43.9	55.2	58.5	52.4	9.5	54.0	63.0	47.4
Net earnings	182.1	200.4	205.9	187.7	52.8	175.6	203.0	179.3
Perpetual preferred share dividends	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Net earnings available to common shareholders	$ 179.9	$ 198.2	$ 203.7	$ 185.5	$ 50.6	$ 173.4	$ 200.8	$ 177.1
Reconciliation of Non-IFRS financial measures[(1)] *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 179.9	$ 222.7	$ 203.7	$ 185.5	$ 191.4	$ 173.4	$ 185.9	$ 177.1
Other items:								
Premium paid on early redemption of debentures, net of tax	–	(7.8)	–	–	–	–	–	–
Restructuring and other, net of tax	–	(16.7)	–	–	(126.8)	–	(16.8)	–
Pension plan, net of tax	–	–	–	–	–	–	36.8	–
Proportionate share of associate's one-time charges	–	–	–	–	(14.0)	–	–	–
Proportionate share of associate's provision	–	–	–	–	–	–	(5.1)	–
Net earnings available to common shareholders – IFRS	$ 179.9	$ 198.2	$ 203.7	$ 185.5	$ 50.6	$ 173.4	$ 200.8	$ 177.1
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders[(1)]								
– Basic	75	92	85	77	80	72	77	74
– Diluted	75	92	85	77	79	72	77	74
Net earnings available to common shareholders								
– Basic	75	82	85	77	21	72	83	74
– Diluted	75	82	85	77	21	72	83	74
Average daily investment fund assets *($ billions)*	$ 147.0	$ 154.0	$ 150.9	$ 150.1	$ 148.1	$ 142.4	$ 144.3	$ 140.1
Total investment fund assets under management *($ billions)*	$ 143.3	$ 153.4	$ 152.5	$ 149.2	$ 149.8	$ 144.6	$ 143.3	$ 142.1
Total assets under management *($ billions)*	$ 149.1	$ 159.7	$ 159.1	$ 155.8	$ 156.5	$ 150.0	$ 148.6	$ 147.5

(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.

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.

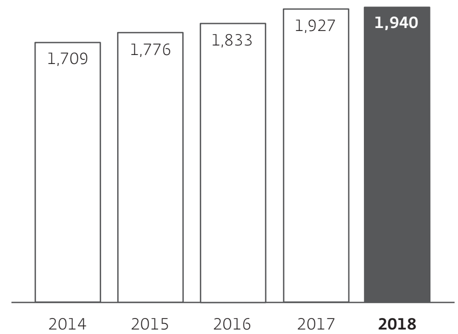
Fee income is also earned from the distribution of insurance, securities and other financial services.

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)



2018 DEVELOPMENTS

BRANDING

The Company announced in the third quarter of 2018 that it has rebranded Investors Group as IG Wealth Management, reflecting its central focus on helping clients grow their wealth. The firm also announced the launch of the IG Living Plan™, a holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals.

CHANGES TO MUTUAL FUND PRODUCT OFFERING

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

During 2018, IG Wealth Management announced proposed changes to simplify its mutual fund offering with investment fund changes and mergers including:

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

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

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

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

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

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

IG WEALTH MANAGEMENT STRATEGY

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

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

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

- Gamma – the value of all efforts that sit outside of investment portfolio construction. This includes the value that a financial advisor adds to a client relationship, and comes from the creation and follow through of a well-constructed financial plan.

- Beta – the value created by well-constructed investment portfolios – achieving expected investment returns for the lowest possible risk.
- Alpha – the value of active management – achieving returns superior to passive benchmarks with a similar composition and risk profile.

We seek to deliver our value proposition through:

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

GAMMA

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

Entrepreneurial Advisors

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

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at December 31, 2018:

- 1,973 Consultant practices (2,124 at December 31, 2017), which reflect Consultants with more than four years of IG Wealth Management experience. These practices may include Associates as described below. The level of Consultant practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.
- 700 New Consultants (954 at December 31, 2017), which are those Consultants with less than four years of IG Wealth Management experience.
- 1,038 Associates and Regional Directors (1,068 at December 31, 2017). 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 3,711 (4,146 at December 31, 2017).

Starting in the first quarter of 2017, IG Wealth Management accelerated the departure of Consultants who were not expected to develop a successful practice. We also enhanced recruiting standards to achieve greater likelihood of success while also enhancing our culture and brand.

Superior Advice

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

IG Wealth Management 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 of both our

Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants. Clients of our MFDA and IIROC licensed Consultants have access to the same product and service offering.

Segmented Client Experiences

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

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

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

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

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

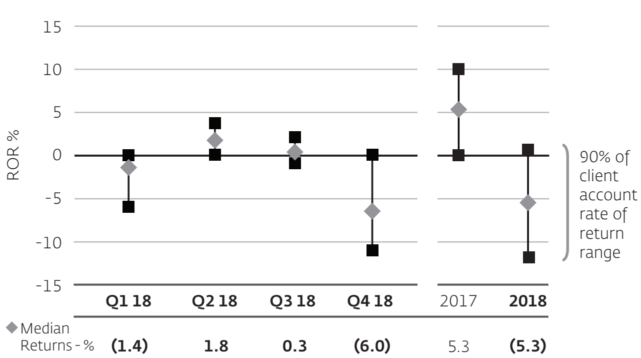
IG Wealth Management has long believed that providing our clients with personal account level performance and rate of return information over multiple time periods is a meaningful benefit to our clients and further demonstrates the value provided through advice over the history of our client relationships.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

Communication with our clients includes regular reporting of their IG Wealth Management investment fund holdings and the change in asset values of these holdings. Individual clients experience different returns as a result of having different composition of their portfolios in each quarter as illustrated on the accompanying charts. The first chart reflects in-quarter client account median rates of return for the current year. The second chart reflects the client account median rates of return based on one, three and five year timeframes as at December 31, 2018. Both charts also illustrate upper and lower ranges of rates of return around the median for 90% of IG Wealth Management client accounts.

For the three and twelve month periods ended December 31, 2018, the client account median rate of return was approximately (6.0)% and (5.3)%, respectively.

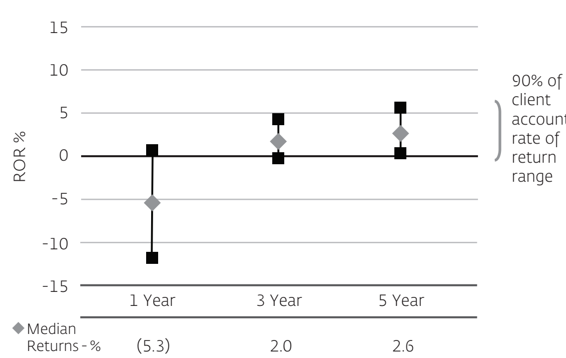
Client Account Rate of Return (ROR) Experience

Quarterly and Annual Returns



Client Account Rate of Return (ROR) Experience

As at December 31, 2018



Business Processes

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

This administrative support is provided for Consultants and clients from both IG Wealth Management's head office in Winnipeg, Manitoba and IG Wealth Management's Quebec General Office located in Montreal for Consultants and clients residing in Quebec. The Quebec General Office has approximately 200 employees and operating units for most functions supporting approximately 800 Consultants throughout Quebec. Mutual fund assets under management in Quebec were approximately $15 billion as at December 31, 2018.

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 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 allow 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.

During 2018, IG Wealth Management continued its commitment to engage high quality asset managers through the following appointments:

- T. Rowe Price (Canada) is providing investment advisory services to the IG T. Rowe Price U.S. Large Cap Equity Fund.
- Blackrock Asset Management Canada Limited is providing investment advisory services to the *i*Profile International Equity Pool.
- PIMCO Canada Corp. is providing investment advisory services to *i*Profile Fixed Income Pool.

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™, as well as its Fee-Based Account program, are both 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.

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

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

At December 31, 2018, 51.7% of IG Wealth Management mutual funds had a rating of three stars or better from the Morningstar† fund ranking service and 17.1% had a rating of four or five stars. This compared to the Morningstar† universe

TABLE 10: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Sales	**$ 2,118**	$ 2,014	$ 2,314	5.2 %	(8.5) %
Redemptions	**2,243**	2,078	1,982	7.9	13.2
Net sales (redemptions)	**(125)**	(64)	332	(95.3)	N/M
Investment returns	**(5,730)**	294	2,450	N/M	N/M
Net change in assets	**(5,855)**	230	2,782	N/M	N/M
Beginning assets	**88,992**	88,762	85,226	0.3	4.4
Ending assets	**$ 83,137**	$ 88,992	$ 88,008	(6.6) %	(5.5) %
Average daily assets	**$ 85,128**	$ 89,449	$ 87,195	(4.8) %	(2.4) %

TWELVE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2017 DEC. 31	% CHANGE
Sales	**$ 9,075**	$ 9,693	(6.4) %
Redemptions	**8,590**	7,749	10.9
Net sales (redemptions)	**485**	1,944	(75.1)
Investment returns	**(5,356)**	4,822	N/M
Net change in assets	**(4,871)**	6,766	N/M
Beginning assets	**88,008**	81,242	8.3
Ending assets	**$ 83,137**	$ 88,008	(5.5) %
Average daily assets	**$ 87,595**	$ 84,705	3.4 %

of 69.9% for three stars or better and 34.6% for four and five star funds at December 31, 2018. 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, 2018, IG Wealth Management's mutual fund assets under management were $83.1 billion. 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, which represent a growing segment of our client base, and continues to look at ways to provide further offerings to this segment. Assets under management for clients in this category totalled $41.5 billion at December 31, 2018, an increase of 2.4% from one year ago, and represented 50% of total assets under management. Sales to high net worth clients totalled $1.0 billion for the fourth quarter of 2018 and represented 48% of total sales up from 45% in 2017. For the twelve month period, sales to high net worth clients totalled $4.1 billion and represented 45% of total sales up from 41% in 2017.

- Series U is currently available for households with investments in IG Wealth Management funds in excess of $500,000 and provides a pricing structure which separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At December 31, 2018, Series U assets under management had increased to $16.3 billion, compared to $14.3 billion at December 31, 2017, an increase of 13.8%.
- Series J is available for households with investments in IG Wealth Management funds in excess of $500,000 and had assets of $16.1 billion at December 31, 2018, a decrease of 20.9% from $20.4 billion at December 31, 2017, 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.
- *i*Profile™ – is a unique portfolio management program that is available for households with investments held at IG Wealth Management in excess of $250,000. The *i*Profile 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, 2018, the *i*Profile program assets under management were $9.0 billion, an increase of 56.6% from $5.8 billion at December 31, 2017.

Unbundled Fee Structures

A growing portion of IG Wealth Management's client assets are in Series U and *i*Profile, which are products with unbundled fee structures where a separate advisory fee is charged to the client account by the dealer. At December 31, 2018, $25.3 billion, or 31% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 26.1% from $20.1 billion at December 31, 2017 which represented 23% of assets under management. Sales of these products to high net worth clients totalled $781 million for the fourth quarter of 2018, an increase of $50 million from the fourth quarter of 2017, representing 76% of total high net worth sales and 37% of total mutual fund sales. For the twelve months ended December 31, 2018, sales totalled $3.0 billion, an increase of $502 million from 2017, representing 74% of total high net worth sales and 33% of total mutual fund sales.

In 2019, the Company will begin migrating all clients to unbundled fee products, which separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. Following this transition, IG Wealth Management will discontinue offering bundled purchase options for investment funds.

CHANGE IN ASSETS UNDER MANAGEMENT – 2018 VS. 2017

IG Wealth Management's mutual fund assets under management were $83.1 billion at December 31, 2018, representing a decrease of 5.5% from $88.0 billion at December 31, 2017. Average daily mutual fund assets were $85.1 billion in the fourth quarter of 2018, down 2.4% from $87.2 billion in the fourth quarter of 2017. Average daily mutual fund assets were $87.6 billion for the twelve months ended December 31, 2018, up 3.4% from $84.7 billion in 2017.

For the quarter ended December 31, 2018, sales of IG Wealth Management mutual funds through its Consultant network were $2.1 billion, a decrease of 8.5% from the comparable period in 2017. Mutual fund redemptions totalled $2.2 billion, an increase of 13.2% from 2017. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2018 were $125 million compared with net sales of $332 million in 2017. During the fourth quarter, investment returns resulted in a decrease of $5.7 billion in mutual fund assets compared to an increase of $2.5 billion in the fourth quarter of 2017.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 9.7% in the fourth quarter of 2018, compared to 8.3% in the fourth quarter of 2017. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.2% at December 31, 2018, compared to 8.4% at December 31, 2017, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 17.9% at December 31, 2018.

For the twelve months ended December 31, 2018, sales of IG Wealth Management mutual funds through its Consultant network were $9.1 billion, a decrease of 6.4% from 2017. Mutual fund redemptions totalled $8.6 billion, an increase of 10.9% from 2017. Net sales of IG Wealth Management mutual funds were $485 million compared with net sales of $1.9 billion in 2017. During 2018, investment returns resulted in a decrease of $5.4 billion in mutual fund assets compared to an increase of $4.8 billion in 2017.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2018 VS. Q3 2018

IG Wealth Management's mutual fund assets under management were $83.1 billion at December 31, 2018, a decrease of 6.6% from $89.0 billion at September 30, 2018. Average daily mutual fund assets were $85.1 billion in the fourth quarter of 2018 compared to $89.4 billion in the third quarter of 2018, a decrease of 4.8%.

For the quarter ended December 31, 2018, sales of IG Wealth Management mutual funds through its Consultant network were $2.1 billion, an increase of 5.2% from the third quarter of 2018. Mutual fund redemptions, which totalled $2.2 billion for the fourth quarter, increased 7.9% from the previous quarter and the annualized quarterly redemption rate was 9.7% in the fourth quarter compared to 8.7% in the third quarter of 2018. IG Wealth Management mutual fund net redemptions were $125 million for the current quarter compared to net redemptions of $64 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, 2018, total segregated fund assets were $1.6 billion, compared to $1.9 billion at December 31, 2017.

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. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Canada Life Assurance Company
- The Great-West Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company
- RBC Life Insurance Company

The average number of policies sold by each insurance-licensed Consultant was 2.6 for the quarter ended December 31, 2018, unchanged from 2017. For the twelve months ended December 31, 2018, the average number of policies sold by each insurance-licensed Consultant was 9.7 compared to 11.2 in 2017. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

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

MORTGAGE AND BANKING OPERATIONS

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

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking†, 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 for the three and twelve months ended December 31, 2018 were $305 million and $1.3 billion, compared to $385 million and $1.5 billion in 2017, a decrease of 20.8% and 14.5%, respectively. At December 31, 2018, mortgages totalled $10.7 billion, compared to $10.8 billion at December 31, 2017, a decrease of 1.1%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and twelve month periods ended December 31, 2018 were $187 million and $931 million, respectively, compared to $221 million and $1.0 billion in 2017.

At December 31, 2018, the balance outstanding of Solutions Banking† All-in-One products was $2.6 billion, compared to $2.2 billion one year ago, and represented approximately 52% of total available credit associated with these accounts.

Other products and services offered though 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 totalled $4.1 billion at December 31, 2018, compared to $3.5 billion at December 31, 2017.

ADDITIONAL PRODUCTS AND SERVICES

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

REVIEW OF SEGMENT OPERATING RESULTS

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

2018 VS. 2017

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 $356.7 million in the fourth quarter of 2018, a decrease of $10.1 million or 2.8% from $366.8 million in 2017. For the twelve months ended December 31, 2018, management fees were $1,458.1 million, an increase of $43.1 million or 3.0% from $1,415.0 million in 2017.

The net decrease in management fees in the fourth quarter of 2018 was primarily due to the decrease in average assets under management of 2.4%, as shown in Table 10. The average management fee rate for the fourth quarter was 166.1 basis points of average assets under management compared to 166.9 basis points in 2017.

The net increase in management fees in the year ended December 31, 2018 was primarily due to the increase in average assets under management of 3.4%, as shown in Table 10. The average management fee rate for the twelve months ended December 31, 2018, was 166.4 basis points of average assets under management compared to 166.8 basis points in 2017.

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 $75.2 million in the current quarter compared to $80.9 million a year ago, a decrease of 7.0%. Administration fees were $310.4 million for the twelve month period ended December 31, 2018 compared to $322.0 million in 2017, a decrease of 3.6%. These decreases resulted primarily from the movement of assets into unbundled products which are not charged certain administration fees and changes in the composition of average assets under management.

Distribution fees are earned from:

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

Distribution fee income of $45.1 million for the fourth quarter of 2018 decreased by $0.3 million from $45.4 million in 2017. For the twelve month period, distribution fee income of $171.5 million decreased by $19.0 million from $190.5 million in 2017. The decrease in the twelve month period was primarily due to a decrease in distribution fee income from insurance products. Insurance revenue in 2017 was higher as a result of sales in advance of changes to the way permanent insurance was taxed. Redemption fees were also lower in the three and twelve months ended December 31, 2018. Effective January 1, 2017, IG Wealth Management discontinued 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.

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The adoption of IFRS 9 has resulted in several changes to how the Company accounts for its mortgage banking operations:

- Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost. This resulted in a total remeasurement of $49.7 million due to the reversal of unrealized losses included in the carrying value of the loans and the capitalization of previously expensed mortgage issue

TABLE 11: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Revenues					
Management fees	$ 356.7	$ 374.8	$ 366.8	(4.8) %	(2.8) %
Administration fees	75.2	79.6	80.9	(5.5)	(7.0)
Distribution fees	45.1	42.6	45.4	5.9	(0.7)
	477.0	497.0	493.1	(4.0)	(3.3)
Net investment income and other	11.0	13.3	(3.7)	(17.3)	N/M
	488.0	510.3	489.4	(4.4)	(0.3)
Expenses					
Commission					
Commission amortization	4.4	3.8	45.6	15.8	(90.4)
Mutual fund sales commissions expensed as incurred	22.2	20.8	–	6.7	N/M
Other commissions	30.4	29.1	30.7	4.5	(1.0)
	57.0	53.7	76.3	6.1	(25.3)
Asset-based compensation	99.3	97.0	89.4	2.4	11.1
Non-commission	159.6	146.1	138.8	9.2	15.0
	315.9	296.8	304.5	6.4	3.7
Earnings before interest and taxes	$ 172.1	$ 213.5	$ 184.9	(19.4) %	(6.9) %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Revenues			
Management fees	$ 1,458.1	$ 1,415.0	3.0 %
Administration fees	310.4	322.0	(3.6)
Distribution fees	171.5	190.5	(10.0)
	1,940.0	1,927.5	0.6
Net investment income and other	46.7	41.7	12.0
	1,986.7	1,969.2	0.9
Expenses			
Commission			
Commission amortization	14.5	180.3	(92.0)
Mutual fund sales commissions expensed as incurred	103.4	–	N/M
Other commissions	118.3	139.0	(14.9)
	236.2	319.3	(26.0)
Asset-based compensation	387.2	335.1	15.5
Non-commission	597.3	576.3	3.6
	1,220.7	1,230.7	(0.8)
Earnings before interest and taxes	$ 766.0	$ 738.5	3.7 %

costs. This remeasurement amount of $49.7 million will reduce mortgage banking income over the life of the related loans.

- The Company has adopted the hedge accounting requirements of IFRS 9 as outlined in Note 2 to the Consolidated Financial Statements.

Table 28 details the impact of IFRS 9 on the Consolidated Balance Sheet as at January 1, 2018.

Net investment income and other was $11.0 million in the fourth quarter of 2018, an increase of $14.7 million from ($3.7) million in 2017. For the year ended December 31, 2018, net investment income and other totalled $46.7 million, an increase of $5.0 million from $41.7 million in 2017.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $6.0 million for the fourth quarter of 2018 compared to ($6.3) million in 2017, an increase of $12.3 million. For the year ended December 31, 2018, net investment income related to IG Wealth Management's mortgage banking operations totalled $36.9 million compared to $36.0 million in 2017, an increase of $0.9 million. A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 12. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – decreased by $5.3 million and $24.0 million for the three and twelve month periods ended December 31, 2018 to $9.2 million and $38.9 million, respectively, compared to 2017. The decrease resulted from lower margins on securitized loans, primarily due to the adoption of IFRS 9 where issue costs for securitized loans previously expensed as incurred are now capitalized and amortized over the life of the related loans using the effective interest rate method, as well as the elimination of accretion of discounts related to fair value losses recognized on loans held prior to securitization. Issue costs in the comparative periods of $3.2 million and $13.1 million for the three and twelve months ended December 31, 2017, prior to the adoption of IFRS 9, were expensed and classified in other as part of Net investment income and other.
- Gains realized on the sale of residential mortgages – decreased by $6.0 million for the year ended December 31, 2018 compared to 2017. The decrease in gains was primarily due to lower sales activity.
- Fair value adjustments – increased by $13.5 million and $17.7 million for the three and twelve month periods ended December 31, 2018 to ($6.1) million and ($13.6) million, respectively, compared to 2017. The increases in both periods were primarily due to negative fair value adjustments in 2017 on loans held temporarily pending sale or securitization to third parties, as a result of interest rate increases in the period.
- Other – increased by $4.1 million and $13.2 million for the three and twelve month periods ended December 31, 2018 to $2.9 million and $10.1 million compared to 2017 primarily due to the adoption of IFRS 9 where issue costs for securitized loans previously expensed as incurred are amortized over the life of the related loans, and are re-classified to be recorded within net interest income.

EXPENSES

IG Wealth Management incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. Prior to January 1, 2018, commissions paid on the sale of mutual funds were capitalized and amortized over a maximum period of seven years. As of January 1, 2018, as a result of the adoption of IFRS 15 (Note 2 to the Consolidated Financial Statements) commissions paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other commissions paid on investment product sales are expensed as incurred.

