IGM Financial
2020 Annual Report

TSX: IGM

Building Momentum Together

IGM Financial

IGM Financial's family of companies are committed to improving the financial well-being of Canadians and helping them achieve their goals at every stage of life.

Contents

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.

Unless otherwise noted, all figures mentioned in this report are in Canadian dollars and are as of, or for the year ending, December 31, 2020.

IGM maintains the unique strategies of our individual businesses while also maximizing the value of shared knowledge and resources.

IGM Financial Inc. (TSX: IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia.

Through its operating companies, IGM provides a broad range of financial planning and investment management services to help Canadians meet their financial goals. The company creates value for shareholders through three key areas:

- **Wealth Management**
- **Asset Management**
- **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, private alternative markets and China**
- **Financial strength and scale, strong governance and benefits as a member of the Power Corporation group of companies**
- **Long-term view to shareholder value creation and demonstrated commitment to corporate responsibility**

More than 100 employees, including IGM's Bobby Greenberg, recorded videos for IGM Cares Stories for Charities, part of IGM's Annual Caring Company Campaign.

2020 Highlights

OUR CLIENTS

1Million+

IG Wealth Management clients

30,000+

external advisors doing business with Mackenzie Investments

199,000+

Investment Planning Counsel clients

60%

of Mackenzie Mutual Fund Assets reside in funds rated 4 or 5 stars by Morningstar

$1.65Billion

assets under management in Sustainable Solutions at the end of 2020

PRI Principles for Responsible Investment

IG and Mackenzie achieved a PRI Score of A in the category for Strategy and Governance of Responsible Investing

glc asset management · Northleaf Capital Partners · greenchip

three new strategic investments to broaden IGM's distribution and product shelf

OUR PEOPLE

3,500+

employees across the IGM group of companies

27%

of IG consultants and associates are women

BLACKNORTH

IGM signed pledge to end anti-Black systemic racism and to take action in both our companies and our investments

33%

of IGM senior leadership roles (Vice-President level and higher) held by women

3

extra paid days off in 2020 in appreciation of employees' efforts during the year

1,820

IG consultants with more than four years experience and a total network of 3,304 consultants and associates

7 Partner In Action Teams

employee-led PIA teams enhance awareness, understanding and progress in diversity, equity and inclusion

OUR COMMUNITIES

2021 GLOBAL100

IGM ranked 29th among Corporate Knights' 2021 Global 100 Most Sustainable Corporations

United Way Centraide Canada

$1.18 million raised through inaugural IGM Caring Company Campaign, a 10% increase from 2019

IG EMPOWER YOUR TOMORROW
Building financial confidence together

$5 million over five years dedicated to further the financial confidence of Indigenous communities in Canada

IPC Cares

$89,000 raised to support both local and international initiatives

Investors Statement on Coronavirus Response

IGM signed statement encouraging companies to prioritize the health, safety and well-being of their workers and communities

MACKENZIE Charitable Foundation
Fondation de bienfaisance

$12.8 million donated to charities across Canada since 1999

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

SHAREHOLDER HIGHLIGHTS

NET EARNINGS

$764.4 Million

$3.21 per share

available to common shareholders

ADJUSTED NET EARNINGS

$762.9 Million

$3.20 per share

available to common shareholders

DIVIDENDS DECLARED

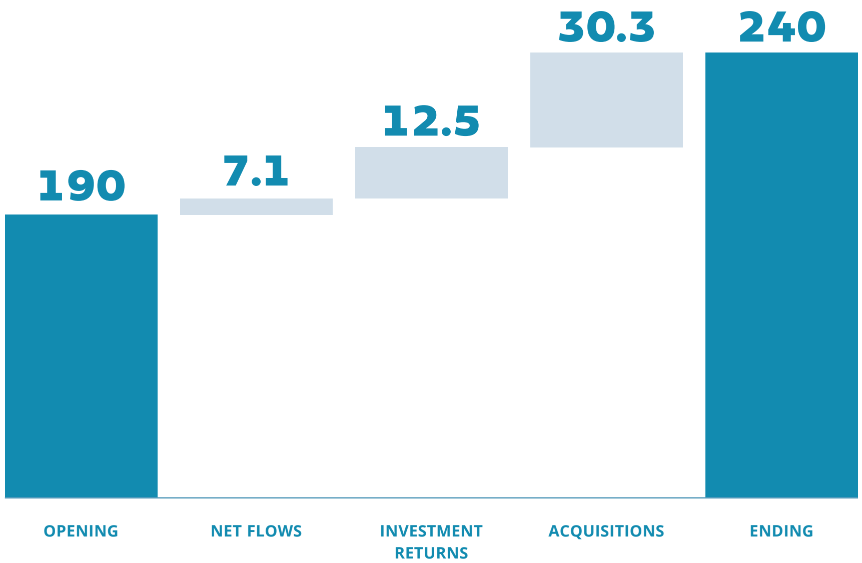
$536.2 Million

$2.25 per share

per common share

Strong Asset Growth

2020 IGM Financial assets under management and advisement ($B)



TOTAL ASSETS UNDER MANAGEMENT AND ADVISEMENT ($B)

	Opening	Net Flows	Investment Returns	Acquisitions	Ending
IG Wealth Management	97.1	0.8	5.4	-	103.3
Investment Planning Counsel	27.7	0.4	1.2	-	29.3
Mackenzie Investments	68.3	6.2	6.1	30.3	110.9
IGM Financial Consolidated*	190.0	7.1	12.5	30.3	240.0

*consolidated results eliminate double counting where business is reflected within multiple segments

Letter to Shareholders

We hope you, your family and loved ones are staying safe. As it was for many of you, 2020 was a year unlike any other for IGM Financial. However, despite the multiple challenges our business and people faced, we built on our momentum and achieved some record results.

We were able to do this because we focused on what was important: the health and well-being of our people and being there for our clients when they needed us most. Our success can also be attributed to the foundational work we began four years ago – a strategic and operational transformation that gave us relevance, speed and flexibility when the pandemic occurred.

On behalf of the leadership team, we thank IGM employees, consultants, and advisors for their flexibility, resilience and commitment to our clients throughout 2020. Almost 90 per cent of our people were able to shift to work-from-home within two weeks of the pandemic. That transition was near-seamless, thanks to new tools and infrastructure we already had in place. For Canadian investors, our ability to stay connected while providing the financial services they needed helped them navigate an often-challenging environment.

In September, IGM Financial and IG Wealth Management President and CEO Jeff Carney retired for health reasons. It's a testament to his leadership and vision that the company was able to successfully work through this change and not miss a beat. We owe a debt of gratitude to