Commission expense was $57.0 million for the fourth quarter of 2018, a decrease of $19.3 million from $76.3 million in 2017. For the twelve month period, commission expense decreased by $83.1 million to $236.2 million compared with $319.3 million in 2017. When adjusted for the impact of IFRS 15, prior period expenses would have been $70.2 million for the quarter and $320.7 million for the twelve month period, representing a decrease in 2018 of $13.2 million and $84.5 million, respectively. These decreases in mutual fund commissions are due to lower mutual fund sales in each period and compensation changes that were effective January 1, 2018, resulting in a decrease in commission-based compensation and an increase in asset-based compensation. In addition, the decrease in other commissions resulted in part from compensation related to the distribution of insurance products.

Asset-based compensation, which is based on the value of assets under management, increased by $9.9 million and $52.1 million for the three and twelve month periods ended December 31, 2018 to $99.3 million and $387.2 million, compared to 2017. The increase was primarily due to the increase in assets under management and compensation changes. Effective January 1, 2018, IG Wealth Management's compensation structure was changed to increase the rates on asset-based compensation while reducing the rates on sales-based compensation.

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

TABLE 12: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 51.7**	$ 51.1	$ 52.5	1.2 %	(1.5) %
Interest expense	**42.5**	41.4	38.0	2.7	11.8
Net interest income[1]	**9.2**	9.7	14.5	(5.2)	(36.6)
Gains on sales[2]	**–**	–	–	–	–
Fair value adjustments	**(6.1)**	(1.7)	(19.6)	N/M	68.9
Other	**2.9**	3.3	(1.2)	(12.1)	N/M
	$ 6.0	$ 11.3	$ (6.3)	(46.9) %	N/M %
Average mortgages serviced					
Securitizations	**$ 7,264**	$ 7,273	$ 7,239	(0.1) %	0.3 %
Other	**3,104**	3,202	3,596	(3.1)	(13.7)
	$ 10,368	$ 10,475	$ 10,835	(1.0) %	(4.3) %
Mortgage sales to:[3]					
Securitizations	**$ 550**	$ 547	$ 1,068	0.5 %	(48.5) %
Other[2]	**81**	75	25	8.0	N/M
	$ 631	$ 622	$ 1,093	1.4 %	(42.3) %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	**$ 204.0**	$ 200.9	1.5 %
Interest expense	**165.1**	138.0	19.6
Net interest income[1]	**38.9**	62.9	(38.2)
Gains on sales[2]	**1.5**	7.5	(80.0)
Fair value adjustments	**(13.6)**	(31.3)	56.5
Other	**10.1**	(3.1)	N/M
	$ 36.9	$ 36.0	2.5 %
Average mortgages serviced			
Securitizations	**$ 7,388**	$ 7,331	0.8 %
Other	**3,174**	3,641	(12.8)
	$ 10,562	$ 10,972	(3.7) %
Mortgage sales to:[3]			
Securitizations	**$ 1,841**	$ 2,561	(28.1) %
Other[2]	**357**	857	(58.3)
	$ 2,198	$ 3,418	(35.7) %

(1) Issuance costs in the comparative periods of 2017 were expensed as incurred and recorded in Other within Total mortgage banking income (fourth quarter – $3.2 million; annual – $13.1 million).

(2) 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.

(3) Represents principal amounts sold.

and other products, as well as sub-advisory fees related to mutual fund assets under management. Non-commission expenses were $159.6 million for the fourth quarter of 2018 compared to $138.8 million in 2017, an increase of $20.8 million or 15.0%. For the twelve month period, non-commission expenses were $597.3 million in 2018 compared to $576.3 million in 2017, primarily due to the implementation of certain strategic initiatives, including the brand relaunch of IG Wealth Management.

Q4 2018 VS. Q3 2018

FEE INCOME

Management fee income decreased by $18.1 million or 4.8% to $356.7 million in the fourth quarter of 2018 compared with the third quarter of 2018. The decrease in management fees in the fourth quarter was primarily due to the decrease in average assets under management of 4.8% for the quarter, as shown in Table 10.

Administration fees decreased to $75.2 million in the fourth quarter of 2018 from $79.6 million in the third quarter of 2018. This decrease resulted primarily from changes in the composition of average assets under management.

Distribution fee income of $45.1 million in the fourth quarter of 2018 increased by $2.5 million from $42.6 million in the third quarter primarily due to an increase in distribution fee income from insurance product sales, offset in part by lower redemption fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $11.0 million in the fourth quarter of 2018 compared to $13.3 million in the previous quarter, a decrease of $2.3 million related to IG Wealth Management's mortgage banking operations.

Net investment income related to IG Wealth Management's mortgage banking operations totalled $6.0 million in the fourth quarter of 2018, a decrease of $5.3 million from $11.3 million in the previous quarter as shown in Table 12. The change in mortgage banking income was due to:

- Fair value adjustments – decreased by $4.4 million for the fourth quarter of 2018 to ($6.1) million compared to ($1.7) million in the previous quarter primarily due to larger unfavorable fair value adjustments on certain securitization related financial instruments.

EXPENSES

Commission expense in the current quarter was $57.0 million compared with $53.7 million in the previous quarter. The increase related primarily to higher cash commissions paid being expensed in the quarter primarily due to higher mutual fund sales and higher compensation related to the distribution of insurance product sales. Asset-based compensation increased by $2.3 million to $99.3 million in the fourth quarter of 2018.

Non-commission expenses were $159.6 million in the current quarter compared to $146.1 million in the prior quarter, reflecting seasonality of expenses and the implementation of certain strategic initiatives.

MACKENZIE INVESTMENTS

REVIEW OF THE BUSINESS

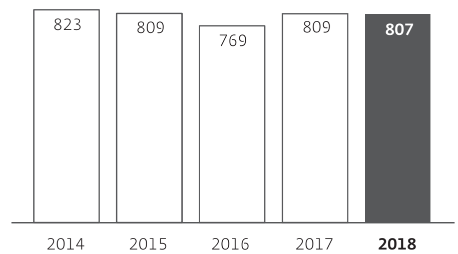
Mackenzie's core business is the provision of investment management and related services offered through diversified investment solutions, distributed through multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on the experience and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

Fee Income – Mackenzie
For the financial year ($ millions)



MACKENZIE STRATEGY

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

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

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

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

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

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

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

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

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

ASSETS UNDER MANAGEMENT

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

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

THREE MONTHS ENDED ($ millions)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Sales	$ 2,328	$ 2,252	$ 2,234	3.4 %	4.2 %
Redemptions	2,474	2,309	2,097	7.1	18.0
Mutual fund net sales (redemptions)[2]	(146)	(57)	137	(156.1)	N/M
ETF net creations	137	377	367	(63.7)	(62.7)
Mutual fund investment in ETF	(82)	(62)	(27)	(32.3)	N/M
Investment fund net sales (redemptions)[3]	(91)	258	477	N/M	N/M
Investment returns	(3,894)	543	1,850	N/M	N/M
Net change in assets	(3,985)	801	2,327	N/M	N/M
Beginning assets	59,493	58,692	54,216	1.4	9.7
Ending assets	$ 55,508	$ 59,493	$ 56,543	(6.7) %	(1.8) %
Consists of:					
Mutual funds	$ 53,407	$ 57,343	$ 55,615	(6.9) %	(4.0) %
ETFs	2,949	2,963	1,296	(0.5)	127.5
Mutual fund investment in ETF	(848)	(813)	(368)	(4.3)	(130.4)
Investment funds[3]	$ 55,508	$ 59,493	$ 56,543	(6.7) %	(1.8) %
Daily average investment fund assets	$ 57,138	$ 59,534	$ 55,687	(4.0) %	2.6 %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Sales	$ 9,951	$ 9,124	9.1 %
Redemptions	9,838	8,159	20.6
Mutual fund net sales (redemptions)[2]	113	965	(88.3)
ETF net creations	1,799	1,156	55.6
Mutual fund investment in ETF	(530)	(341)	(55.4)
Investment fund net sales (redemptions)[3]	1,382	1,780	(22.4)
Investment returns	(2,417)	3,338	N/M
Net change in assets	(1,035)	5,118	N/M
Beginning assets	56,543	51,425	10.0
Ending assets	$ 55,508	$ 56,543	(1.8) %
Daily average investment fund assets	$ 57,918	$ 53,892	7.5 %

(1) Effective October 1, 2017, Mackenzie segment has been redefined to exclude investments into Mackenzie mutual funds by IG Wealth Management mutual funds from its assets under management and net sales. This change has been applied retroactively to provide comparability of results.

(2) During 2018 and 2017, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

– Third quarter of 2018 – resulted in sales of $28 million, redemptions of $293 million and net redemptions of $265 million.

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

– During 2017 – resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 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)	2018 DEC. 31	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Net sales (redemptions)					
Mutual funds[2]	$ (146)	$ (57)	$ 137	(156.1) %	N/M %
ETF net creations	137	377	367	(63.7)	(62.7)
Mutual fund investment in ETF	(82)	(62)	(27)	(32.3)	N/M
Investment funds[3]	(91)	258	477	N/M	N/M
Sub-advisory, institutional and other accounts	(224)	(395)	1,081	43.3	N/M
Total net sales (redemptions)	(315)	(137)	1,558	(129.9)	N/M
Investment returns	(4,304)	531	2,111	N/M	N/M
Net change in assets	(4,619)	394	3,669	N/M	N/M
Beginning assets	67,347	66,953	60,840	0.6	10.7
Ending assets	$ 62,728	$ 67,347	$ 64,509	(6.9) %	(2.8) %
Consists of:					
Mutual funds	$ 53,407	$ 57,343	$ 55,615	(6.9) %	(4.0) %
ETFs	2,949	2,963	1,296	(0.5)	127.5
Mutual fund investment in ETF	(848)	(813)	(368)	(4.3)	(130.4)
Investment funds[3]	55,508	59,493	56,543	(6.7)	(1.8)
Sub-advisory, institutional and other accounts	7,220	7,854	7,966	(8.1)	(9.4)
Total assets under management	$ 62,728	$ 67,347	$ 64,509	(6.9) %	(2.8) %
Average total assets[4]	$ 64,628	$ 67,561	$ 63,029	(4.3) %	2.5 %

TWELVE MONTHS ENDED ($ millions)	2018 DEC. 31	2017 DEC. 31	% CHANGE
Net sales (redemptions)			
Mutual funds[2]	$ 113	$ 965	(88.3) %
ETF net creations	1,799	1,156	55.6
Mutual fund investment in ETF	(530)	(341)	(55.4)
Investment funds[3]	1,382	1,780	(22.4)
Sub-advisory, institutional and other accounts	(487)	1,189	N/M
Total net sales (redemptions)	895	2,969	(69.9)
Investment returns	(2,676)	3,883	N/M
Net change in assets	(1,781)	6,852	N/M
Beginning assets	64,509	57,657	11.9
Ending assets	$ 62,728	$ 64,509	(2.8) %
Average total assets[4]	$ 65,860	$ 60,642	8.6 %

(1) Effective October 1, 2017, Mackenzie segment has been redefined to exclude advisory mandates to IG Wealth Management and investments into Mackenzie mutual funds by IG Wealth Management mutual funds from its assets under management and net sales. These changes have been applied retroactively to provide comparability of results.

(2) During 2018 and 2017, institutional clients which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

– Third quarter of 2018 – resulted in sales of $28 million, redemptions of $293 million and net redemptions of $265 million.

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

– During 2017 – resulted in sales of $313 million, redemptions of $618 million and net redemptions of $305 million.

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

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

In October 2017, the investment management functions of IG Wealth Management and Mackenzie consolidated to form a single global investment management organization under Mackenzie to support both companies. Effective October 1, 2017, Mackenzie's segment excludes investment advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds. These mandates are no longer reflected within Mackenzie's segment assets under management and net sales. To ensure comparability of results, prior period assets under management and net sales have been adjusted to remove these mandates.

At December 31, 2018, Mackenzie's investment fund assets under management were $55.5 billion and total assets under management were $62.7 billion. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

CHANGE IN ASSETS UNDER MANAGEMENT – 2018 VS. 2017

Mackenzie's total assets under management at December 31, 2018 were $62.7 billion, a decrease of 2.8% from $64.5 billion at December 31, 2017. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2018 were $7.2 billion, a decrease of 9.4% from $8.0 billion last year.

Mackenzie's investment fund assets under management were $55.5 billion at December 31, 2018, a decrease of 1.8% from December 31, 2017. Mackenzie's mutual fund assets under management were $53.4 billion at December 31, 2018, a decrease of 4.0% from $55.6 billion at December 31, 2017. Mackenzie's ETF assets were $2.9 billion at December 31, 2018, inclusive of $848 million in investments from Mackenzie mutual funds, compared to $1.3 billion at December 31, 2017, inclusive of $368 million in investments from Mackenzie mutual funds.

In the three months ended December 31, 2018, Mackenzie's mutual fund gross sales were $2.3 billion, the highest fourth quarter gross sales in the company's history. This represented an increase of 4.2% from $2.2 billion in the comparative period last year. Mutual fund redemptions in the current quarter were $2.5 billion, an increase of 18.0% from last year. Mutual fund net redemptions for the three months ended December 31, 2018 were $146 million, as compared to net sales of $137 million last year. In the three months ended December 31, 2018, ETF net creations were $137 million, inclusive of $82 million in investments from Mackenzie mutual funds compared to ETF net creations of $367 million last year, inclusive of $27 million in investments from Mackenzie mutual funds. Investment fund net redemptions in the current quarter were $91 million compared to net sales of $477 million last year. During the current quarter, investment returns resulted in investment fund assets decreasing by $3.9 billion compared to an increase of $1.9 billion last year.

Total net redemptions for the three months ended December 31, 2018 were $315 million, compared to net sales of $1.6 billion last year. During the current quarter, investment returns resulted in assets decreasing by $4.3 billion compared to an increase of $2.1 billion last year.

In the twelve months ended December 31, 2018, Mackenzie's mutual fund gross sales were $10.0 billion, the highest annual gross sales in the company's history. This represented an increase of 9.1% from $9.1 billion in the comparative period last year. Mutual fund redemptions in the current period were $9.8 billion, an increase of 20.6% from last year. Mutual fund net sales for the twelve months ended December 31, 2018 were $113 million, as compared to net sales of $965 million last year. In the twelve months ended December 31, 2018, ETF net creations were $1.8 billion, inclusive of $530 million in investments from Mackenzie mutual funds, compared to ETF net creations of $1.2 billion, inclusive of $341 million in investments from Mackenzie mutual funds last year. Investment fund net sales in the current period were $1.4 billion compared to $1.8 billion last year. During the current period, investment returns resulted in investment fund assets decreasing by $2.4 billion compared to an increase of $3.3 billion in 2017.

During the twelve months ended December 31, 2018, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes resulting in gross sales of $409 million, redemptions of $807 million and net redemptions of $398 million. During the twelve months ended December 31, 2017, certain institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes resulting in gross sales of $313 million, redemptions of $618 million and net redemptions of $305 million. Excluding these transactions, mutual fund gross sales increased 8.3% and mutual fund redemptions increased 19.8% in the twelve months ended December 31, 2018 compared to last year and mutual fund net sales were $511 million compared to $1.3 billion last year.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2018, were $2.4 billion and $9.5 billion, respectively, as compared to $2.0 billion and $7.9 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by institutional clients were $8.7 billion in the twelve months ended December 31, 2018, compared to $7.2 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 17.1% in the fourth quarter of 2018, compared to 14.7% in the fourth quarter of 2017. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 17.1% at December 31, 2018, as compared to 14.8% last year. Mackenzie's twelve-month trailing redemption rate for long-term funds, excluding rebalance transactions noted previously, was 15.6% at December 31, 2018 and 13.7% at December 31, 2017. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 18.2% at December 31, 2018. 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 sales for the twelve months ended December 31, 2018 were $895 million, as compared to net sales of $3.0 billion last year. During the twelve months ended December 31, 2018, investment returns resulted in assets decreasing by $2.7 billion, compared to an increase of $3.9 billion last year. Excluding the mutual fund allocation changes in both 2018 and 2017 previously discussed, total net sales were $1.3 billion in the current period compared to net sales of $3.3 billion last year.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2018 VS. Q3 2018

Mackenzie's total assets under management at December 31, 2018, were $62.7 billion, a decrease of 6.9% from $67.3 billion at September 30, 2018. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2018 were $7.2 billion, a decrease of 8.1% from $7.9 billion at September 30, 2018.

Mackenzie's investment fund assets under management were $55.5 billion at December 31, 2018, a decrease of 6.7% from $59.5 billion at September 30, 2018. Mackenzie's mutual fund assets under management were $53.4 billion at December 31, 2018, a decrease of 6.9% from $57.3 billion at September 30, 2018. Mackenzie's ETF assets were $2.9 billion at December 31, 2018, inclusive of $848 million in investments from Mackenzie mutual funds compared to $3.0 billion at September 30, 2018, inclusive of $813 million investments from Mackenzie mutual funds.

For the quarter ended December 31, 2018, Mackenzie mutual fund gross sales were $2.3 billion, an increase of 3.4% from the third quarter of 2018. Mutual fund redemptions, which totalled $2.5 billion for the fourth quarter, increased by 7.1% from the previous quarter. Net redemptions of Mackenzie mutual funds for the current quarter were $146 million compared with net redemptions of $57 million in the previous quarter. Excluding the mutual fund allocation changes during the third quarter of 2018 which resulted in gross sales of $28 million, redemptions of $293 million and net redemptions of $265 million, mutual fund gross sales increased 4.7%, mutual fund redemptions increased 22.7% and net redemptions in the three months ended December 31, 2018, were $146 million compared to net sales of $208 million in the third quarter of 2018.

Redemptions of long-term mutual fund assets in the current quarter were $2.4 billion, compared to $2.2 billion in the third quarter of 2018. Redemptions of long-term mutual fund assets, excluding mutual fund allocation changes made by institutional clients were $1.9 billion in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 17.1% compared to 15.6% for the third quarter of 2018. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 13.6% in the third quarter of 2018. Net redemptions of long-term funds for the current quarter were $136 million compared to net redemptions of $106 million in the previous quarter. Net sales of long-term mutual funds excluding rebalance transactions was $159 million in the third quarter.

For the quarter ended December 31, 2018, Mackenzie ETF net creations were $137 million, a decrease of $240 million from the third quarter of 2018. In the current quarter, ETF net creations were inclusive of $82 million in investments from Mackenzie mutual funds compared to $62 million in the third quarter.

Investment fund net redemptions in the current quarter were $91 million compared to net sales of $258 million in the third quarter. Investment fund net sales in the third quarter, excluding mutual fund allocation changes made by third party programs previously discussed, were $523 million.

INVESTMENT MANAGEMENT

In the fourth quarter of 2017, the investment management functions of IG Wealth Management and Mackenzie were consolidated to form a single global investment management organization to support both companies under Mackenzie. The investment management organization continues to maintain its Canadian presence in Toronto, Montreal and Winnipeg and its international presence in Dublin and Hong Kong. In addition, during the fourth quarter of 2017 there was expansion to the United States with the opening of its Boston office. Total assets managed by this combined team at December 31, 2018 were $129.8 billion.

The new 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 with the addition of the new Global Quantitative Equity boutique based in Boston.

Initiatives during 2018 impacting the in-house investment offerings include the following:

- Mackenzie changed the portfolio management of its emerging markets offerings previously managed by a third party sub-advisor. These emerging market funds are managed internally by the new Global Quantitative Equity boutique based in Boston.
- Mackenzie became sub-advisor of the China AMC Mackenzie Global Strategic Income Fund, a mutual fund distributed in Hong Kong through our relationship with China AMC. The fund is managed by the Global Equity & Income and Fixed Income boutiques.

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 and Rockefeller & Co. During 2018, Mackenzie added Greenchip Financial to sub-advise on the Mackenzie Global Environmental Equity Fund.

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, 2018, 54.5% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 45.0% for the three year time frame and 53.9% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2018, 77.2% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 46.9% had a rating of four or five stars. This compared to the Morningstar† universe of 82.9% for three stars or better and 44.6% for four and five star funds at December 31, 2018. These ratings exclude the Quadrus Group of Funds†.

Mackenzie was once again recognized for industry leading fund performance with the achievement of the following 2018 Lipper Fund Awards:

- Mackenzie Canadian Growth Fund Series A – Best five-year performance in the Canadian Focused Equity category.

TABLE 15: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2018		2017	
Equity				
Domestic	**$ 10,442**	**16.6 %**	$ 11,857	18.4 %
Foreign	**19,932**	**31.8**	21,116	32.7
	30,374	**48.4**	32,973	51.1
Balanced				
Domestic	**11,135**	**17.7**	11,809	18.3
Foreign	**12,202**	**19.5**	11,806	18.3
	23,337	**37.2**	23,615	36.6
Fixed Income				
Domestic	**4,512**	**7.2**	4,462	6.9
Foreign	**4,021**	**6.4**	2,975	4.6
	8,533	**13.6**	7,437	11.5
Money Market				
Domestic	**484**	**0.8**	484	0.8
Total	**$ 62,728**	**100.0 %**	$ 64,509	100.0 %
Consists of:				
Investment funds	**$ 55,508**	**88.5 %**	$ 56,543	87.7 %
Sub-advisory, institutional and other accounts	**7,220**	**11.5**	7,966	12.3
	$ 62,728	**100.0 %**	$ 64,509	100.0 %

- Mackenzie Canadian Growth Balanced Fund Series A – Best five-year performance in the Canadian Equity Balanced category.

The awards honour the funds in each category that have delivered consistently strong risk-adjusted performance relative to their peers.

In addition, Phil Taller, lead of the Mackenzie Growth Team, won Investment Executive's 2018 Mutual Fund Manager of the Year.

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2018, Mackenzie launched a number of new products, implemented a new simplified and more accessible pricing structure, 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 2018, Mackenzie launched thirteen new traditional index ETFs that provide market exposure to a broad range of asset classes. These versatile ETFs can be used as effective building blocks for asset allocation, portfolio construction and investment planning and will broaden the choice for investors.

Mackenzie's current line-up consists of twenty-eight ETFs: fifteen active and strategic beta ETFs launched during 2016 and 2017 and the thirteen traditional index ETFs launched in the first quarter of 2018. In less than three years since launch, Mackenzie's ETF assets under management surpassed $3.0 billion during the fourth quarter of 2018 and ended the year with $2.9 billion in assets under management, inclusive of $848 million in investments from Mackenzie mutual funds. This ranks Mackenzie in ninth place in the Canadian ETF industry for assets under management. Mackenzie also ranks in fourth place in industry net creations for the year ended December 31, 2018 with net creations of $1.8 billion, inclusive of $530 million in investments from Mackenzie mutual funds.

MUTUAL FUNDS

During 2018, Mackenzie launched seven mutual funds:

- Mackenzie Exchange Traded Fund (ETF) Portfolios – these five mutual fund portfolios are a single solution that provides access to a full spectrum of Mackenzie's active, strategic beta and traditional index ETFs. This new line-up now makes ETFs more accessible to Canadian advisors and investors.
- Mackenzie Multi-Strategy Absolute Return Fund – this fund is the first of its kind for Canadian retail investors, based on the regulators' alternative framework for conventional mutual funds. It offers a one-stop solution that enables investors to increase portfolio stability by leveraging sophisticated risk allocation methodology and seeks to achieve a positive total return over a market cycle, regardless of the ups and downs. The fund is managed by Mackenzie's Asset Allocation team who holistically and dynamically allocate among multiple non-traditional strategies including long/short equity, credit alternative strategy, and global macro.
- Mackenzie Global Environmental Equity – this fund was launched to better support investors and advisors seeking investment solutions with sustainability themes. The fund is sub-advised by Greenchip Financial and exclusively invests in companies who supply products and services needed in both the global energy transition from fossil fuels to renewables and from inefficient-to-efficient use of resources. The fund joins Mackenzie's other socially responsible product offerings launched in 2017, the Mackenzie Global Sustainability and Impact Balanced Fund and the Global Leadership Impact Fund.

During 2018, Mackenzie also merged thirteen mutual funds to streamline and strengthen its product shelf and make it easier to investors to navigate.

SIMPLIFIED PRICING & FEE REDUCTIONS

Mackenzie strengthened its pricing commitment for investors by reducing fees and simplifying its pricing structure. Mackenzie is focused on delivering clear, consistent and competitive pricing. Initiatives implemented during 2018 include the following:

- Mackenzie lowered fees and implemented a simplified and more accessible mutual fund fee structure. For investors in fee-based series, Mackenzie eliminated Private Wealth Series and aligned fees to offer the same competitive management and administration fee for all account sizes. For investors in retail series with embedded dealer compensation, Mackenzie simplified Private Wealth series pricing to align management and administration fees with its fee-based series. Mackenzie also made Private Wealth series more accessible to investors with a lower minimum eligibility requirement of $100,000 (from $250,000) per household.
- Mackenzie reduced management fees on fourteen ETFs to enhance competitiveness and better align ETF pricing with retail mutual fund pricing.

REVIEW OF SEGMENT OPERATING RESULTS

In October 2017, the investment management functions of IG Wealth Management and Mackenzie consolidated to form a single global investment management organization under Mackenzie to support both companies. As previously discussed, effective October 1, 2017, Mackenzie's segment excludes investment advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds. Revenue earned on these mandates are no longer reflected within Mackenzie's segment revenues. With these changes, Mackenzie's segment will reflect its proportionate share of the expenses of the investment management function which better aligns with internal management reporting. The impact of these changes in segment earnings is not significant. Prior period earnings have not been restated.

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

2018 VS. 2017

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

TABLE 16: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED ($ millions)	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Revenues					
Management fees	**$ 169.9**	$ 178.6	$ 177.4	(4.9) %	(4.2) %
Administration fees	**23.8**	24.8	25.3	(4.0)	(5.9)
Distribution fees	**1.4**	1.7	1.8	(17.6)	(22.2)
	195.1	205.1	204.5	(4.9)	(4.6)
Net investment income and other	**(3.1)**	(1.1)	3.3	(181.8)	N/M
	192.0	204.0	207.8	(5.9)	(7.6)
Expenses					
Commission	**5.7**	5.9	11.1	(3.4)	(48.6)
Trailing commission	**64.0**	67.3	64.6	(4.9)	(0.9)
Non-commission	**86.9**	78.1	82.0	11.3	6.0
	156.6	151.3	157.7	3.5	(0.7)
Earnings before interest and taxes	**$ 35.4**	$ 52.7	$ 50.1	(32.8) %	(29.3) %

TWELVE MONTHS ENDED ($ millions)	**2018 DEC. 31**	2017 DEC. 31	% CHANGE
Revenues			
Management fees	**$ 701.4**	$ 701.7	– %
Administration fees	**98.4**	99.1	(0.7)
Distribution fees	**6.7**	7.7	(13.0)
	806.5	808.5	(0.2)
Net investment income and other	**(1.9)**	1.2	N/M
	804.6	809.7	(0.6)
Expenses			
Commission	**28.7**	46.7	(38.5)
Trailing commission	**262.4**	253.3	3.6
Non-commission	**335.1**	329.3	1.8
	626.2	629.3	(0.5)
Earnings before interest and taxes	**$ 178.4**	$ 180.4	(1.1) %

account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail basis.

Within Mackenzie's retail mutual fund offering, certain series are offered for fee-based programs of participating dealers whereby dealer compensation on such series is charged directly by the dealer to a client (primarily Series F). As Mackenzie does not pay the dealer compensation, these series have lower management fees. At December 31, 2018, these series had $8.3 billion in assets, an increase of 19.2% from the prior year.

Management fees were $169.9 million for the three months ended December 31, 2018, a decrease of $7.5 million or 4.2% from $177.4 million last year. The net decrease in management fees was due to a decline in the average management fee rate, partially offset by an increase in average assets under management of 2.5%. Mackenzie's average management fee rate was 104.3 basis points during the current quarter compared to 111.6 basis points in 2017. The decrease in the average management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products and Series F and the impact of the pricing changes implemented during 2018. These changes included switching of qualified investors into its Private Wealth Series and the reduction of management fees on mutual funds and ETFs.

Management fees were $701.4 million for the twelve months ended December 31, 2018, a decrease of $0.3 million from $701.7 million last year. As discussed earlier, advisory mandates to IG Wealth Management funds and investments into Mackenzie mutual funds by IG Wealth Management mutual funds were excluded from the Mackenzie segment effective October 1, 2017. When adjusted to remove the fees from IG Wealth Management, prior period management fees were $686.3 million. The net increase in management fees was due to the increase in total average assets under management of 8.6%, partially offset by a decline in the average management fee rate. Mackenzie's average management fee rate in the twelve months ended December 31, 2018 was 106.5 basis points compared to 113.2 basis points in 2017. The decrease in average management fee rate was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products and Series F and the pricing changes discussed above.

Mackenzie earns administration fees primarily from providing services to its investment funds. Administration fees were $23.8 million for the three months ended December 31, 2018, a decrease of $1.5 million or 5.9% from last year. Administration fees were $98.4 million for the twelve months ended December 31, 2018, a decrease of $0.7 million or 0.7% from $99.1 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, 2018 was $1.4 million, a decrease of $0.4 million from last year. Distribution fee income in the twelve months ended December 31, 2018 was $6.7 million, a decrease of $1.0 million from $7.7 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 ($3.1) million for the three months ended December 31, 2018 compared to $3.3 million last year. Net investment income and other was ($1.9) million for the twelve months ended December 31, 2018, a decrease of $3.1 million from $1.2 million last year.

EXPENSES

Mackenzie's expenses were $156.6 million for the three months ended December 31, 2018, a decrease of $1.1 million or 0.7% from $157.7 million in 2017. Expenses for the twelve months ended December 31, 2018 were $626.2 million, a decrease of $3.1 million or 0.5% from $629.3 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. Prior to January 1, 2018, commissions paid on the sale of mutual funds were capitalized and amortized over a maximum period of seven years. As of January 1, 2018, as a result of the adoption of IFRS 15, commissions paid are expensed as incurred.

Commission expense was $5.7 million in the three months ended December 31, 2018, as compared to $11.1 million last year. Commission expense in the twelve months ended December 31, 2018 was $28.7 million compared to $46.7 million in 2017. When adjusted for the impact of IFRS 15, prior year expenses would have been $7.2 million for the quarter and $32.4 million for the twelve month period, representing a decrease in 2018 of $1.5 million in the quarter and $3.7 million in the twelve month period.

Trailing commissions paid to dealers are paid on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were $64.0 million in the three months ended December 31, 2018, a decrease of $0.6 million or 0.9% from $64.6 million last year. Trailing commissions in the twelve months ended December 31, 2018 were $262.4 million, an increase of $9.1 million or 3.6% from $253.3 million last year. The change in trailing commissions in the three and twelve months ended December 31, 2018 resulted from the period over period 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 were 46.6 and 46.7 basis points in the three and twelve months ended December 31, 2018, respectively, compared to 47.1 and 47.4 basis points in the three and twelve months ended December 31, 2017, respectively. The decline was due to a change in composition of mutual fund assets towards those series within mutual funds that do not pay trail commissions.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $86.9 million in the three months ended December 31, 2018, an increase of $4.9 million or 6.0% from $82.0 million in 2017. Non-commission expenses in the twelve months ended December 31, 2018 were $335.1 million, an increase of $5.8 million or 1.8% from $329.3 million in 2017.

Q4 2018 VS. Q3 2018

REVENUES

Mackenzie's revenues were $192.0 million for the current quarter, a decrease of $12.0 million or 5.9% from $204.0 million in the third quarter.

Management fees were $169.9 million for the current quarter, a decrease of $8.7 million or 4.9% from $178.6 million in the third quarter. Factors contributing to the decrease in management fees are as follows:

- Average assets under management were $64.6 billion in the current quarter, a 4.3% decrease from $67.6 billion in the prior quarter.
- Mackenzie's average management fee rate was 104.3 basis points in the current quarter compared to 104.9 basis points in the third quarter.

Administration fees were $23.8 million in the current quarter, a decrease of 4.0% from $24.8 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 ($3.1) million for the current quarter compared to ($1.1) million in the third quarter.

EXPENSES

Mackenzie's expenses were $156.6 million for the current quarter, an increase of $5.3 million or 3.5% from $151.3 million in the third quarter.

Commission expense related to selling commissions paid was $5.7 million in the quarter ended December 31, 2018, as compared to $5.9 million in the third quarter.

Trailing commissions were $64.0 million in the current quarter, a decrease of $3.3 million or 4.9% from $67.3 million in the third quarter. The change in trailing commissions reflects the 4.5% period over period decrease in average mutual fund assets under management and an increase in the effective trailing commission rate. The effective trailing commission rate was 46.6 basis points in the current quarter compared to 46.8 basis points in the third quarter.

Non-commission expenses were $86.9 million in the current quarter, compared to $78.1 million in the third quarter, reflecting the seasonality of expenses and the implementation of certain strategic initiatives.

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) and China Asset Management Co., Ltd. (China AMC), operating results for Investment Planning Counsel Inc., other income, as well as consolidation elimination entries.

The Company's investment in China AMC closed on August 31, 2017.

The Company also has investments in Personal Capital Corporation, Wealthsimple Financial Corporation and Portag3 Ventures LP.

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

2018 VS. 2017

The proportionate share of associates' earnings decreased by $2.3 million in the fourth quarter of 2018 and increased by $35.3 million in the year ended December 31, 2018, compared to 2017. These earnings reflect equity earnings from Lifeco for all periods under review and from China AMC beginning in the third quarter of 2017, as discussed in the Consolidated Financial Position section of this MD&A. Net investment income and other increased to $5.3 million in the fourth quarter of 2018 compared to $0.2 million in 2017. For the twelve month period, net investment income and other increased to $17.1 million compared to $9.7 million in 2017.

Earnings before interest and taxes related to Investment Planning Counsel were $2.8 million lower in the fourth quarter of 2018 compared to the same period in 2017 and $2.2 million higher in the year ended December 31, 2018.

Q4 2018 VS. Q3 2018

The proportionate share of associates' earnings were $34.6 million in the fourth quarter of 2018, a decrease of $5.2 million from the third quarter of 2018. Net investment income and other was $5.3 million in the fourth quarter of 2018, compared to $3.8 million in the third quarter.

Earnings before interest and taxes related to Investment Planning Counsel were $2.7 million lower in the fourth quarter of 2018 compared to the prior quarter.

TABLE 17: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2018 SEP. 30	2017 DEC. 31	% CHANGE 2018 SEP. 30	% CHANGE 2017 DEC. 31
Revenues					
Fee income	**$ 71.6**	$ 74.1	$ 72.4	(3.4) %	(1.1) %
Net investment income and other	**5.3**	3.8	0.2	39.5	N/M
Proportionate share of associates' earnings	**34.6**	39.8	36.9	(13.1)	(6.2)
	111.5	117.7	109.5	(5.3)	1.8
Expenses					
Commission	**46.4**	46.2	46.7	0.4	(0.6)
Non-commission	**22.5**	21.7	19.5	3.7	15.4
	68.9	67.9	66.2	1.5	4.1
Earnings before interest and taxes	**$ 42.6**	$ 49.8	$ 43.3	(14.5) %	(1.6) %

TWELVE MONTHS ENDED *($ millions)*	**2018 DEC. 31**	2017 DEC. 31	% CHANGE
Revenues			
Fee income	**$ 290.7**	$ 269.7	7.8 %
Net investment income and other	**17.1**	9.7	76.3
Proportionate share of associates' earnings	**150.0**	114.7	30.8
	457.8	394.1	16.2
Expenses			
Commission	**184.2**	183.4	0.4
Non-commission	**88.3**	66.9	32.0
	272.5	250.3	8.9
Earnings before interest and taxes	**$ 185.3**	$ 143.8	28.9 %

IGM Financial's total assets were $15.6 billion at December 31, 2018, compared to $16.5 billion at December 31, 2017.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 18.

As a result of the adoption of IFRS 9 on January 1, 2018 (Note 2 to the Consolidated Financial Statements), other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL) and the Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI).

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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 Personal Capital Corporation (Personal Capital), Wealthsimple Financial Corporation (Wealthsimple), and Portag3 Ventures LP and Portag3 Ventures II LP (Portag3).

Personal Capital Corporation is a market-leading digital wealth advisor which operates in the United States. As at December 31, 2018, the Corporation had invested a total of $122.3 million in Personal Capital, including $25.0 million (USD $19.8 million) in 2017. The Corporation made an additional investment of $66.8 million (USD $50 million) in January 2019.

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

Wealthsimple Financial Corporation ("Wealthsimple") is an online investment manager that provides financial investment guidance. As at December 31, 2018, the Corporation had invested a total of $135 million in Wealthsimple through a limited partnership controlled by the Corporation's parent, Power Financial Corporation. The Corporation invested $42.6 million in 2017 and $72.3 million in 2018.

FAIR VALUE THROUGH PROFIT OR LOSS

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.

TABLE 18: OTHER INVESTMENTS

	DECEMBER 31, 2018		DECEMBER 31, 2017	
($ millions)	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale				
Corporate investments	$ N/A	$ N/A	$ 215.0	$ 262.8
Proprietary investment funds	N/A	N/A	19.6	19.9
	N/A	N/A	234.6	282.7
Fair value through other comprehensive income				
Corporate investments	303.6	372.4	N/A	N/A
Fair value through profit or loss				
Equity securities	17.0	12.9	17.1	17.1
Proprietary investment funds	78.5	74.6	79.6	79.9
	95.5	87.5	96.7	97.0
	$ 399.1	$ 459.9	$ 331.3	$ 379.7

LOANS

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

Loans consisted of residential mortgages and represented 49.6% of total assets at December 31, 2018, compared to 47.6% at December 31, 2017.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $7.4 billion at December 31, 2018, compared to $7.6 billion at December 31, 2017.

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. Upon adoption of IFRS 9, effective January 1, 2018, loans held for securitization are carried at amortized cost. As a result, $282.6 million of the $286.7 million loans classified as held for trading at fair value through profit or loss were reclassified to loans measured at amortized cost. Total loans being held pending sale or securitization are $363.9 million at December 31, 2018 compared to $286.7 million at December 31, 2017.

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 $12.8 billion of residential mortgages, including $2.5 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 2018, the Company securitized loans through its mortgage banking operations with cash proceeds of $531.3 million compared to $1,031.8 million in 2017. 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 of the Consolidated Financial Statements.

INVESTMENT IN ASSOCIATES

GREAT-WEST LIFECO INC. (LIFECO)

At December 31, 2018, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Financial Corporation.

TABLE 19: LOANS

($ millions)	DECEMBER 31, 2018	DECEMBER 31, 2017
Amortized cost	$ 7,734.5	$ 7,564.0
Less: Allowance for expected credit losses	0.8	0.8
	7,733.7	7,563.2
Fair value through profit or loss	4.3	286.7
	$ 7,738.0	$ 7,849.9

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-4). Changes in the carrying value for the year ended December 31, 2018 compared with 2017 are shown in Table 20.

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¥ 906.0 billion ($180.0 billion) at June 30, 2018, representing an increase of 4.2% (CAD$ increase of 7.2%) from RMB¥ 869.6 billion ($167.9 billion) at December 31, 2017.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. The Company's proportionate share of China AMC's earnings is recorded in Net investment income and other in the Corporate and other reportable segment (Tables 2-4). Changes in the carrying value for the year ended December 31, 2018 are shown in Table 20.

TABLE 20: INVESTMENT IN ASSOCIATES

TWELVE MONTHS ENDED	DECEMBER 31, 2018			DECEMBER 31, 2017		
($ millions)	LIFECO	CHINA AMC	TOTAL	LIFECO	CHINA AMC	TOTAL
Carrying value, beginning of year						
As previously reported	$ 903.1	$ 647.9	$ 1,551.0	$ 888.9	$ –	$ 888.9
Change in accounting policy (IFRS 15)	(1.7)	–	(1.7)	–	–	–
	901.4	647.9	1,549.3	888.9	–	888.9
Additional investment	–	–	–	–	638.3	638.3
Dividends received	(61.8)	(12.2)	(74.0)	(58.3)	(10.8)	(69.1)
Proportionate share of:						
Earnings	121.0	29.0	150.0	105.7	9.0	114.7
Associate's restructuring provision	–	–	–	(5.1)	–	(5.1)
Associate's one-time charges	–	–	–	(14.0)	–	(14.0)
Other comprehensive income (loss) and other adjustments	7.2	18.8	26.0	(14.1)	11.4	(2.7)
Carrying value, end of year	$ 967.8	$ 683.5	$ 1,651.3	$ 903.1	$ 647.9	$ 1,551.0

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled $650.2 million at December 31, 2018 compared with $966.8 million at December 31, 2017. Cash and cash equivalents related to the Company's deposit operations were $2.4 million at December 31, 2018, compared to $3.3 million at December 31, 2017, as shown in Table 21.

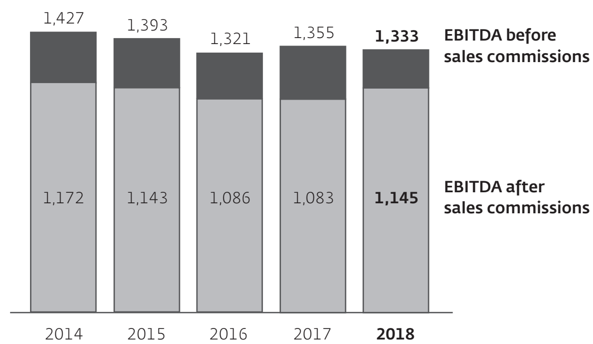
Working capital, which consists of current assets less current liabilities, totalled $366.1 million at December 31, 2018 compared with $791.3 million at December 31, 2017 (Table 22). The decrease in working capital is due to the early redemption of debentures in the amount of $375 million, partly offset by the issuance of debentures totalling $200 million. The decrease also resulted from the adoption of IFRS 9 which included the reclassification of certain loans from current assets to long-term assets.

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 $1,333.0 million in the year ended December 31, 2018 compared to $1,354.5 million in 2017.

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



EBITDA before and after sales commissions:

2014 excluded a charge related to client distributions and other costs, and restructuring and other charges.

2015 excluded a charge related to restructuring and other charges.

2017 excluded 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 excluded charges related to restructuring and other and the premium paid on the early redemption of debentures.

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 $1,144.5 million in the year ended December 31, 2018 compared to $1,082.9 million in 2017. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

TABLE 21: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (*$ millions*)	**2018**	2017
Assets		
Cash and cash equivalents	**$ 2.4**	$ 3.3
Client funds on deposit	**546.8**	489.6
Accounts and other receivables	**8.8**	0.8
Loans	**21.3**	21.7
Total assets	**$ 579.3**	$ 515.4
Liabilities and shareholders' equity		
Deposit liabilities	**$ 568.8**	$ 505.0
Other liabilities	**0.5**	0.5
Shareholders' equity	**10.0**	9.9
Total liabilities and shareholders' equity	**$ 579.3**	$ 515.4

TABLE 22: WORKING CAPITAL

AS AT DECEMBER 31 *($ millions)*	2018	2017
Current Assets		
Cash and cash equivalents	$ 650.2	$ 966.8
Client funds on deposit	546.8	489.6
Accounts receivable and other assets	311.9	373.1
Current portion of mortgages and other	1,280.1	1,465.9
	2,789.0	3,295.4
Current Liabilities		
Accounts and other payables	644.7	657.7
Deposits and certificates	562.4	496.4
Current portion of long-term liabilities	1,215.8	1,350.0
	2,422.9	2,504.1
Working Capital	$ 366.1	$ 791.3

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

CASH FLOWS

Table 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, 2018. Cash and cash equivalents decreased by $316.6 million in 2018 compared to an increase of $355.8 million in 2017.

Adjustments to determine net cash from operating activities during the year ended 2018 compared to 2017 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sale commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital and intangible assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The add-back of one-time adjustments in 2018, which included a restructuring provision and other, and in 2017, which included the pension plan adjustment and restructuring provisions and other.
- The deduction of restructuring provision cash payments.

TABLE 23: CASH FLOWS

TWELVE MONTHS ENDED *($ millions)*	2018 DEC. 31	2017 DEC. 31	% CHANGE
Operating activities			
Earnings before income taxes	$ 986.1	$ 784.6	25.7 %
Income taxes paid	(132.6)	(165.2)	19.7
Adjustments to determine net cash from operating activities	(68.3)	52.7	N/M
	785.2	672.1	16.8
Financing activities	(1,131.8)	185.0	N/M
Investing activities	30.0	(501.3)	N/M
Change in cash and cash equivalents	(316.6)	355.8	N/M
Cash and cash equivalents, beginning of year	966.8	611.0	58.2
Cash and cash equivalents, end of year	$ 650.2	$ 966.8	(32.7) %

Financing activities during the year ended December 31, 2018 compared to 2017 related 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 compared to an increase in obligations to securitization entities of $2,479.5 million and repayments of obligations to securitization entities of $2,596.7 million in 2017.
- Payment of debentures of $525.0 million in 2018, comprised of $150.0 million in the first quarter and $375 million in the third quarter.
- Issuance of debentures of $200.0 million in 2018 compared to the issuance of $850.0 million in 2017.
- The payment of perpetual preferred share dividends which totalled $8.8 million in 2018, unchanged from 2017.
- The payment of regular common share dividends which totalled $541.8 million in 2018 compared to $541.3 million in 2017.

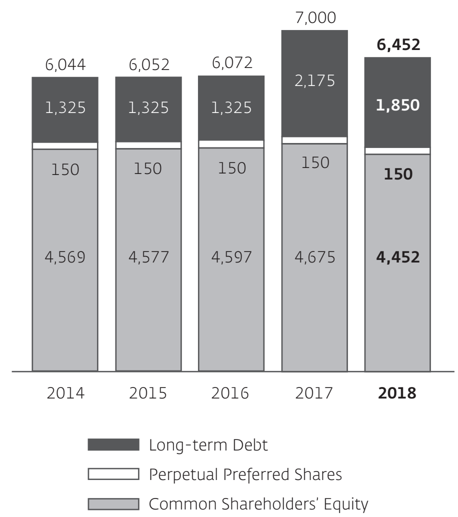
Investing activities during the year ended December 31, 2018 compared to 2017 primarily related to:

- The purchases of other investments totalling $154.5 million and sales of other investments with proceeds of $93.5 million in 2018 compared to $196.6 million and $62.2 million, respectively, in 2017.
- An increase in loans of $1,748.4 million with repayments of loans and other of $1,895.6 million in 2018 compared to $2,630.2 million and $2,768.8 million, respectively, in 2017, primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $49.1 million in 2018 compared to $49.5 million in 2017.
- The final payment related to investment in China AMC of $439.3 million in 2017.

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 $6.4 billion at December 31, 2018, compared to $7.0 billion at December 31, 2017. The reduction in Shareholders' equity in 2018 was largely due to the adoption of IFRS 15 which resulted in an adjustment to opening retained earnings of $514.6 million in the first quarter of 2018. 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 $1,850.0 million at December 31, 2018, compared to $2,175.0 million at December 31, 2017. 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 decrease in long-term debt of $325.0 million resulted from:

- The maturity of the Company's $150.0 million 6.58% debentures which were due and repaid on March 7, 2018.
- The issuance on July 11, 2018 of $200.0 million 4.174% debentures maturing July 13, 2048. The offering was made pursuant to a prospectus supplement to IGM Financial's short form base shelf prospectus dated November 29, 2016. 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 of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019.

Perpetual preferred shares of $150 million at December 31, 2018 remain unchanged from December 31, 2017.

Other activities in 2018 included the declaration of perpetual preferred share dividends of $8.8 million or $1.475 per share and common share dividends of $541.9 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.

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

TABLE 24: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2018		DECEMBER 31, 2017	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	$ 372.4	$ 372.4	$ N/A	$ N/A
– Available for sale	N/A	N/A	282.7	282.7
– Fair value through profit or loss	87.5	87.5	97.0	97.0
Loans				
– Fair value through profit or loss	4.3	4.3	286.7	286.7
Derivative financial instruments	16.4	16.4	35.7	35.7
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	7,733.7	7,785.5	7,563.2	7,675.5
Financial liabilities recorded at fair value				
Derivative financial instruments	29.0	29.0	28.4	28.4
Other financial liabilities	8.2	8.2	9.3	9.3
Financial liabilities recorded at amortized cost				
Deposits and certificates	568.8	569.0	505.0	505.5
Obligations to securitization entities	7,370.2	7,436.9	7,596.0	7,657.8
Long-term debt	1,850.0	2,050.3	2,175.0	2,470.2

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 22 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, 2018.

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 Strategy Execution Office. The committee is responsible for providing oversight of the Company's risk management process by: i) establishing and maintaining the risk framework and policy, ii) defining the Company's risk appetite, iii) ensuring the Company's risk profile and processes are aligned with corporate strategy and risk appetite, and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

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

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

First Line of Defence

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

Second Line of Defence

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

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

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

Third Line of Defence

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

RISK APPETITE AND RISK PRINCIPLES

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

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

RISK MANAGEMENT PROCESS

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

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

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

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

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

RISK MANAGEMENT CULTURE

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

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

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

KEY RISKS OF THE BUSINESS

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

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

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

The Company's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.

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

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

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

As part of ongoing liquidity management during 2018 and 2017, the Company:

- Continued to expand our funding channels by issuing NHA MBS to multiple purchasers.
- Continued to assess and identify additional funding sources for the Company's mortgage banking operations, including the launch of a new residential mortgage product suite through our partners at National Bank in the fourth quarter of 2017, which complements our current mortgage offerings.
- Issued $400 million of 10 year 3.44% debentures and $200 million of 30 year 4.56% debentures in January 2017. The net proceeds were used by IGM Financial to finance a substantial portion of its acquisition of a 13.9% equity interest in China AMC in 2017 and for general corporate purposes.
- Issued $250 million of 30 year 4.115% debentures in December 2017.
- 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.

The Company's contractual obligations are reflected in Table 25.

The maturity schedule for long-term debt of $1,850.0 million is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

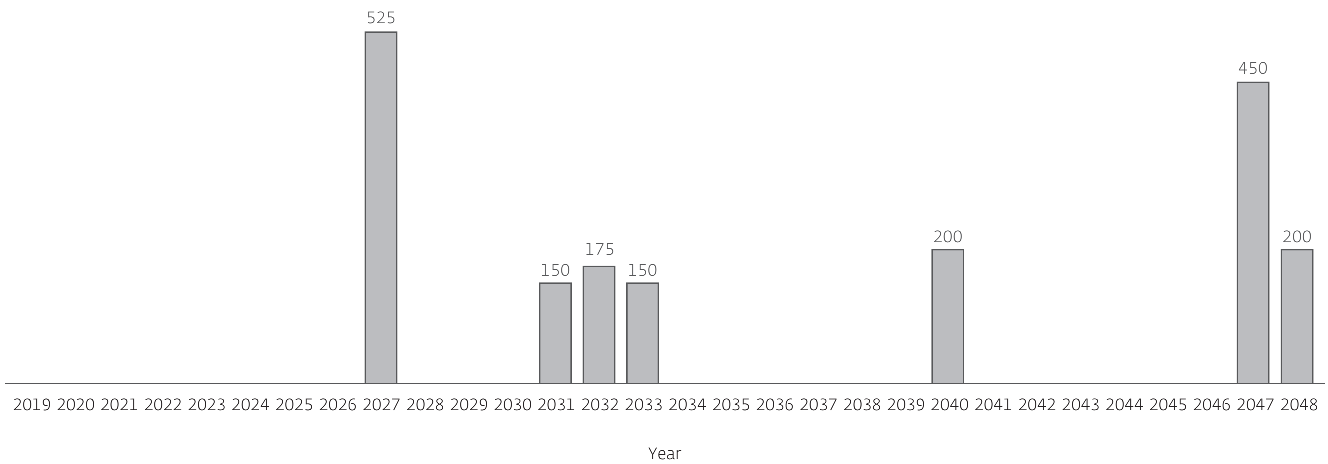
TABLE 25: CONTRACTUAL OBLIGATIONS

AS AT DECEMBER 31, 2018 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 8.2	$ 20.6	$ 0.2	$ 29.0
Deposits and certificates	555.0	7.4	5.0	1.4	568.8
Obligations to securitization entities	–	1,207.6	6,135.3	27.3	7,370.2
Long-term debt	–	–	–	1,850.0	1,850.0
Operating leases(1)	–	28.0	67.5	31.8	127.3
Pension funding(2)	–	25.6	–	–	25.6
Total contractual obligations	$ 555.0	$ 1,276.8	$ 6,228.4	$ 1,910.7	$ 9,970.9

(1) *Includes future minimum lease payments related to office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.*

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

Long-Term Debt Maturity Schedule
($ millions)



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, 2018, unchanged from December 31, 2017. The lines of credit at December 31, 2018 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2017. 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, 2018 and December 31, 2017, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $47.2 million compared to $82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns, and is required to be funded over five years. The registered pension plan had a going concern surplus of $46.1 million compared to $24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. The Company has made contributions of $40.4 million in 2018 (2017 – $37.8 million). The Company utilized $10.5 million of the payments made during 2018 to reduce its solvency deficit and increase its going concern surplus. The Company expects to make further contributions of approximately $25.6 million in 2019. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2017.

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, 2018, cash and cash equivalents of $650.2 million (2017 – $966.8 million) consisted of cash balances of $81.8 million (2017 – $88.3 million) on deposit with Canadian chartered banks and cash equivalents of $568.4 million (2017 – $878.5 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $103.5 million (2017 – $239.5 million), provincial government treasury bills and promissory notes of $76.2 million (2017 – $252.6 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $364.3 million (2017 – $351.4 million), and highly rated corporate commercial paper of $24.4 million (2017 – $35.0 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, 2017.

Mortgage Portfolio

As at December 31, 2018, residential mortgages, recorded on the Company's balance sheet, of $7.7 billion (2017 – $7.8 billion) consisted of $7.3 billion sold to securitization programs (2017 – $7.5 billion), $363.9 million held pending sale or securitization (2017 – $286.7 million) and $25.6 million related to the Company's intermediary operations (2017 – $26.0 million).

The Company manages credit risk related to residential mortgages through:

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

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

- Under the NHA MBS program totalling $4.2 billion (2017 – $4.5 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $3.1 billion (2017 – $3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $74.1 million (2017 – $69.7 million) and $35.6 million (2017 – $42.4 million), respectively, at December 31, 2018. 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 8.3% of mortgages held in ABCP Trusts insured at December 31, 2018 (2017 – 16.4%).

At December 31, 2018, residential mortgages recorded on balance sheet were 61.5% insured (2017 – 65.5%). As at December 31, 2018, impaired mortgages on these portfolios were $3.3 million, compared to $2.8 million at December 31, 2017. Uninsured non-performing mortgages over 90 days on these portfolios were $1.8 million at December 31, 2018, compared to $0.8 million at December 31, 2017.

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

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

The Company's allowance for expected credit losses was $0.8 million at December 31, 2018, unchanged from December 31, 2017, 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, 2017.

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 $19.4 million (2017 – $33.8 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 nil at December 31, 2018 (2017 – $1.2 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2018. Management of credit risk related to derivatives has not changed materially since December 31, 2017.

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

MARKET RISK

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

Interest Rate Risk

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

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

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a positive fair value of $4.9 million (December 31, 2017 – positive $4.1 million) and an outstanding notional amount of $0.9 billion at December 31, 2018 (December 31, 2017 – $1.2 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The negative fair value of these swaps totalled $11.0 million (December 31, 2017 – negative $4.5 million), on an outstanding notional amount of $1.7 billion at December 31, 2018 (December 31, 2017 – $1.9 billion). The net fair value of these swaps of negative $6.1 million at December 31, 2018 (December 31, 2017 – negative $0.4 million) is recorded on the balance sheet and has an outstanding notional amount of $2.6 billion (December 31, 2017 – $3.1 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The fair value of these swaps was negative $1.8 million (December 31, 2017 – $0.9 million) on an outstanding notional amount of $249.9 million at December 31, 2018 (December 31, 2017 – $137.0 million).

As at December 31, 2018, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $0.5 million (December 31, 2017 – decrease of $0.9 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2017.

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 $459.9 million at December 31, 2018 (December 31, 2017 – $379.7 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 both of these investments are recognized in Other comprehensive income. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $39.9 million ($44.0 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statement of Earnings, is also affected by changes in foreign exchange rates. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the proportionate share of China AMC's earnings by approximately $1.4 million ($1.5 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2018, IGM Financial's total assets under management were $149.1 billion compared to $156.5 billion at December 31, 2017.

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

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

AS AT DECEMBER 31, 2018	INVESTMENT FUNDS	TOTAL
Cash	0.3 %	0.7 %
Short-term fixed income and mortgages	6.5	6.5
Other fixed income	27.4	26.9
Domestic equity	22.3	22.5
Foreign equity	40.6	40.6
Real Property	2.9	2.8
	100.0 %	100.0 %
CAD	60.0 %	59.4 %
USD	25.8	25.4
Other	14.2	15.2
	100.0 %	100.0 %

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

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

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

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

TECHNOLOGY AND CYBER RISK

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

MODEL RISK

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

LEGAL AND REGULATORY COMPLIANCE

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

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

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Senior Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

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

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

Departments are responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight and investigations concerning regulatory compliance matters.

CONTINGENCIES

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

3) GOVERNANCE, OVERSIGHT AND STRATEGIC RISK

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

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

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

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

ACQUISITION RISK

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

4) REGULATORY DEVELOPMENTS

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

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

CLIENT FOCUSED REFORMS AND MUTUAL FUND EMBEDDED COMMISSIONS

On June 21, 2018, the Canadian Securities Administrators (the CSA) published a notice requesting public comment on proposed amendments aimed at enhancing the client-registrant relationship (the Client Focused Reforms). The Client Focused Reforms include rule proposals that, if implemented, would require registrants to:

- Address all conflicts of interest in the best interest of the client;
- Put the client's interest first when making a suitability determination; and
- Provide clients with greater clarity on what they should expect from registrants.

The proposals relating to know-your-client and know-your-product are designed to support these provisions. They are also intended to provide clarity about what information must be collected about a client, and to increase rigor and transparency around the products and services that registrants make available to their clients. The notice also specified that the Ontario Securities Commission and the Financial and Consumer Services Commission of New Brunswick will not pursue the adoption of an overarching regulatory best interest standard, consistent with all other CSA jurisdictions.

On September 13, 2018, the CSA published a notice requesting public comment on proposed amendments that, if implemented, would prohibit all forms of the deferred sales charge purchase option, including low-load options and their associated upfront commissions (the Embedded Commission Proposals). The Embedded Commission Proposals specified that embedded commissions such as trailing commissions will remain permissible, subject to the enhanced conflict of interest mitigation rules and guidance set out in the Client Focused Reforms. In 2017, IG Wealth Management led the industry by eliminating the deferred charge sales purchase option on its products.

The Company believes it is well positioned to respond to these recent regulatory proposals, which allow for different operating models, including registered firms that trade in, or recommend, proprietary products. IGM Financial's operating companies submitted comment letters on the Client Focused Reforms and Embedded Commission Proposals. The Company and its subsidiaries will continue its active dialogue and engagement with regulators on each of these subjects.

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 political 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 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.

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.

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

	2018 DEC. 31	2017 DEC. 31
IGM Financial Inc.		
IG Wealth Management	**9.2 %**	8.4 %
Mackenzie	**17.1 %**	14.8 %
Counsel	**19.2 %**	16.7 %

BUSINES/CLIENT RELATIONSHIPS

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

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

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

PEOPLE RISK

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

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

6) ENVIRONMENTAL AND SOCIAL RISKS

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

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

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

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

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

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

THE FINANCIAL SERVICES ENVIRONMENT

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

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

Approximately 41% of Canadian discretionary financial assets or $1.8 trillion resided in investment funds at December 31, 2017, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $143 billion in investment fund assets under management at December 31, 2018, the Company is among the country's largest investment fund managers. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

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

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 45% of total industry long-term mutual fund assets at December 31, 2018.

The Canadian mutual fund industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 74% of industry long-term mutual fund assets and 74% of total mutual fund assets under management at December 31, 2018. 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.

  Investments in proprietary mutual funds and corporate investments classified as available for sale result in unrealized gains and losses on securities which are recorded in Other comprehensive income until realized or until there is objective evidence of impairment, at which time they are reclassified to the Consolidated Statements of Earnings. Management regularly reviews securities classified as available for sale to assess whether there is objective evidence of impairment. The Company considers such factors as the nature of the investment and the length of time and the extent to which the fair value has been below cost. A significant change in this assessment may result in unrealized losses being recognized in net earnings. During 2018, the Company assessed the measurement of the available for sale securities and determined there was no impairment in the value of these securities.

- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 10 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 based on March 31, 2018 financial information 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 14 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, 2018, 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 2018, the performance of the defined benefit pension plan assets was negatively impacted by market conditions. Corporate bond yields increased in 2018 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, 2018 was 3.90% compared to 3.60% at December 31, 2017. Pension plan assets decreased to $407.4 million at December 31, 2018 from $417.7 million at December 31, 2017. The decrease in plan assets was due to market performance of ($17.8) million comprised of interest income of $15.2 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial losses of $33.0 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 $40.4 million (2017 – $37.8 million) to the pension plan. The increase in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial gains of $15.2 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in net actuarial losses of $14.4 million. The total defined benefit pension plan obligation was $496.7 million at December 31, 2018 compared to $493.6 million at December 31, 2017. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $89.3 million at December 31, 2018 compared to $75.9 million at the end of 2017. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $62.1 million and $37.7 million, respectively, at December 31, 2018 compared to $63.1 million and $45.4 million in 2017.

  A decrease of 0.25% in the discount rate utilized in 2018 would result in a change of $22.8 million in the accrued pension obligation, $21.1 million in other comprehensive income, and $1.7 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 13 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 FINANCIAL INSTRUMENTS (IFRS 9)

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 was completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Impairment methodology: This phase replaces the incurred loss model for impairment of financial assets with an expected credit loss model.
- Hedge accounting: This phase replaces the rule-based hedge accounting requirements with guidance that more closely aligns the accounting with an entity's risk management activities.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. The cumulative impact of applying IFRS 9 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

The cumulative impact relating to classification and measurement under IFRS 9 has resulted in an after-tax increase to opening retained earnings of $36.3 million ($49.7 million before-tax) as at January 1, 2018.

Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost as a result of the Company's business model and contractual cash flow characteristics assessment.

A total remeasurement of $49.7 million was recorded due to the reversal of discounts related to fair value losses recognized on the loans and the capitalization of previously expensed mortgage issue costs.

Other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL).

The Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI). This reclassification had no impact to opening retained earnings, however under this election, unrealized gains and losses on these investments will never be recycled through profit or loss.

The Company has adopted the hedge accounting requirements of IFRS 9. As a result of the business model assessment, mortgages previously classified as held for trading and subsequently reclassified to loans and receivables are now classified at amortized cost when originated. The Company has therefore designated certain derivative instruments as hedging instruments to avoid an accounting mismatch between derivative instruments and associated loans. Application of IFRS 9 hedge accounting requirements did not have a material impact in the first quarter of 2018.

The application of the expected credit loss model did not have a material impact to the Company's loan loss provision.

Table 28 details the impact of IFRS 9 and IFRS 15 on the Consolidated Balance Sheet as at January 1, 2018.

TABLE 28: IMPACT OF IFRS 9 AND IFRS 15 ON BALANCE SHEET

	DECEMBER 31, 2017		ADJUSTMENT DUE TO CHANGES IN :		JANUARY 1, 2018	
($ millions)	CLASSIFICATION	CARRYING VALUE	CLASSIFICATION	MEASUREMENT	CARRYING VALUE	CLASSIFICATION
Assets						
Loans[1]	Held for trading	286.7	(282.6)	–	4.1	FVTPL
	Loans & receivables	7,563.2	282.6	49.7	7,895.5	Amortized Cost
		7,849.9	–	49.7	7,899.6	
Other investments[1]	Available for sale	282.7	(19.9)	–	262.8	FVTOCI
	FVTPL	97.0	19.9	–	116.9	FVTPL
Investment in associates[2]		1,551.0	–	(1.7)	1,549.3	
Capitalized sales commissions[2]		767.3	–	(703.5)	63.8	
			–	(655.5)		
Liabilities & Shareholders' Equity						
Income tax payable[1]		8.0	–	6.9	14.9	
Deferred income taxes[1][2]		463.9	–	(182.4)	281.5	
Retained earnings[1][2]		3,100.8	–	(480.0)	2,620.8	
AOCI[1]		(71.1)	–	–	(71.1)	
			–	(655.5)		

(1) Transition to IFRS 9

(2) Transition to IFRS 15

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

As of January 1, 2018, the Company has adopted IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration.

IFRS 15 outlines various criteria for the eligibility of capitalizing contract costs. Determining whether the customer is the fund or the end investor impacts whether costs should be capitalized as a cost of obtaining a contract with a customer or whether they should be assessed as a cost of fulfilling a contract with a customer.

To determine whether sales commissions associated with the distribution of investment funds should be capitalized, the Company assesses whether the customer is the investment fund or the individual investor. Where it is determined that the investment fund is the customer, contract costs are expensed as incurred. Where it is determined that the individual investor is the customer, contract costs are capitalized and amortized over a period not exceeding seven years.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 15, as permitted by the transitional provisions within IFRS 15. The cumulative impact of applying IFRS 15 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with the Company's accounting policies in effect as at December 31, 2017.

The cumulative impact from the Company's application of IFRS 15 has resulted in an after-tax decrease to opening retained earnings of $514.6 million ($703.5 million before-tax) as at January 1, 2018.

Capitalized sales commissions of $703.5 million were derecognized as they related to commissions paid on sales where the customer was the investment fund. This resulted in a decrease to the Company's Deferred income taxes liability of $188.9 million.

On January 1, 2018, Great-West Lifeco Inc. (Lifeco) also adopted IFRS 15 (Note 8 to the Consolidated Financial Statements). The impact from Lifeco's application of IFRS 15 has resulted in a decrease in the Company's investment in associates of $1.7 million and a decrease in opening retained earnings of $1.7 million as at January 1, 2018.

Table 28 details the impact of IFRS 9 and IFRS 15 on the Consolidated Balance Sheet as at January 1, 2018.

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.

IFRS 16 LEASES

The IASB issued IFRS 16 which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements. IFRS 16 may be implemented using a retrospective approach or a modified retrospective approach, which permits the use of certain practical expedients upon transition.

The Company expects to use the modified retrospective method upon transition with no restatement of comparative financial information. Under this approach, the Company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at January 1, 2019. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the Company's incremental borrowing rate at January 1, 2019. The Company will apply the following transitional practical expedients:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Account for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Rely 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.

The Company is finalizing its assessment of the quantitative impact of the adoption of IFRS 16 which will be disclosed in the first quarter of 2019. The preliminary estimate of the impact is as follows:

- The recognition of approximately $103 million in right-of-use assets related to property leases and a corresponding liability of $113 million as at January 1, 2019.
- Amortization expense will increase due to the amortization of the right-of-use asset and interest expense will increase

due to the imputed interest on the lease liability. Overall expenses are not expected to be materially different due to the offsetting decrease to operating lease expense.

- The result of this change will be to increase EBITDA before sales commissions, as lease expense, which was previously recorded as non-commission expenses, will be replaced by interest expense on the lease liability and amortization on the right-of-use asset. For the year ended December 31, 2018, EBITDA before sales commissions was $1,333 million. If IFRS 16 had been adopted for 2018, estimated EBITDA would have been approximately $1,358 million. The impact to net earnings is expected to be negligible.

OTHER

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

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, 2018, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2018, 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.

During the fourth quarter of 2018, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with 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. These transactions are in the normal course of operations and have been recorded at fair value as described below:

- During 2018 and 2017, 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 $62.6 million in distribution fees (2017 – $77.1 million). The Company received $17.5 million (2017 – $17.8 million) and paid $25.4 million (2017 – $24.2 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $78.3 million (2017 – $76.0 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 2018, the Company sold residential mortgage loans to Great-West and London Life for $61.4 million compared to $136.5 million in 2017.

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, 2018 and December 29, 2017, the Company acquired shares of such a loss company and recorded the benefit of the tax losses acquired.

For further information on transactions involving related parties, see Notes 8 and 25 to the Company's Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2018 totalled 240,885,317. Outstanding stock options as at December 31, 2018 totalled 9,701,894, of which 4,742,050 were exercisable. As at February 5, 2019, outstanding common shares totalled 240,911,067 and outstanding stock options totalled 9,676,144 of which 4,716,300 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at December 31, 2018, unchanged at February 5, 2019.

SEDAR

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

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements of IGM Financial Inc. have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the information presented, including selecting appropriate accounting principles and making judgments and estimates. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this Annual Report is consistent with that in the Consolidated Financial Statements for comparable periods.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated extensively by the internal auditor and are subject to scrutiny by the external auditors.

Ultimate responsibility for the Consolidated Financial Statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting entirely of independent directors. This Committee reviews the Consolidated Financial Statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the external auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the external auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte LLP, independent auditors appointed by the shareholders, have examined the Consolidated Financial Statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related findings.

Jeffrey R. Carney
President and Chief Executive Officer

Luke Gould
Executive Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of IGM Financial Inc.

OPINION

We have audited the consolidated financial statements of IGM Financial Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Haik (Haig) Vanlian.

Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 8, 2019

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars, except per share amounts)*	2018	2017
Revenues		
Management fees	$ 2,239,182	$ 2,180,964
Administration fees	427,093	439,700
Distribution fees	370,906	385,069
Net investment income and other	61,928	52,603
Proportionate share of associates' earnings *(Note 8)*	149,962	95,674
	3,249,071	3,154,010
Expenses		
Commission	1,098,643	1,142,567
Non-commission *(Note 3)*	1,043,482	1,112,634
Interest *(Note 15)*	120,859	114,157
	2,262,984	2,369,358
Earnings before income taxes	986,087	784,652
Income taxes *(Note 14)*	209,919	173,887
Net earnings	776,168	610,765
Perpetual preferred share dividends	8,850	8,850
Net earnings available to common shareholders	$ 767,318	$ 601,915
Earnings per share *(in dollars) (Note 23)*		
– Basic	$ 3.19	$ 2.50
– Diluted	$ 3.18	$ 2.50

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	2018	2017
Net earnings	$ 776,168	$ 610,765
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Fair value through other comprehensive income investments		
Other comprehensive income (loss), *net of tax of $(2,835)*	18,166	N/A
Employee benefits		
Net actuarial gains (losses), *net of tax of $6,117 and $7,992*	(16,523)	(21,616)
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	5,035	14,235
Items that may be reclassified subsequently to Net earnings		
Available for sale investments		
Net unrealized gains (losses), *net of tax of $(4,401)*	N/A	31,119
Reclassification of realized (gains) losses to net earnings, *net of tax of $249*	N/A	(685)
	N/A	30,434
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $(412) and $(2,459)*	18,637	(11,741)
	25,315	11,312
Total comprehensive income	$ 801,483	$ 622,077

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)	**DECEMBER 31 2018**	DECEMBER 31 2017
Assets		
Cash and cash equivalents	**$ 650,228**	$ 966,843
Other investments *(Note 4)*	**459,911**	379,696
Client funds on deposit	**546,787**	489,626
Accounts and other receivables	**319,609**	305,062
Income taxes recoverable	**9,316**	33,928
Loans *(Note 5)*	**7,738,031**	7,849,873
Derivative financial instruments *(Note 21)*	**16,364**	35,692
Other assets *(Note 7)*	**46,531**	64,558
Investment in associates *(Note 8)*	**1,651,304**	1,551,013
Capital assets	**138,647**	150,468
Capitalized sales commissions *(Note 9)*	**105,044**	767,315
Deferred income taxes *(Note 14)*	**75,607**	60,661
Intangible assets *(Note 10)*	**1,191,068**	1,184,451
Goodwill *(Note 10)*	**2,660,267**	2,660,267
	$ 15,608,714	$ 16,499,453
Liabilities		
Accounts payable and accrued liabilities	**$ 397,379**	$ 406,821
Income taxes payable	**51,894**	8,018
Derivative financial instruments *(Note 21)*	**28,990**	28,444
Deposits and certificates *(Note 11)*	**568,799**	504,996
Other liabilities *(Note 12)*	**444,173**	491,280
Obligations to securitization entities *(Note 6)*	**7,370,193**	7,596,028
Deferred income taxes *(Note 14)*	**295,719**	463,862
Long-term debt *(Note 15)*	**1,850,000**	2,175,000
	11,007,147	11,674,449
Shareholders' Equity		
Share capital		
Perpetual preferred shares	**150,000**	150,000
Common shares	**1,611,263**	1,602,726
Contributed surplus	**45,536**	42,633
Retained earnings	**2,840,566**	3,100,775
Accumulated other comprehensive income (loss)	**(45,798)**	(71,130)
	4,601,567	4,825,004
	$ 15,608,714	$ 16,499,453

These financial statements were approved and authorized for issuance by the Board of Directors on February 8, 2019.

Jeffrey R. Carney
Director

John McCallum
Director

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	SHARE CAPITAL PERPETUAL PREFERRED SHARES *(Note 16)*	 COMMON SHARES *(Note 16)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 19)*	TOTAL SHAREHOLDERS' EQUITY
2018						
Balance, beginning of year						
As previously reported	$ 150,000	$ 1,602,726	$ 42,633	$ 3,100,775	$ (71,130)	$ 4,825,004
Change in accounting policy *(Note 2)*						
IFRS 9	–	–	–	36,334	17	36,351
IFRS 15	–	–	–	(516,312)	–	(516,312)
As restated	150,000	1,602,726	42,633	2,620,797	(71,113)	4,345,043
Net earnings	–	–	–	776,168	–	776,168
Other comprehensive income (loss), net of tax	–	–	–	–	25,315	25,315
Total comprehensive income	–	–	–	776,168	25,315	801,483
Common shares						
Issued under stock option plan	–	8,537	–	–	–	8,537
Stock options						
Current period expense	–	–	3,687	–	–	3,687
Exercised	–	–	(784)	–	–	(784)
Perpetual preferred share dividends	–	–	–	(8,850)	–	(8,850)
Common share dividends	–	–	–	(541,883)	–	(541,883)
Other	–	–	–	(5,666)	–	(5,666)
Balance, end of year	$ 150,000	$ 1,611,263	$ 45,536	$ 2,840,566	$ (45,798)	$ 4,601,567
2017						
Balance, beginning of year	$ 150,000	$ 1,597,208	$ 39,552	$ 3,042,442	$ (82,442)	$ 4,746,760
Net earnings	–	–	–	610,765	–	610,765
Other comprehensive income (loss), net of tax	–	–	–	–	11,312	11,312
Total comprehensive income	–	–	–	610,765	11,312	622,077
Common shares						
Issued under stock option plan	–	5,518	–	–	–	5,518
Stock options						
Current period expense	–	–	3,529	–	–	3,529
Exercised	–	–	(448)		–	(448)
Perpetual preferred share dividends	–	–	–	(8,850)	–	(8,850)
Common share dividends	–	–	–	(541,367)	–	(541,367)
Other	–	–	–	(2,215)	–	(2,215)
Balance, end of year	$ 150,000	$ 1,602,726	$ 42,633	$ 3,100,775	$ (71,130)	$ 4,825,004

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	2018	2017
Operating activities		
Earnings before income taxes	$ 986,087	$ 784,652
Income taxes paid	(132,611)	(165,243)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	14,462	230,874
Capitalized sales commissions paid	(55,685)	(271,581)
Amortization of capital and intangible assets	56,065	55,767
Proportionate share of associates' earnings, net of dividends received	(77,190)	(32,587)
Pension and other post-employment benefits	(18,428)	(11,165)
Pension plan amendment	–	(50,381)
Write-down of intangible assets	–	92,352
Restructuring provisions and other	22,758	107,566
Changes in operating assets and liabilities and other	51,626	(25,085)
Cash from operating activites before restructuring provision payments	847,084	715,169
Restructuring provision cash payments	(61,931)	(43,070)
	785,153	672,099
Financing activities		
Net decrease in deposits and certificates	(1,248)	(2,758)
Increase in obligations to securitization entities	1,771,735	2,479,511
Repayments of obligations to securitization entities and other	(2,034,429)	(2,596,725)
Issue of debentures	200,000	850,000
Repayment of debentures	(525,000)	–
Issue of common shares	7,753	5,071
Perpetual preferred share dividends paid	(8,850)	(8,850)
Common share dividends paid	(541,759)	(541,282)
	(1,131,798)	184,967
Investing activities		
Purchase of other investments	(154,463)	(196,568)
Proceeds from the sale of other investments	93,498	62,196
Increase in loans	(1,748,387)	(2,630,232)
Repayment of loans and other	1,895,648	2,768,775
Net additions to capital assets	(7,117)	(16,549)
Net cash used in additions to intangible assets and acquisitions	(49,149)	(49,533)
Investment in China Asset Management Co., Ltd.	–	(439,344)
	30,030	(501,255)
(Decrease) increase in cash and cash equivalents	(316,615)	355,811
Cash and cash equivalents, beginning of year	966,843	611,032
Cash and cash equivalents, end of year	$ 650,228	$ 966,843
Cash	$ 81,799	$ 88,354
Cash equivalents	568,429	878,489
	$ 650,228	$ 966,843
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 296,793	$ 281,159
Interest paid	$ 290,510	$ 235,319

(See accompanying notes to consolidated financial statements.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017 *(In thousands of Canadian dollars, except shares and per share amounts)*

NOTE 1 CORPORATE INFORMATION

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The policies set out below were consistently applied to all the periods presented unless otherwise noted.

USE OF JUDGMENT, ESTIMATES AND ASSUMPTIONS

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 the amounts reported in the Consolidated Financial Statements. The key areas where judgment has been applied include: the determination of which financial assets should be derecognized; the assessment of the appropriate classification of financial instruments, including those classified as fair value through profit or loss; and the assessment that significant influence exists for its investment in associates. Key components of the financial statements requiring management to make estimates include: the fair value of financial instruments, goodwill, intangible assets, income taxes, capitalized sales commissions, provisions and employee benefits. Actual results may differ from such estimates. Further detail of judgments and estimates are found in the remainder of Note 2 and in Notes 6, 8, 10, 12, 13, 14 and 22.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

The Company's investments in Great-West Lifeco Inc. (Lifeco) and China Asset Management Co., Ltd. (China AMC) are accounted for using the equity method. The investments were initially recorded at cost and the carrying amounts are increased or decreased to recognize the Company's share of the investments' comprehensive income and the dividends received since the date of acquisition.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments **(IFRS 9)**

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 was completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: This phase replaces the incurred loss model for impairment of financial assets with an expected credit loss model.
- Hedge accounting: This phase replaces the rule-based hedge accounting requirements with guidance that more closely aligns the accounting with an entity's risk management activities.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. The cumulative impact of applying IFRS 9 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 9 Financial Instruments (IFRS 9) *(continued)*

The cumulative impact relating to classification and measurement under IFRS 9 has resulted in an after tax increase to opening retained earnings of $36.3 million ($49.7 million before tax) as at January 1, 2018.

Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost as a result of the Company's business model and contractual cash flow characteristics assessment.

A total remeasurement of $49.7 million was recorded due to the reversal of discounts related to fair value losses recognized on the loans and the capitalization of previously expensed mortgage issue costs.

Other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL).

The Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI). This reclassification had no impact to opening retained earnings, however under this election, unrealized gains and losses on these investments will never be recycled through profit or loss.

The Company has adopted the hedge accounting requirements of IFRS 9. As a result of the business model assessment, mortgages previously classified as held for trading and subsequently reclassified to loans and receivables are now classified at amortized cost when originated. The Company has therefore designated certain derivative instruments as hedging instruments to avoid an accounting mismatch between derivative instruments and associated loans. Application of IFRS 9 hedge accounting requirements did not have a material impact.

The application of the expected credit loss model did not have a material impact to the Company's loan loss provision.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

As of January 1, 2018, the Company has adopted IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration.

IFRS 15 outlines various criteria for the eligibility of capitalizing contract costs. Determining whether the customer is the fund or the end investor impacts whether costs should be capitalized as a cost of obtaining a contract with a customer or whether they should be assessed as a cost of fulfilling a contract with a customer.

To determine whether sales commissions associated with the distribution of investment funds should be capitalized, the Company assesses whether the customer is the investment fund or the individual investor. Where it is determined that the investment fund is the customer, contract costs are expensed as incurred. Where it is determined that the individual investor is the customer, contract costs are capitalized and amortized over a period not exceeding seven years.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 15, as permitted by the transitional provisions within IFRS 15. The cumulative impact of applying IFRS 15 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with the Company's accounting policies in effect as at December 31, 2017.

The cumulative impact from the Company's application of IFRS 15 has resulted in an after tax decrease to opening retained earnings of $514.6 million ($703.5 million before tax) as at January 1, 2018.

Capitalized sales commissions of $703.5 million were derecognized as they related to commissions paid on sales where the customer was the investment fund. This resulted in a decrease to the Company's Deferred income taxes liability of $188.9 million.

On January 1, 2018, Great-West Lifeco Inc. (Lifeco) also adopted IFRS 15 (Note 8). The impact from Lifeco's application of IFRS 15 has resulted in a decrease in the Company's investment in associates of $1.7 million and a decrease in opening retained earnings of $1.7 million as at January 1, 2018.

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 15 Revenue from Contracts with Customers **(IFRS 15)** *(continued)*

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

	DECEMBER 31, 2017		ADJUSTMENT DUE TO CHANGES IN :		JANUARY 1, 2018	
	CLASSIFICATION	CARRYING VALUE	CLASSIFICATION	MEASUREMENT	CARRYING VALUE	CLASSIFICATION
Assets						
Loans[1]	Held for trading	286,682	(282,572)	–	4,110	FVTPL
	Loans & receivables	7,563,191	282,572	49,729	7,895,492	Amortized Cost
		7,849,873	–	49,729	7,899,602	
Other investments[1]	Available for sale	282,756	(19,931)	–	262,825	FVTOCI
	FVTPL	96,940	19,931	–	116,871	FVTPL
Investment in associates[2]		1,551,013	–	(1,728)	1,549,285	
Capitalized sales commissions[2]		767,315	–	(703,494)	63,821	
			–	(655,493)		
Liabilities & Shareholders' Equity						
Income tax payable[1]		8,018	–	6,880	14,898	
Deferred income taxes[1][2]		463,862	–	(182,412)	281,450	
Retained earnings[1][2]		3,100,775	(17)	(479,961)	2,620,797	
AOCI[1]		(71,130)	17	–	(71,113)	
			–	(655,493)		

(1) Transition to IFRS 9
(2) Transition to IFRS 15

REVENUE RECOGNITION

Management fees are based on the net asset value of investment fund or other assets under management and are accrued as the service is performed. Administration fees are also accrued as the service is performed. Distribution fees derived from investment fund and securities transactions are recognized on a trade date basis. Distribution fees derived from insurance and other financial services transactions are recognized on an accrual basis. Consideration is collected within a short period from the date of revenue recognition of the associated services. Aggregate receivables related to these services as at December 31, 2018 were $66.0 million (2017 – $83.4 million).

FINANCIAL INSTRUMENTS

All financial assets are initially recognized at fair value in the Consolidated Balance Sheets and are subsequently classified as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on the Company's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. A financial asset is measured at FVTOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading. All other financial assets are measured at FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets can only be reclassified when there is a change to the business model within which they are managed. Such reclassifications are applied on a prospective basis.

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

Unrealized gains and losses on financial assets classified as FVTOCI as well as other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its associates, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Earnings.

OTHER INVESTMENTS

Other investments, which are recorded on a trade date basis, are classified as either FVTOCI or FVTPL.

The Company has elected to classify certain equity investments that are not held for trading as FVTOCI. Unrealized gains and losses on these FVTOCI investments are recorded in Other comprehensive income and transferred directly to retained earnings when realized without being recorded through profit or loss. Dividends declared are recorded in Net investment income and other in the Consolidated Statements of Earnings.

FVTPL investments are held for trading and are comprised of fixed income and equity investments and investments in proprietary investment funds. Unrealized and realized gains and losses, dividends declared, and interest income on these investments are recorded in Net investment income and other in the Consolidated Statements of Earnings.

LOANS

Loans are classified as either FVTPL or amortized cost, based on the Company's assessment of the business model within which the loan is managed.

Changes in fair value of loans measured at FVTPL are recorded in Net investment income and other in the Consolidated Statements of Earnings. Loans measured at amortized cost are recorded net of an allowance for expected credit losses. Interest income is accounted for on the accrual basis using the effective interest method for all loans and is recorded in Net investment income and other in the Consolidated Statements of Earnings.

The Company applies a three-stage impairment approach to measure expected credit losses on loans: 1) On origination, an allowance for 12-month expected credit losses is established, 2) Lifetime expected credit losses are recognized where there is a significant deterioration of credit quality, and 3) A loan is considered credit impaired when there is no longer reasonable assurance of collection.

DERECOGNITION

The Company enters into transactions where it transfers financial assets recognized on its balance sheet. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in Net investment income and other in the Consolidated Statements of Earnings. The transactions for financial assets that are not derecognized are accounted for as secured financing transactions.

SALES COMMISSIONS

Commissions are paid on investment product sales where the Company either receives a fee directly from the client or where it receives a fee directly from the investment fund.

SALES COMMISSIONS *(continued)*

Commissions paid on investment product sales where the Company receives a fee directly from the client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Company regularly reviews the carrying value of capitalized selling 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 selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

CAPITAL ASSETS

Capital assets are recorded at cost of $370.4 million at December 31, 2018 (2017 – $368.3 million), less accumulated amortization of $231.8 million (2017 – $217.8 million). Buildings, furnishings and equipment are amortized on a straight-line basis over their estimated useful lives, which range from 3 to 17 years for equipment and furnishings and 10 to 50 years for the building and its components. Capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

GOODWILL AND INTANGIBLE ASSETS

The Company tests the carrying 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 or 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).

Investment fund management contracts have been assessed to have an indefinite useful life as the contractual right to manage the assets has no fixed term.

Trade names have been assessed to have an indefinite useful life as they contribute to the revenues of the Company's integrated asset management business as a whole and the Company intends to utilize them for the foreseeable future.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Software assets are amortized over a period not exceeding 7 years and distribution and other management contracts are amortized over a period not exceeding 20 years. Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

EMPLOYEE BENEFITS

The Company maintains a number of employee benefit plans including defined benefit plans and defined contribution pension plans for eligible employees. These plans are related parties in accordance with IFRS. The Company's defined benefit plans include a funded defined benefit pension plan for eligible employees, unfunded supplementary executive retirement plans (SERP) for certain executive officers, and an unfunded post-employment health care, dental and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings.

The cost of the defined benefit plans is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company's accrued benefit liability in respect of defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets. The Company determines the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined using a yield curve of AA corporate debt securities.

EMPLOYEE BENEFITS *(continued)*

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Current service costs, past service costs and curtailment gains or losses are included in Non-commission expenses.

Remeasurements arising from defined benefit plans represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate. Remeasurements are recognized immediately through Other comprehensive income (OCI) and are not reclassified to net earnings.

The accrued benefit liability represents the deficit related to defined benefit plans and is included in Other liabilities.

Payments to the defined contribution pension plans are expensed as incurred.

SHARE-BASED PAYMENTS

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

The Company recognizes a liability for cash settled awards including those granted under the Performance Share Unit plan and the Deferred Share Unit plan. Compensation expense is recognized over the vesting period, net of related hedges. The liability is remeasured at fair value at each reporting period.

PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present obligation where a reliable estimate can be made, and it is probable that an outflow of resources will be required to settle the obligation.

INCOME TAXES

The Company uses the liability method in accounting for income taxes whereby deferred income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases and tax loss carryforwards. Deferred income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing Net earnings available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury stock method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by the Company in the management of equity price and interest rate risks. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all hedging relationships, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets.

DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivative financial instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness offset the changes in fair values or cash flows of hedged items. A hedge is designated either as a cash flow hedge or a fair value hedge. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Earnings when the hedged item affects earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge is recorded in the Consolidated Statements of Earnings. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Earnings.

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Swaps entered into to hedge the costs of funds on certain securitization activities are designated as hedging instruments (Note 20). The effective portion of changes in fair value are initially recorded in Other comprehensive income and subsequently recorded in Net investment income and other in the Consolidated Statements of Earnings over the term of the associated Obligations to securitization entities. Remaining mortgage related swaps are not designated as hedging instruments and changes in fair value are recorded directly in Net investment income and other in the Consolidated Statements of Earnings.

The Company also enters into total return swaps and forward agreements to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. Total return swap and forward agreements require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these derivatives are not designated as hedging instruments and changes in fair value are recorded in Non-commission expense in the Consolidated Statements of Earnings.

Derivatives continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is presented on the Consolidated Balance Sheets when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

COMPARATIVE FIGURES

The Company reclassified certain comparative figures in its Statements of Cash Flows to conform to the current year's presentation which resulted in prior year cash flows of $14.4 million being reclassified from operating activities to financing activities and negative cash flows of $29.0 million from operating activities to investing activities. The reclassifications are intended to provide additional details on the nature of the Company's cash flows and had no impact on the net earnings of the Company.

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.

IFRS 16 Leases

The IASB issued IFRS 16 which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements. IFRS 16 may be implemented using a retrospective approach or a modified retrospective approach, which permits the use of certain practical expedients upon transition.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FUTURE ACCOUNTING CHANGES *(continued)*

IFRS 16 Leases *(continued)*

The Company expects to use the modified retrospective method upon transition with no restatement of comparative financial information. Under this approach, the Company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at January 1, 2019. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the lease's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the Company's incremental borrowing rate at January 1, 2019. The Company will apply the following transitional practical expedients:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Account for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Rely 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.

The Company is finalizing its assessment of the quantitative impact of the adoption of IFRS 16 which will be disclosed in the first quarter of 2019. The preliminary estimate of the impact includes the recognition of approximately $103 million in right-of-use assets related to property leases, and a corresponding liability of $113 million. Amortization expense will increase due to the amortization of the right-of-use asset and interest expense will increase due to the imputed interest on the lease liability. Overall expenses are not expected to be materially different due to the offsetting decrease to operating lease expense. The standard is effective for annual reporting periods beginning on or after January 1, 2019.

NOTE 3 NON-COMMISSION EXPENSE

	2018	2017
Salaries and employee benefits	$ 481,116	$ 414,808
Restructuring and other	22,758	190,550
Occupancy	56,816	56,140
Amortization of capital and intangible assets	56,065	55,767
Other	426,727	395,369
	$ 1,043,482	$ 1,112,634

In 2018, the Company incurred restructuring and other charges of $22.7 million related to 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.

In 2017, the Company implemented a number of initiatives to assist in the Company's operational effectiveness resulting in Restructuring and other charges of $190.6 million. In addition, the Company revalued its pension obligations and had recognized a $50.4 million reduction to its salaries and employee benefits expense.

NOTE 4 OTHER INVESTMENTS

	2018		2017	
	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale				
Corporate investments	N/A	N/A	$ 215,050	$ 262,825
Proprietary investment funds	N/A	N/A	19,601	19,931
	N/A	N/A	234,651	282,756
Fair value through other comprehensive income				
Corporate investments	$ 303,619	$ 372,396	N/A	N/A
Fair value through profit or loss				
Equity securities	16,976	12,915	17,115	17,062
Proprietary investment funds	78,504	74,600	79,575	79,878
	95,480	87,515	96,690	96,940
	$ 399,099	$ 459,911	$ 331,341	$ 379,696

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Personal Capital Corporation (Personal Capital), Wealthsimple Financial Corporation (Wealthsimple) and Portag3 Ventures LP (Portag3).

Personal Capital is a digital wealth advisor that is incorporated in and operates in the United States. Wealthsimple is an online investment manager that provides financial investment guidance. Portag3 is an early-stage investment fund dedicated to backing innovating financial services companies. Wealthsimple and Portag3 are both controlled by the Company's parent, Power Financial Corporation.

In 2018, the Company invested $88.6 million in Corporate investments, with investments of $72.3 million related to Wealthsimple. This included the conversion of a $15.0 million loan to equity related to Wealthsimple (Note 7). In 2017, the Company invested $73.4 million, with investments of $25.0 million related to Personal Capital and $42.6 million related to Wealthsimple.

In January 2019, the Company invested an additional amount of $66.8 million (USD $50.0 million) in Personal Capital which increased its voting interest to more than 20%. The Company is currently assessing the impact of this additional investment on its accounting for Personal Capital.

FAIR VALUE THROUGH PROFIT OR LOSS

Proprietary Investment Funds

The Company manages and provides services and earns management and administration fees, in respect of investment funds that are not recognized in the Consolidated Balance Sheets. As at December 31, 2018, there were $143.3 billion in investment fund assets under management (2017 – $149.8 billion). The Company's investments in proprietary investment funds are classified on the Company's Consolidated Balance Sheets as fair value through profit or loss. These investments are generally made in the process of launching a new fund and are sold as third party investors subscribe. This balance represents the Company's maximum exposure to loss associated with these investments.

Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2018, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of $11.2 million (2017 – $14.2 million), equity securities of $33.8 million (2017 – $48.6 million) and fixed income securities of $3.0 million (2017 – $17.3 million). The underlying securities of these funds are classified as FVTPL and recognized at fair value.

NOTE 5 LOANS

	CONTRACTUAL MATURITY 1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	2018 TOTAL	2017 TOTAL
Amortized cost					
Residential mortgages	$ 1,268,830	$ 6,455,770	$ 9,929	$ 7,734,529	$ 7,563,997
Less: Allowance for expected credit losses				801	806
				7,733,728	7,563,191
Fair value through profit or loss				4,303	286,682
				$ 7,738,031	$ 7,849,873

	2018	2017
The change in the allowance for expected credit losses is as follows:		
Balance, beginning of year	$ 806	$ 722
Write-offs, net of recoveries	(326)	(612)
Expected credit losses	321	696
Balance, end of year	$ 801	$ 806

Total credit impaired loans as at December 31, 2018 were $3,271 (2017 – $2,842).

Total interest income on loans was $213.9 million (2017 – $210.8 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $165.2 million (2017 – $138.0 million). Gains realized on the sale of residential mortgages totalled $1.5 million (2017 – $7.5 million). Fair value adjustments related to mortgage banking operations totalled negative $13.6 million (2017 – negative $31.3 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 6 SECURITIZATIONS

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

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a positive fair value of $4.9 million at December 31, 2018 (2017 – positive $4.1 million).

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

NOTE 6 SECURITIZATIONS *(continued)*

2018	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	$ 4,246,668	$ 4,250,641	$ (3,973)
Bank sponsored ABCP	3,102,498	3,119,552	(17,054)
Total	$ 7,349,166	$ 7,370,193	$ (21,027)
Fair value	$ 7,405,170	$ 7,436,873	$ (31,703)

2017			
Carrying value			
NHA MBS and CMB Program	$ 4,461,926	$ 4,470,908	$ (8,982)
Bank sponsored ABCP	3,076,083	3,125,120	(49,037)
Total	$ 7,538,009	$ 7,596,028	$ (58,019)
Fair value	$ 7,649,591	$ 7,657,761	$ (8,170)

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

NOTE 7 OTHER ASSETS

	2018	2017
Deferred and prepaid expenses	$ 45,461	$ 47,962
Other	1,070	16,596
	$ 46,531	$ 64,558

As at December 31, 2017, Other assets included a loan of $15.0 million that was provided to Wealthsimple. In 2018, the Company converted the $15.0 million loan to equity (Note 4).

Total other assets of $18.9 million as at December 31, 2018 (2017 – $19.8 million) are expected to be realized within one year.

NOTE 8 INVESTMENT IN ASSOCIATES

	2018			2017		
	LIFECO	CHINA AMC	TOTAL	LIFECO	CHINA AMC	TOTAL
Balance, beginning of year						
As previously reported	$ 903,133	$ 647,880	$ 1,551,013	$ 888,851	$ –	$ 888,851
Change in accounting policy *(Note 2)*	(1,728)	–	(1,728)	–	–	–
	901,405	647,880	1,549,285	888,851	–	888,851
Additional investment	–	–	–	–	638,349	638,349
Dividends received	(61,831)	(12,156)	(73,987)	(58,334)	(10,770)	(69,104)
Proportionate share of:						
Earnings	120,966	28,996	149,962	105,730	9,042	114,772
Associates' provision	–	–	–	(5,098)	–	(5,098)
Associates' one-time charges	–	–	–	(14,000)	–	(14,000)
Other comprehensive income (loss) and other adjustments	7,289	18,755	26,044	(14,016)	11,259	(2,757)
Balance, end of year	$ 967,829	$ 683,475	$ 1,651,304	$ 903,133	$ 647,880	$ 1,551,013

GREAT-WEST LIFECO INC. (LIFECO)

Lifeco is a publicly listed company that is incorporated and domiciled in Canada and is controlled by Power Financial Corporation. Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States, Europe and Asia.

At December 31, 2018, the Company held 39,737,388 (2017 – 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (2017 – 4.0%). The Company uses the equity method to account for its investment in Lifeco as it exercises significant influence. Significant influence arises from several factors, including but not limited to, the following: common control of Lifeco by Power Financial Corporation, directors common to the boards of the Company and Lifeco, certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies. The Company's proportionate share of Lifeco's earnings is recorded in the Consolidated Statements of Earnings.

During 2017, Lifeco established a restructuring provision, and recorded charges related to the impact of the United States tax reform and pending sale of an equity investment. The Company's after-tax proportionate share of the restructuring provision and the one-time charges were $5.1 million and $14.0 million, respectively.

The fair value of the Company's investment in Lifeco totalled $1,118.6 million at December 31, 2018 (December 31, 2017 – $1,393.2 million). The Company has elected to apply the exemption in IFRS 4 *Insurance Contracts* to retain Lifeco's relevant accounting policies related to Lifeco's deferral of the adoption of IFRS 9 *Financial Instruments*.

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2018.

Lifeco's financial information as at December 31, 2018 can be obtained in its publicly available information.

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

On August 31, 2017, the Company finalized its investment in China AMC which resulted in a 13.9% ownership interest at a total cost of $638.3 million.

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

As at December 31, 2018, the Company held a 13.9% ownership interest in China AMC (2017 – 13.9%). The Company uses the equity method to account for its investment in China AMC as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

NOTE 8 INVESTMENT IN ASSOCIATES *(continued)*

The following table sets forth certain summary financial information from China AMC:

	2018		2017	
AS AT DECEMBER 31 *(millions)*	CANADIAN DOLLARS	CHINESE RENMINBI	CANADIAN DOLLARS	CHINESE RENMINBI
Total assets	**2,051**	**10,342**	1,827	9,464
Total liabilities	**445**	**2,242**	405	2,097
FOR THE YEAR ENDED DECEMBER 31[1]				
Revenue	**733**	**3,733**	752	3,913
Net earnings available to common shareholders	**224**	**1,140**	263	1,367
Total comprehensive income	**235**	**1,171**	207	1,077

(1) *In 2017, full year earnings are presented; however the Company's proportionate share of China AMC earnings was effective August 31, 2017.*

NOTE 9 CAPITALIZED SALES COMMISSIONS

	2018	2017
Cost	**$ 125,264**	$ 1,429,042
Less: accumulated amortization	**(20,220)**	(661,727)
	$ 105,044	$ 767,315
Changes in capitalized sales commissions		
Balance, beginning of year		
As previously reported	**$ 767,315**	$ 726,608
Change in accounting policy *(Note 2)*	**(703,494)**	–
	63,821	726,608
Changes due to:		
Sales of investment funds	**55,685**	271,578
Amortization	**(14,462)**	(230,871)
	41,223	40,707
Balance, end of year	**$ 105,044**	$ 767,315

As a result of IFRS 15, capitalized sales commissions in 2018 did not include disposals related to redemption activity. In 2017, $24.2 million of disposals related to redemption activity were recorded in Commission expense in the Consolidated Statements of Earnings.

NOTE 10 GOODWILL AND INTANGIBLE ASSETS

The components of goodwill and intangible assets are as follows:

	FINITE LIFE		INDEFINITE LIFE			
	SOFTWARE	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL INTANGIBLE ASSETS	GOODWILL
2018						
Cost	**$ 212,006**	**$ 125,630**	**$ 740,559**	**$ 285,177**	**$ 1,363,372**	**$ 2,660,267**
Less: accumulated amortization	**(95,309)**	**(76,995)**	**–**	**–**	**(172,304)**	**–**
	$ 116,697	**$ 48,635**	**$ 740,559**	**$ 285,177**	**$ 1,191,068**	**$ 2,660,267**
Changes in goodwill and intangible assets:						
Balance, beginning of year	**$ 119,019**	**$ 39,696**	**$ 740,559**	**$ 285,177**	**$ 1,184,451**	**$ 2,660,267**
Additions	**18,940**	**16,366**	**–**	**–**	**35,306**	**–**
Disposals	**(216)**	**(1,877)**	**–**	**–**	**(2,093)**	**–**
Writedowns	**–**	**–**	**–**	**–**	**–**	**–**
Amortization	**(21,046)**	**(5,550)**	**–**	**–**	**(26,596)**	**–**
Balance, end of year	**$ 116,697**	**$ 48,635**	**$ 740,559**	**$ 285,177**	**$ 1,191,068**	**$ 2,660,267**
2017						
Cost	$ 206,928	$ 112,916	$ 740,559	$ 285,177	$ 1,345,580	$ 2,660,267
Less: accumulated amortization	(87,909)	(73,220)	–	–	(161,129)	–
	$ 119,019	$ 39,696	$ 740,559	$ 285,177	$ 1,184,451	$ 2,660,267
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 199,239	$ 42,814	$ 740,559	$ 285,177	$ 1,267,789	$ 2,660,267
Additions	31,599	2,618	–	–	34,217	–
Disposals	(3,195)	(594)	–	–	(3,789)	–
Writedowns	(92,352)	–	–	–	(92,352)	–
Amortization	(16,272)	(5,142)	–	–	(21,414)	–
Balance, end of year	$ 119,019	$ 39,696	$ 740,559	$ 285,177	$ 1,184,451	$ 2,660,267

In 2017, the Company discontinued development of a new investment fund accounting system. As a result of this and other associated technology decisions, the Company recorded a writedown of $92.4 million of capitalized software development costs which was recorded in Non-commission expense in the Consolidated Statements of Earnings.

The goodwill and indefinite life intangible assets consisting of investment fund management contracts and trade names are allocated to each cash generating unit (CGU) as summarized in the following table:

	2018		2017	
	GOODWILL	**INDEFINITE LIFE INTANGIBLE ASSETS**	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS
IG Wealth Management	**$ 1,347,781**	**$ –**	$ 1,347,781	$ –
Mackenzie	**1,168,580**	**1,002,681**	1,168,580	1,002,681
Other	**143,906**	**23,055**	143,906	23,055
Total	**$ 2,660,267**	**$ 1,025,736**	$ 2,660,267	$ 1,025,736

NOTE 10 GOODWILL AND INTANGIBLE ASSETS *(continued)*

The Company tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of the Company's CGUs is based on the best available evidence of fair value less costs of disposal. Fair value is initially assessed with reference to valuation multiples of comparable publicly-traded financial institutions and precedent business acquisition transactions. These valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 fair value inputs.

The fair value less costs of disposal of the Company's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 11 DEPOSITS AND CERTIFICATES

Deposits and certificates are classified as other financial liabilities measured at amortized cost.

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, client funds on deposit and loans amounting to $568.8 million (2017 – $505.0 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2018 TOTAL	2017 TOTAL
Deposits	$ 554,971	$ 6,892	$ 4,338	$ 404	$ 566,605	$ 502,488
Certificates	–	511	710	973	2,194	2,508
	$ 554,971	$ 7,403	$ 5,048	$ 1,377	$ 568,799	$ 504,996

NOTE 12 OTHER LIABILITIES

	2018	2017
Dividends payable	$ 137,710	$ 137,587
Interest payable	27,527	38,795
Accrued benefit liabilities *(Note 13)*	189,113	184,462
Provisions	50,768	92,918
Other	39,055	37,518
	$ 444,173	$ 491,280

The Company establishes restructuring provisions related to business acquisitions, divestitures and other items, as well as other provisions in the normal course of its operations. Changes in provisions during 2018 consisted of additional estimates of $25.5 million, provision reversals of $9.3 million and payments of $58.3 million.

Total other liabilities of $238.5 million as at December 31, 2018 (2017 – $279.1 million) are expected to be settled within one year.

NOTE 13 EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

The Company maintains a number of employee pension and post-employment benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans (SERPs) for certain executive officers, and an unfunded post-employment health care, dental and life insurance plan for eligible retirees.

Effective July 1, 2012, the defined benefit pension plan was closed to new members. For all eligible employees hired after July 1, 2012, the Company has a registered defined contribution pension plan.

The defined benefit pension plan is a separate trust that is legally separated from the Company. The defined benefit pension plan is registered under the Pension Benefits Act of Manitoba (Act) and the Income Tax Act (ITA). As required by the Act, the defined benefit pension plan is governed by a pension committee which includes current and retired employees. The Pension Committee has certain responsibilities as described in the Act but may delegate certain activities to the Company. The ITA governs the employer's ability to make contributions and also has parameters that the plan must meet with respect to investments in foreign property.

The defined benefit pension plan provides lifetime pension benefits to all eligible employees based on length of service and final average earnings subject to limits established by the ITA. Death benefits are available on the death of an active member or a retired member.

Employees who are not senior officers are required to make annual contributions based on a percentage of salaries which are subject to a maximum amount.

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 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 previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During 2018, the Company made contributions of $40.4 million (2017 – $37.8 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 $25.6 million in 2019. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

The SERPs are non-registered, non-contributory defined benefit plans which provide supplementary benefits to certain retired executives.

The other post-employment benefit plan is a non-contributory plan and provides eligible employees a reimbursement of medical costs or a fixed amount per year to cover medical costs during retirement.

The SERPs and other post-employment benefit plans are managed by the Company with oversight from the Board of Directors.

The defined benefit plans expose the Company to actuarial risks such as mortality risk which represents life expectancy and impacts the calculation of the obligations; interest rate risk which impacts the discount rate used to calculate the obligations and the actual return on plan assets; salary risk as estimated salary increases are used in the calculation of the obligations; and investment risk as the nature of the investments impact the actual return on the plan assets. The risks are managed by regular monitoring of the plans, applicable regulations and other factors that could impact the Company's expenses and cash flows.

DEFINED BENEFIT PLANS *(continued)*

Plan assets, benefit obligations and funded status:

	2018			2017		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	$ 417,687	$ –	$ –	$ 372,087	$ –	$ –
Employee contributions	2,464	–	–	3,005	–	–
Employer contributions	40,438	–	–	37,782	–	–
Benefits paid	(35,411)	–	–	(22,318)	–	–
Interest income	15,246	–	–	15,527	–	–
Remeasurements:						
– Return on plan assets	(32,996)	–	–	11,604	–	–
Balance, end of year	407,428	–	–	417,687	–	–
Accrued benefit obligation						
Balance, beginning of year	493,610	63,134	45,405	481,201	62,461	44,812
Benefits paid	(35,411)	(2,873)	(2,373)	(22,313)	(2,751)	(2,707)
Current service cost	20,293	1,400	918	23,264	1,453	921
Past service cost	–	–	–	–	(2,972)	(703)
Plan amendment	–	–	–	(50,381)	–	–
Curtailment (gain) loss	(776)	–	36	2,514	–	–
Employee contributions	2,464	–	–	3,005	–	–
Interest expense	17,403	2,153	1,521	19,186	2,335	1,612
Remeasurements:						
Actuarial losses (gains)						
– Demographic assumption	17,397	–	(5,708)	–	–	–
– Experience adjustments	(3,098)	(12)	(787)	(1,439)	271	223
– Financial assumptions	(15,167)	(1,718)	(1,270)	38,573	2,337	1,247
Balance, end of year	496,715	62,084	37,742	493,610	63,134	45,405
Accrued benefit liability	$ 89,287	$ 62,084	$ 37,742	$ 75,923	$ 63,134	$ 45,405

The Company, at its discretion, may from time to time increase certain benefits paid to retired members of the plan. Under its previous policy, the Company had granted benefit increases in most years and the obligation included an estimate for future increases. The Company does not expect to grant benefit increases in the foreseeable future. As a result of this change, in 2017, the Company revalued its pension obligation and has recognized a reduction to its obligation of $50.4 million as a decrease to non-commission expense.

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2018			2017		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Discount rate	3.90%	3.55%-3.80%	3.70%	3.60%	3.30%-3.55%	3.45%
Rate of compensation increase	4.30%	3.75%	N/A	3.90%	3.75%	N/A
Health care cost trend rate(1)	N/A	N/A	5.78%	N/A	N/A	5.77%
Mortality rates at age 65 for current pensioners	23.6 years	23.6 years	23.6 years	23.5 years	23.5 years	23.5 years

(1) *Trending to 4.00% in 2044 and remaining at that rate thereafter.*

DEFINED BENEFIT PLANS *(continued)*

The weighted average duration of the pension plans' defined benefit obligation at the end of the reporting period is 18.3 years (2017 – 17.6 years).

Benefit expense:

	2018			2017		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Current service cost	$ 20,293	$ 1,400	$ 918	$ 23,269	$ 1,453	$ 921
Past service cost	–	–	–	–	(2,972)	(703)
Plan amendment	–	–	–	(50,381)	–	–
Curtailment (gain) loss	(776)	–	36	2,514	–	–
Net interest cost	2,157	2,153	1,521	3,659	2,335	1,612
	$ 21,674	$ 3,553	$ 2,475	$ (20,939)	$ 816	$ 1,830

Sensitivity analysis:

The calculation of the accrued benefit liability and the related benefit expense are sensitive to the significant actuarial assumptions. The following table presents the sensitivity analysis:

	2018		2017	
	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE
Defined benefit pension plan				
Discount rate (+ / – 0.25%)				
Increase	$ (21,322)	$ (1,719)	$ (20,503)	$ (1,771)
Decrease	22,784	1,743	21,883	1,809
Rate of compensation (+ / – 0.25%)				
Increase	7,245	720	6,538	893
Decrease	(7,198)	(707)	(6,440)	(880)
Mortality				
Increase 1 year	9,725	705	9,847	888
SERPs				
Discount rate (+ / – 0.25%)				
Increase	(1,640)	52	(1,767)	36
Decrease	1,713	(57)	1,850	(40)
Rate of compensation (+ / – 0.25%)				
Increase	75	22	77	27
Decrease	(74)	(24)	(76)	(26)
Mortality				
Increase 1 year	1,418	57	1,467	63
Other post-employment benefits				
Discount rate (+ / – 0.25%)				
Increase	(902)	36	(1,150)	33
Decrease	940	(39)	1,201	(34)
Health care cost trend rates (+ / – 1.00%)				
Increase	1,180	44	2,016	76
Decrease	(1,027)	(38)	(1,734)	(64)
Mortality				
Increase 1 year	987	45	1,459	65

NOTE 13 EMPLOYEE BENEFITS *(continued)*

DEFINED BENEFIT PLANS *(continued)*

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in certain assumptions may be correlated.

Asset allocation of defined benefit pension plan by asset category:

	2018	2017
Equity securities	**56.4 %**	61.4 %
Fixed income securities	**32.5**	28.9
Alternative strategies	**9.9**	4.6
Cash and cash equivalents	**1.2**	5.1
	100.0 %	100.0 %

The defined benefit pension plan adheres to its Statement of Investment Policies and Procedures which includes investment objectives, asset allocation guidelines and investment limits by asset class. The defined benefit pension plan assets are invested in proprietary investment funds with the exception of cash on deposit with Schedule I Canadian chartered banks.

DEFINED CONTRIBUTION PENSION PLANS

The Company maintains a number of defined contribution pension plans for eligible employees. The total expense recorded in Non-commission expense was $4.8 million (2017 – $4.4 million).

GROUP RETIREMENT SAVINGS PLAN (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Non-commission expense as paid and totalled $6.7 million (2017 – $6.4 million).

NOTE 14 INCOME TAXES

Income tax expense:

	2018	2017
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	**$ 223,924**	$ 152,502
Adjustments in respect of prior years	**(9,317)**	(3,892)
	214,607	148,610
Deferred taxes	**(4,688)**	25,277
	$ 209,919	$ 173,887

Effective income tax rate:

	2018	2017
Income taxes at Canadian federal and provincial statutory rates	**26.81 %**	26.84 %
Effect of:		
Proportionate share of associates' earnings *(Note 8)*	**(3.79)**	(3.81)
Proportionate share of associate's one-time charges *(Note 8)*	**–**	0.48
Proportionate share of associate's provision *(Note 8)*	**–**	0.17
Tax loss consolidation *(Note 25)*	**(1.40)**	(1.55)
Other items	**(0.33)**	0.03
Effective income tax rate	**21.29 %**	22.16 %

NOTE 14 INCOME TAXES *(continued)*

DEFERRED INCOME TAXES

Sources of deferred income taxes:

	2018	2017
Deferred income tax assets		
Accrued benefit liabilities	$ 51,025	$ 49,771
Loss carryforwards	33,165	15,002
Other	38,726	43,170
	122,916	107,943
Deferred income tax liabilities		
Capitalized sales commissions *(Note 2)*	28,254	203,976
Intangible assets	265,343	264,487
Other	49,431	42,681
	343,028	511,144
	$ 220,112	$ 403,201

Deferred income tax assets and liabilities are presented on the Consolidated Balance Sheets as follows:

	2018	2017
Deferred income tax assets	$ 75,607	$ 60,661
Deferred income tax liabilities	295,719	463,862
	$ 220,112	$ 403,201

As at December 31, 2018, the Company had non-capital losses of $4.6 million (2017 – $0.8 million) available to reduce future taxable income, the benefit of which had not been recognized. $3.8 million of the losses can be carried forward indefinitely and the remainder expire on December 31, 2037.

NOTE 15 LONG-TERM DEBT

MATURITY	RATE	SERIES	2018	2017
March 7, 2018	6.58%	2003	$ –	$ 150,000
April 8, 2019	7.35%	2009	–	375,000
January 26, 2027	3.44%	2017	400,000	400,000
December 13, 2027	6.65%	1997	125,000	125,000
May 9, 2031	7.45%	2001	150,000	150,000
December 31, 2032	7.00%	2002	175,000	175,000
March 7, 2033	7.11%	2003	150,000	150,000
December 10, 2040	6.00%	2010	200,000	200,000
January 25, 2047	4.56%	2017	200,000	200,000
December 9, 2047	4.115%	2017	250,000	250,000
July 13, 2048	4.174%	2018	200,000	–
			$ 1,850,000	$ 2,175,000

Long-term debt consists of unsecured debentures which are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Long-term debt is classified as other financial liabilities and is recorded at amortized cost.

Interest expense relating to long-term debt was $120.9 million (2017 – $114.2 million).

On March 7, 2018, the $150.0 million 6.58% debentures were due and were repaid.

NOTE 15 LONG-TERM DEBT *(continued)*

On July 11, 2018, the Company issued $200.0 million of 4.174% debentures maturing July 13, 2048. On August 10, 2018, the net proceeds were used by the Company, together with a portion of IGM Financial's existing internal cash resources, to fund the early redemption of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019. A premium of $10.7 million was paid on the early redemption of the 7.35% debentures and is included in interest expense in the Consolidated Statement of Earnings.

On January 26, 2017, the Company issued $400 million of 10 year, 3.44% debentures and $200 million of 30 year, 4.56% debentures. On December 7, 2017, the Company issued $250 million of 30 year, 4.115% debentures. These offerings were made pursuant to prospectus supplements to the Company's short form base shelf prospectus dated November 29, 2016.

NOTE 16 SHARE CAPITAL

AUTHORIZED

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

ISSUED AND OUTSTANDING

	2018		2017	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	**6,000,000**	**$ 150,000**	6,000,000	$ 150,000
Common shares:				
Balance, beginning of year	**240,666,131**	**$ 1,602,726**	240,515,968	$ 1,597,208
Issued under Stock Option Plan *(Note 18)*	**219,186**	**8,537**	150,163	5,518
Balance, end of year	**240,885,317**	**$ 1,611,263**	240,666,131	$ 1,602,726

NORMAL COURSE ISSUER BID

On March 20, 2017, the Company commenced a normal course issuer bid, effective until March 19, 2018, which authorized it to purchase up to 12.0 million or 5% of its common shares outstanding as at February 28, 2017. There were no shares purchased in 2018 (2017 – nil).

NOTE 17 CAPITAL MANAGEMENT

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. The reduction in Shareholders' equity in 2018 compared to 2017 was largely due to the adoption of IFRS 15 which resulted in an adjustment to opening retained earnings of $514.6 million in the first quarter of 2018. The Company regularly assesses its capital management practices in response to changing economic conditions.

NOTE 17 CAPITAL MANAGEMENT *(continued)*

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 $1,850.0 million at December 31, 2018, compared to $2,175.0 million at December 31, 2017. 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 decrease in long-term debt of $325.0 million resulted from:

- The maturity of the Company's $150.0 million 6.58% debentures which were due and repaid on March 7, 2018.
- The issuance on July 11, 2018 of $200.0 million 4.174% debentures maturing July 13, 2048. The offering was made pursuant to a prospectus supplement to IGM Financial's short form base shelf prospectus dated November 29, 2016. 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 of all of its $375.0 million aggregate principal amount of 7.35% debentures due April 8, 2019.

Perpetual preferred shares of $150 million at December 31, 2018 remain unchanged from December 31, 2017.

The Company commenced a normal course issuer bid on March 20, 2017, which was effective until March 19, 2018, to purchase up to 5% of its common shares in order to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. There were no common shares purchased by the Company in 2018 and 2017 (Note 16). Other activities in 2018 included the declaration of perpetual preferred share dividends of $8.9 million or $1.475 per share and common share dividends of $541.9 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

NOTE 18 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time vesting conditions set out at the grant date. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2018, 20,586,912 (2017 – 20,806,098) common shares were reserved for issuance under the Plan.

During 2018, the Company granted 1,336,990 options to employees (2017 – 1,418,930). The weighted-average fair value of options granted during the year ended December 31, 2018 has been estimated at $2.56 per option (2017 – $2.52) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $39.10 (2017 – $41.67). The assumptions used in these valuation models include:

	2018	2017
Exercise price	$ 39.28	$ 41.70
Risk-free interest rate	2.35%	1.53%
Expected option life	6 years	6 years
Expected volatility	17.00%	17.00%
Expected dividend yield	5.73%	5.40%

STOCK OPTION PLAN *(continued)*

Expected volatility has been estimated based on the historic volatility of the Company's share price over six years which is reflective of the expected option life. Stock options were exercised regularly throughout 2018 and the average share price in 2018 was $37.62.

The Company recorded compensation expense related to its stock option program of $3.7 million (2017 – $3.5 million).

	2018		2017	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	8,912,748	$ 42.59	8,484,030	$ 43.16
Granted	1,336,990	39.28	1,418,930	41.70
Exercised	(219,186)	35.37	(150,163)	33.77
Forfeited	(328,658)	43.53	(840,049)	48.42
Balance, end of year	9,701,894	$ 42.27	8,912,748	$ 42.59
Exercisable, end of year	4,742,050	$ 44.28	4,063,668	$ 44.09

OPTIONS OUTSTANDING AT DECEMBER 31, 2018	EXPIRY DATE	EXERCISE PRICE $	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2019	26.67 – 44.00	178,750	178,750
	2020	40.45 – 42.82	589,996	589,996
	2021	42.49 – 46.72	504,237	504,237
	2022	45.56 – 47.23	785,951	731,419
	2023	44.73 – 47.26	1,073,374	885,790
	2024	53.81	836,747	600,014
	2025	43.28 – 43.97	1,103,038	534,307
	2026	34.88 – 38.17	1,982,658	508,462
	2027	39.71 – 41.74	1,316,948	209,075
	2028	37.58 – 40.10	1,330,195	–
			9,701,894	4,742,050

SHARE UNIT PLANS

The Company has share unit plans for eligible employees to assist in retaining and further aligning the interests of senior management with those of the shareholders. These plans include Performance Share Unit (PSU), Deferred Share Unit (DSU) and Restricted Share Unit (RSU) plans. Under the terms of the plans, share units are awarded annually and are subject to time vesting conditions. In addition, the PSU and DSU plans are subject to performance vesting conditions. The value of each share unit is based on the share price of the Company's common shares. The PSUs and RSUs are cash settled and vest over a three year period. Certain employees can elect at the time of grant to receive a portion of their PSUs in the form of deferred share units which vest over a three year period. Deferred share units are redeemable when a participant is no longer an employee of the Company or any of its affiliates by a lump sum payment based on the value of the deferred share unit at that time. Additional share units are issued in respect of dividends payable on common shares based on a value of the share unit at the dividend payment date. The Company recorded compensation expense, excluding the impact of hedging, of $6.8 million in 2018 (2017 – $14.0 million) and a liability of $20.4 million at December 31, 2018 (2017 – $23.3 million).

NOTE 18 SHARE-BASED PAYMENTS *(continued)*

SHARE PURCHASE PLANS

Under the Company's share purchase plans, eligible employees and IG Wealth Management consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled $12.4 million (2017 – $12.9 million).

DIRECTORS' DEFERRED SHARE UNIT PLAN

The Company has a Deferred Share Unit (DSU) plan for the directors of the Company to promote a greater alignment of interest between directors and shareholders of the Company. Under the terms of the plan, directors are required to receive 50% of their annual board retainer in the form of DSUs and may elect to receive the balance of their annual board retainer in cash or DSUs. Directors may elect to receive certain fees in a combination of DSUs and cash. The number of DSUs granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (value of DSU). A director who has elected to receive DSUs will receive additional DSUs in respect of dividends payable on common shares, based on the value of a DSU at the dividend payment date. DSUs are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by cash payments, based on the value of the deferred share units at that time. At December 31, 2018, the fair value of the DSUs outstanding was $13.4 million (2017 – $16.1 million). Any difference between the change in fair value of the DSUs and the change in fair value of the total return swap, which is an economic hedge for the DSU plan, is recognized in Non-commission expense in the period in which the change occurs.

NOTE 19 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

2018	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of year				
As previously reported	$ (132,529)	$ 39,051	$ 22,348	$ (71,130)
Change in accounting policy *(Note 2)*	–	17	–	17
	(132,529)	39,068	22,348	(71,113)
Other comprehensive income (loss)	(16,523)	18,166	23,672	25,315
Balance, end of year	$ (149,052)	$ 57,234	$ 46,020	$ (45,798)
2017				
Balance, beginning of year	$ (110,913)	$ 8,617	$ 19,854	$ (82,442)
Other comprehensive income (loss)	(21,616)	30,434	2,494	11,312
Balance, end of year	$ (132,529)	$ 39,051	$ 22,348	$ (71,130)

Amounts are recorded net of tax.

NOTE 20 RISK MANAGEMENT

The Company actively manages its liquidity, credit and market risks.

LIQUIDITY AND FUNDING RISK RELATED TO FINANCIAL INSTRUMENTS

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 by management and by Committees of the Board of Directors.

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

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements related to the mortgage banking operation. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of the Company are approved issuers of NHA MBS and are approved sellers into the CMB Program. 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 maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

The Company's contractual maturities of certain financial liabilities were as follows:

AS AT DECEMBER 31, 2018 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 8.2	$ 20.6	$ 0.2	$ 29.0
Deposits and certificates	555.0	7.4	5.0	1.4	568.8
Obligations to securitization entities	–	1,207.6	6,135.3	27.3	7,370.2
Long-term debt	–	–	–	1,850.0	1,850.0
Pension funding(1)	–	25.6	–	–	25.6
Total contractual maturities	$ 555.0	$ 1,248.8	$ 6,160.9	$ 1,878.9	$ 9,843.6

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

In addition to the Company'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, 2018, unchanged from December 31, 2017. The lines of credit at December 31, 2018 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2017. 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, 2018 and December 31, 2017, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2017.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS

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.

At December 31, 2018, cash and cash equivalents of $650.2 million (2017 – $966.8 million) consisted of cash balances of $81.8 million (2017 – $88.3 million) on deposit with Canadian chartered banks and cash equivalents of $568.4 million (2017 – $878.5 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $103.5 million (2017 – $239.5 million), provincial government treasury bills and promissory notes of $76.2 million (2017 – $252.6 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of $364.3 million (2017 – $351.4 million), and highly rated corporate commercial paper of $24.4 million (2017 – $35.0 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.

As at December 31, 2018, residential mortgages, recorded on the Company's balance sheet, of $7.7 billion (2017 – $7.8 billion) consisted of $7.3 billion sold to securitization programs (2017 – $7.5 billion), $363.9 million held pending sale or securitization (2017 – $286.7 million) and $25.6 million related to the Company's intermediary operations (2017 – $26.0 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 comprehensive financial plan.

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

- Under the NHA MBS program totalling $4.2 billion (2017 – $4.5 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $3.1 billion (2017 – $3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $74.1 million (2017 – $69.7 million) and $35.6 million (2017 – $42.4 million), respectively, at December 31, 2018. 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 8.3% of mortgages held in ABCP Trusts insured at December 31, 2018 (2017 – 16.4%).

At December 31, 2018, residential mortgages recorded on balance sheet were 61.5% insured (2017 – 65.5%). As at December 31, 2018, impaired mortgages on these portfolios were $3.3 million, compared to $2.8 million at December 31, 2017. Uninsured non-performing mortgages over 90 days on these portfolios were $1.8 million at December 31, 2018, compared to $0.8 million at December 31, 2017.

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

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

The Company's allowance for expected credit losses was $0.8 million at December 31, 2018, unchanged from December 31, 2017, 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.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2017.

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.

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 $19.4 million (2017 – $33.8 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 nil at December 31, 2018 (2017 – $1.2 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2018. Management of credit risk related to derivatives has not changed materially since December 31, 2017.

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS

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 loan 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 positive fair value of $4.9 million (2017 – positive $4.1 million) and an outstanding notional amount of $0.9 billion at December 31, 2018 (2017 – $1.2 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The negative fair value of these swaps totalled $11.0 million (2017 – negative $4.5 million), on an outstanding notional amount of $1.7 billion at December 31, 2018 (2017 – $1.9 billion). The net fair value of these swaps of negative $6.1 million at December 31, 2018 (2017 – negative $0.4 million) is recorded on the balance sheet and has an outstanding notional amount of $2.6 billion (2017 – $3.1 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The fair value of these swaps was negative $1.8 million (2017 – positive $0.9 million) on an outstanding notional amount of $249.9 million at December 31, 2018 (2017 – $137.0 million).

As at December 31, 2018, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $0.5 million (2017 – decrease of $0.9 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2017.

NOTE 20 RISK MANAGEMENT *(continued)*

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Equity Price Risk

The Company is exposed to equity price risk on its equity investments (Note 4) which are classified as either fair value through other comprehensive income or fair value through profit or loss.

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

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investments in Personal Capital and China AMC. Changes to the carrying value due to changes in foreign exchange rates on both of these investments are recognized in Other comprehensive income. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $39.9 million ($44.0 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statement of Earnings, is also affected by changes in foreign exchange rates. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the proportionate share of China AMC's earnings by approximately $1.4 million ($1.5 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management. These changes in assets under management directly impact earnings.

NOTE 21 DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks or Canadian bank-sponsored securitization trusts that are counterparties to the Company's securitization transactions. In all cases, the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific financial instruments at a fixed price at a future date. Forward contracts are contractual agreements to buy or sell a financial instrument on a future date at a specified price.

Certain of the Company's derivative financial instruments are subject to master netting arrangements and are presented on a gross basis. The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position and recorded as assets on the Consolidated Balance Sheets. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 21 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table summarizes the Company's derivative financial instruments:

	NOTIONAL AMOUNT					FAIR VALUE	
2018	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps							
Hedge accounting	$ –	$ 122,186	$ 42,650	$ 164,836	$ 1	$ 1	$ 1,158
No hedge accounting	907,525	1,736,413	36,737	2,680,675	16,034	16,034	23,252
Forward contracts							
Hedge accounting	10,310	26,985	–	37,295	329	329	4,580
	$ 917,835	$ 1,885,584	$ 79,387	$ 2,882,806	$ 16,364	$ 16,364	$ 28,990
2017							
Swaps							
No hedge accounting	$ 1,261,555	$ 1,956,242	$ 19,918	$ 3,237,715	$ 28,476	$ 28,476	$ 28,444
Forward contracts							
Hedge accounting	8,400	23,080	–	31,480	7,216	7,216	–
	$ 1,269,955	$ 1,979,322	$ 19,918	$ 3,269,195	$ 35,692	$ 35,692	$ 28,444

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was nil (2017 – $7.4 million).

The credit risk related to the Company's derivative financial instruments after giving effect to netting agreements and including rights to future net interest income, was nil (2017 – $1.2 million). Rights to future net interest income are related to the Company's securitization activities and are not reflected on the Consolidated Balance Sheets.

NOTE 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

NOTE 22 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

Fair value is determined using the following methods and assumptions:

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

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

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

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

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

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

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

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

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

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

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

		FAIR VALUE			
2018	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 372,396	$ –	$ –	$ 372,396	$ 372,396
– FVTPL	87,515	86,963	–	552	87,515
Loans					
– FVTPL	4,303	–	4,303	–	4,303
Derivative financial instruments	16,364	–	7,179	9,185	16,364
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,733,728	–	380,372	7,405,170	7,785,542
Financial liabilities recorded at fair value					
Derivative financial instruments	28,990	–	24,704	4,286	28,990
Other financial liabilities	8,237	8,235	2	–	8,237
Financial liabilities recorded at amortized cost					
Deposits and certificates	568,799	–	569,048	–	569,048
Obligations to securitization entities	7,370,193	–	–	7,436,873	7,436,873
Long-term debt	1,850,000	–	2,050,299	–	2,050,299

2017	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets recorded at fair value					
Other investments					
– Available for sale	$ 282,756	$ 19,931	$ –	$ 262,825	$ 282,756
– Held for trading	96,940	95,390	889	661	96,940
Loans					
– Held for trading	286,682	–	286,682	–	286,682
Derivative financial instruments	35,692	–	22,879	12,813	35,692
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	7,563,191	–	25,917	7,649,591	7,675,508
Financial liabilities recorded at fair value					
Derivative financial instruments	28,444	–	19,726	8,718	28,444
Other financial liabilities	9,262	9,146	116	–	9,262
Financial liabilities recorded at amortized cost					
Deposits and certificates	504,996	–	505,486	–	505,486
Obligations to securitization entities	7,596,028	–	–	7,657,761	7,657,761
Long-term debt	2,175,000	–	2,470,182	–	2,470,182

There were no significant transfers between Level 1 and Level 2 in 2018 and 2017.

NOTE 22 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

2018	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS[1]	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE DECEMBER 31
Other investments							
– FVTOCI	**$ 262,825**	**$ –**	**$ 21,002**	**$ 88,569**	**$ –**	**$ –**	**$ 372,396**
– FVTPL	**661**	**(8)**	**–**	**–**	**–**	**(101)**	**552**
Derivative financial instruments, net	**4,095**	**(12,689)**	**–**	**224**	**(13,269)**	**–**	**4,899**

2017	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS[1]	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE DECEMBER 31
Other investments							
– Available for sale	$ 151,949	$ 2,611	$ 34,856	$ 73,409	$ –	$ –	$ 262,825
– Held for trading	1,438	27	–	96	–	(900)	661
Derivative financial instruments, net	(23,055)	13,189	–	(1,810)	(15,771)	–	4,095

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

NOTE 23 EARNINGS PER COMMON SHARE

	2018	2017
Earnings		
Net earnings	**$ 776,168**	$ 610,765
Perpetual preferred share dividends	**8,850**	8,850
Net earnings available to common shareholders	**$ 767,318**	$ 601,915
Number of common shares *(in thousands)*		
Weighted average number of common shares outstanding	**240,815**	240,585
Add: Potential exercise of outstanding stock options[1]	**125**	336
Average number of common shares outstanding – Diluted basis	**240,940**	240,921
Earnings per common share *(in dollars)*		
Basic	**$ 3.19**	$ 2.50
Diluted	**$ 3.18**	$ 2.50

(1) Excludes 1,453 thousand shares in 2018 related to outstanding stock options that were anti-dilutive (2017 – 691 thousand).

NOTE 24 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

CONTINGENT LIABILITIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie Financial Corporation which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. 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.

NOTE 24 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES *(continued)*

COMMITMENTS

The Company is committed to the following annual future minimum lease payments under its operating leases: 2019 – $28.0 million; 2020 – $24.5 million; 2021 – $18.5 million; 2022 – $13.4 million; and 2023 and thereafter – $42.9 million.

GUARANTEES

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

NOTE 25 RELATED PARTY TRANSACTIONS

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES

The Company enters into transactions with The 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. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2018 and 2017, the Company provided to and received from Great-West certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $62.6 million in distribution fees (2017 – $77.1 million). The Company received $17.5 million (2017 – $17.8 million) and paid $25.4 million (2017 – $24.2 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $78.3 million (2017 – $76.0 million) to London Life related to the distribution of certain investment funds of the Company.
- During 2018, the Company sold residential mortgage loans to Great-West and London Life for $61.4 million (2017 – $136.5 million).

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, 2018 and December 29, 2017, the Company acquired shares of such a loss company and recorded the benefit of the tax losses acquired.

KEY MANAGEMENT COMPENSATION

The total compensation and other benefits to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing and controlling the activities of the Company, are as follows:

	2018	2017
Compensation and employee benefits	$ 4,200	$ 4,098
Post-employment benefits	3,007	2,628
Share-based payments	1,638	1,456
	$ 8,845	$ 8,182

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 18).

NOTE 26 SEGMENTED INFORMATION

The Company's reportable segments are:

- IG Wealth Management
- Mackenzie
- Corporate and Other

These segments reflect the Company's internal financial reporting and performance measurement. In the third quarter of 2018, the Company announced that it has rebranded Investors Group as IG Wealth Management. In 2017, the Company announced the combination of investment management functions of IG Wealth Management and Mackenzie resulting in the formation of a single global investment management organization. As a result, the Company has changed the methodology used to charge its segments the costs associated with the single investment management function to better align it with internal reporting.

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

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

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco and China AMC (Note 8), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

2018

	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL SEGMENT	ADJUSTMENTS[1]	TOTAL
Revenues						
Management fees	$ 1,458,127	$ 701,424	$ 79,631	$ 2,239,182	$ –	$ 2,239,182
Administration fees	310,382	98,353	18,358	427,093	–	427,093
Distribution fees	171,531	6,713	192,662	370,906	–	370,906
Net investment income and other	46,665	(1,942)	17,205	61,928	–	61,928
Proportionate share of associates' earnings	–	–	149,962	149,962	–	149,962
	1,986,705	804,548	457,818	3,249,071	–	3,249,071
Expenses						
Commission	623,421	291,089	184,133	1,098,643	–	1,098,643
Non-commission	597,242	335,105	88,377	1,020,724	22,758	1,043,482
	1,220,663	626,194	272,510	2,119,367	22,758	2,142,125
Earnings before undernoted	$ 766,042	$ 178,354	$ 185,308	1,129,704	(22,758)	1,106,946
Interest expense				(110,179)	(10,680)	(120,859)
Premium paid on early redemption of debentures *(Note 15)*				(10,680)	10,680	–
Restructuring and other charges *(Note 3)*				(22,758)	22,758	–
Earnings before income taxes				986,087	–	986,087
Income taxes				209,919	–	209,919
Net earnings				776,168	–	776,168
Perpetual preferred share dividends				8,850	–	8,850
Net earnings available to common shareholders				$ 767,318	$ –	$ 767,318
Identifiable assets	$ 8,822,277	$ 1,153,639	$ 2,972,531	$ 12,948,447		
Goodwill	1,347,781	1,168,580	143,906	2,660,267		
Total assets	$ 10,170,058	$ 2,322,219	$ 3,116,437	$ 15,608,714		

(1) Premium paid on early redemption of debentures and Restructuring and other charges are not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.

NOTE 26 SEGMENTED INFORMATION *(continued)*

2017

	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL SEGMENT	ADJUSTMENTS[1]	TOTAL
Revenues						
Management fees	$ 1,415,026	$ 701,669	$ 64,269	$ 2,180,964	$ –	$ 2,180,964
Administration fees	322,012	99,147	18,541	439,700	–	439,700
Distribution fees	190,447	7,714	186,908	385,069	–	385,069
Net investment income and other	41,678	1,217	9,708	52,603	–	52,603
Proportionate share of associates' earnings	–	–	114,772	114,772	(19,098)	95,674
	1,969,163	809,747	394,198	3,173,108	(19,098)	3,154,010
Expenses						
Commission	654,376	300,007	183,500	1,137,883	4,684	1,142,567
Non-commission	576,281	329,336	66,848	972,465	140,169	1,112,634
	1,230,657	629,343	250,348	2,110,348	144,853	2,255,201
Earnings before undernoted	$ 738,506	$ 180,404	$ 143,850	1,062,760	(163,951)	898,809
Interest expense				(114,157)	–	(114,157)
Restructuring and other charges				(195,234)	195,234	–
Pension plan				50,381	(50,381)	–
Proportionate share of associate's one-time charges				(14,000)	14,000	–
Proportionate share of associate's provision				(5,098)	5,098	–
Earnings before income taxes				784,652	–	784,652
Income taxes				173,887	–	173,887
Net earnings				610,765	–	610,765
Perpetual preferred share dividends				8,850	–	8,850
Net earnings available to common shareholders				$ 601,915	$ –	$ 601,915
Identifiable assets	$ 9,445,095	$ 1,322,369	$ 3,071,722	$ 13,839,186		
Goodwill	1,347,781	1,168,580	143,906	2,660,267		
Total assets	$ 10,792,876	$ 2,490,949	$ 3,215,628	$ 16,499,453		

(1) *Restructuring and other charges, Pension Plan and Proportionate share of associate's one-time charges and provision are not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.*

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31				2018				2017
($ thousands, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues								
Management	$ 545,975	$ 573,825	$ 562,781	$ 556,601	$ 564,425	$ 541,836	$ 547,002	$ 527,701
Administration	103,382	109,054	107,123	107,534	110,372	109,126	111,238	108,964
Distribution	94,345	93,344	89,897	93,320	95,179	89,855	94,775	105,260
Net investment income and other	13,168	15,974	18,577	14,209	(263)	7,644	25,465	19,757
Proportionate share of associates' earnings	34,602	39,793	37,583	37,984	23,022	24,875	19,758	28,019
	791,472	831,990	815,961	809,648	792,735	773,336	798,238	789,701
Expenses								
Commission	272,308	270,073	270,164	286,098	292,816	275,996	284,448	289,307
Non–commission	269,034	268,676	252,627	253,145	407,866	238,792	219,075	246,901
Interest	24,122	37,703	28,770	30,264	29,718	28,949	28,703	26,787
	565,464	576,452	551,561	569,507	730,400	543,737	532,226	562,995
Earnings before income taxes	226,008	255,538	264,400	240,141	62,335	229,599	266,012	226,706
Income taxes	43,874	55,172	58,483	52,390	9,490	54,026	62,997	47,374
Net earnings	182,134	200,366	205,917	187,751	52,845	175,573	203,015	179,332
Perpetual preferred share dividends	2,212	2,213	2,212	2,213	2,212	2,213	2,212	2,213
Net earnings available to common shareholders	$ 179,922	$ 198,153	$ 203,705	$ 185,538	$ 50,633	$ 173,360	$ 200,803	$ 177,119
Reconciliation of Non–IFRS Financial Measures[1]								
Adjusted net earnings available to common shareholders – non – IFRS measure"	$ 179,922	$ 222,672	$ 203,705	$ 185,538	$ 191,481	$ 173,360	$ 185,904	$ 177,119
Restructuring and other, net of tax	–	(16,723)	–	–	(126,848)	–	(16,781)	–
Premium paid on early redemption of debentures, net of tax		(7,796)	–	–	–	–	–	–
Pension plan, net of tax	–	–	–	–	–	–	36,778	–
Proportionate share of associate's one–time charges	–	–	–	–	(14,000)	–	–	–
Proportionate share of associate's provision	–	–	–	–	–	–	(5,098)	–
Net earnings available to common shareholders – IFRS	$ 179,922	$ 198,153	$ 203,705	$ 185,538	$ 50,633	$ 173,360	$ 200,803	$177,119
Diluted earnings per share (¢)								
Net earnings	75	82	85	77	21	72	83	74
Adjusted net earnings [1]	75	92	85	77	79	72	77	74
Dividends per share (¢)	56.25	56.25	56.25	56.25	56.25	56.25	56.25	56.25

(1) Refer to page 24 of the MD&A for an explanation of the Company's use of non–IFRS financial measures.

QUARTERLY REVIEW

STATISTICAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31				2018				2017
($ millions)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment funds								
IG Wealth Management (1)								
Mutual fund sales	$ 2,118	$ 2,014	$ 2,084	$ 2,859	$ 2,314	$ 2,090	$ 2,357	$ 2,932
Mutual fund								
redemption rate (%) – total	9.8	9.5	9.3	9.1	9.2	9.2	9.4	9.6
– long-term funds	9.2	8.8	8.6	8.4	8.4	8.5	8.6	8.8
Net sales (redemptions)	(125)	(64)	(110)	784	332	287	435	890
Assets under management	83,137	88,992	88,762	87,103	88,008	85,226	84,306	83,900
Mackenzie								
Mutual fund sales	2,328	2,252	2,741	2,630	2,234	1,834	2,195	2,861
Mutual fund								
redemption rate (%) – total	17.6	16.9	15.8	14.2	15.2	15.4	16.0	16.7
– long-term funds	17.1	16.4	15.3	13.7	14.8	15.0	15.5	16.2
Net sales (redemptions)	(91)	258	447	768	477	539	625	139
Assets under management								
Mutual fund	53,407	57,343	56,842	55,586	55,615	53,643	53,516	52,934
ETF	2,949	2,963	2,600	2,004	1,296	906	622	234
Investment fund (2)	55,508	59,493	58,692	56,994	56,543	54,216	53,856	53,099
Investment Planning Counsel (1)								
Mutual fund sales	229	219	252	260	277	165	202	245
Mutual fund								
redemption rate (%) – total	19.4	17.1	17.1	16.9	17.0	16.8	16.0	15.9
– long-term funds	19.2	16.8	16.9	16.7	16.7	16.6	15.7	15.7
Net sales (redemptions)	(65)	(6)	5	48	48	3	(11)	39
Assets under management	5,125	5,532	5,562	5,452	5,377	5,177	5,136	5,088
Total investment fund assets under management (3)	143,282	153,430	152,477	149,203	149,818	144,619	143,298	142,087
Total assets under management (3)	149,066	159,714	159,129	155,758	156,513	150,015	148,644	147,496
Corporate assets	15,609	15,399	15,672	15,695	16,499	15,850	16,103	16,166
Consultants - Investors Group	3,711	3,827	3,945	4,081	4,146	4,146	4,530	4,754

(1) IG Wealth Management and Investment Planning Counsel total assets under management and net sales include separtely managed accounts.

(2) Excludes Mackenzie mutual fund investments in ETFs

(3) Adjusted for inter-segment assets.

TEN YEAR REVIEW

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31

($ thousands, except per share amounts)	2018	2017	2016	2015	2014	CAGR[1] 5 YEAR %	2013	2012	2011	2010	2009	CAGR[1] 10 YEAR %
	IFRS						IFRS				CGAAP	
								RESTATED				
Fee income	3,037,181	3,005,733	2,856,934	2,833,355	2,762,578	3.9	2,513,186	2,424,574	2,571,076	2,467,813	2,227,028	2.0
Net investment income and other	211,890	148,277	187,849	194,590	164,706	3.7	176,836	152,582	161,376	140,874	62,945	2.5
	3,249,071	3,154,010	3,044,783	3,027,945	2,927,284	3.8	2,690,022	2,577,156	2,732,452	2,608,687	2,289,973	2.0
Expenses	2,262,984	2,369,358	2,097,846	2,037,153	1,962,321	5.8	1,708,642	1,618,989	1,635,154	1,600,831	1,517,343	3.2
Income before undernoted	986,087	784,652	946,937	990,792	964,963	0.1	981,380	958,167	1,097,298	1,007,856	772,630	(0.4)
Income taxes	209,919	173,887	167,633	210,250	202,862	(0.1)	210,626	190,504	250,497	268,805	216,595	(3.3)
	776,168	610,765	779,304	780,542	762,101	0.1	770,754	767,663	846,801	739,051	556,035	0.6
Discontinued operations	–	–	–	–	–		–	–	62,644	1,753	3,057	
Net earnings	776,168	610,765	779,304	780,542	762,101	0.1	770,754	767,663	909,445	740,804	559,092	0.6
Perpetual preferred share dividends	8,850	8,850	8,850	8,850	8,850		8,850	8,850	8,850	10,105	–	
Net earnings available to common shareholders	767,318	601,915	770,454	771,692	753,251	0.1	761,904	758,813	900,595	730,699	559,092	0.5
Adjusted net earnings available to common shareholders [2]	791,837	727,864	736,454	796,001	826,100	0.7	763,510	746,404	832,991	758,943	618,861	0.3
Diluted earnings per share *($)*												
Net earnings	3.18	2.50	3.19	3.11	2.98	1.0	3.02	2.97	3.48	2.78	2.12	1.4
Adjusted net earnings [2]	3.29	3.02	3.05	3.21	3.27	1.7	3.02	2.92	3.22	2.89	2.34	1.3
Dividends per share *($)*	2.25	2.25	2.25	2.25	2.18	0.9	2.15	2.15	2.10	2.05	2.05	1.2
Return on average common equity (ROE) *(%)*												
Net earnings	17.7	12.9	17.1	16.9	16.2		17.3	17.6	21.3	17.6	13.3	
Adjusted net earnings [2]	18.2	15.6	16.3	17.4	17.8		17.3	17.3	19.7	18.2	14.7	
Average shares outstanding *(thousands)*												
– Basic	240,815	240,585	241,300	248,173	252,108		252,013	254,853	258,151	261,855	263,217	
– Diluted	240,940	240,921	241,402	248,299	252,778		252,474	255,277	259,075	262,867	264,324	
Share price *(closing $)*	31.03	44.15	38.20	35.34	46.31	(11.2)	56.09	41.60	44.23	43.46	42.41	(1.3)

(1) Compound annual growth rate.

(2) Non-IFRS or Non-GAAP Financial Measures – Excludes other items as follows:

2018 – After-tax charge of $16.7 million related to restructuring and other and an after-tax charge of $7.8 million representing a premium paid on the early redemption of the $375 million debentures.

2017 – After-tax charges of $126.8 million and $16.8 million related to restructuring and other charges, an after-tax reduction of $36.8 million in expenses related to the Company's pension plan, after-tax charges of $14.0 million and $5.1 million related to the proportionate share in Lifeco's one-time charges and restructuring provision.

2016 – A favourable change in income tax provision estimates of $34.0 million related to certain tax filings

2015 – An after-tax charge of $24.3 million related to restructuring and other charges.

2014 – An after-tax charge of $59.2 million related to distributions to clients, as well as other costs and an after-tax charge of $13.6 million related to restructuring and other charges.

2013 – An after-tax charge of $10.6 million related to restructuring and other charges and an after-tax benefit of $9.0 million representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s (Lifeco) litigation provision.

2012 – A favourable change in income tax provision estimates of $24.4 million related to certain tax filings, an after-tax charge of $5.6 million representing the Company's proportionate share of net changes in Lifeco's litigation provisions, and a non-cash income tax charge of $6.4 million resulting from increases in Ontario corporate income tax rates and their effect on the deferred income tax liability related to indefinite life intangible assets arising from prior business acquisitions.

2011 – Net earnings from discontinued operations of $62.6 million and an after-tax benefit of $5.0 million representing the Company's proportionate share of net changes in Lifeco's litigation provisions.

2010 – Net earnings from discontinued operations of $1.8 million, a non-recurring after-tax charge of $21.8 million related to the transition to IFRS, and an after-tax charge of $8.2 million representing the Company's proportionate share of Lifeco's incremental litigation provision.

2009 – Net earnings from discontinued operations, a non-cash charge on available for sale equity securities, net of tax, a non-cash income tax benefit and the premium paid on the redemption of Series A preferred shares.

TEN YEAR REVIEW

STATISTICAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31

($ millions)	2018	2017	2016	2015	2014	CAGR[1] 5 YEAR %	2013	2012	2011	2010	2009	CAGR[1] 10 YEAR %
Investment funds												
IG Wealth Management [2]												
Mutual fund sales	9,075	9,693	7,760	7,890	7,461	6.4	6,668	5,778	6,021	5,748	5,042	4.3
Mutual fund redemption rate (%)												
– total	9.8	9.2	9.6	9.4	9.5		10.2	11.0	9.8	9.4	9.0	
– long-term funds	9.2	8.4	8.8	8.7	8.7		9.4	10.0	8.8	8.3	7.4	
Net sales (redemptions)	485	1,944	366	754	651	25.0	159	(724)	39	253	404	(2.5)
Assets under management	83,137	88,008	81,242	74,897	73,459	4.0	68,255	60,595	57,735	61,785	57,655	5.8
Mackenzie												
Mutual fund sales	9,951	9,124	6,939	6,965	7,070	8.2	6,700	5,490	5,645	5,848	4,905	2.3
Mutual fund redemption rate (%)												
– total	17.6	15.2	15.6	16.6	15.1		16.7	18.7	16.9	18.1	17.5	
– long-term funds	17.1	14.8	15.0	16.2	14.6		16.0	17.9	15.8	16.5	14.6	
Net sales (redemptions)	1,382	1,780	(555)	(1,258)	(209)	N/M	(487)	(1,974)	(1,548)	(1,519)	(1,566)	N/M
Assets under management												
Mutual fund	53,407	55,615	51,314	48,445	48,782	3.0	46,024	40,394	39,141	43,452	40,624	4.1
ETF	2,949	1,296	113									
Investment fund [3]	55,508	56,543	51,427	48,445	48,782	3.8	46,024	40,394	39,141	43,452	40,624	4.5
Investment Planning Counsel [2]												
Mutual fund sales	960	889	955	741	682	14.6	485	401	543	499	343	14.7
Mutual fund redemption rate (%)												
– total	19.4	17.0	15.9	13.8	12.9		13.8	14.7	11.1	12.7	12.7	
– long-term funds	19.2	16.7	15.7	13.6	12.6		13.2	14.3	10.9	12.0	11.6	
Net sales (redemptions)	(18)	79	293	177	207	N/M	52	(24)	225	204	106	13.9
Assets under management	5,125	5,377	4,908	4,452	3,850	8.5	3,406	2,950	2,811	2,688	2,140	11.4
Total investment fund assets under management [4]	143,282	149,818	137,575	127,791	126,039	4.0	117,649	103,915	99,685	107,925	100,419	5.4
Total assets under management [4]	149,066	156,513	142,688	134,398	141,919	2.5	131,777	120,694	118,713	129,484	120,545	3.9
Corporate assets [5]	15,609	16,499	15,625	14,831	14,417	3.9	12,880	11,962	11,144	12,237	8,662	N/M
Consultants - IG Wealth Management	3,711	4,146	4,947	5,320	5,145	(4.5)	4,673	4,518	4,608	4,686	4,633	(1.9)

(1) Compound annual growth rate.
(2) IG Wealth Management and Investment Planning counsel total assets under management and net sales include separately managed accounts.
(3) Excludes Mackenzie mutual fund investments in ETFs.
(4) Adjusted for inter-segment assets.
(5) 2010 to 2018 reflect corporate assets under IFRS. 2009 reflect corporate assets under CGAAP.

SHAREHOLDER INFORMATION

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STOCK EXCHANGE LISTING
Toronto Stock Exchange
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series B: IGM.PR.B

SHAREHOLDER INFORMATION
For additional financial information about the Company, please contact:
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For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at 204 956 8328 or visit our website at www.igmfinancial.com

ANNUAL MEETING
The Annual Meeting of IGM Financial Inc. will be held at
The Metropolitan Entertainment Centre,
281 Donald Street,
Winnipeg, Manitoba, Canada
on Friday, May 3, 2019
at 11:00 a.m. Central Time.

WEBSITES
Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenzieinvestments.com
www.ipcc.ca

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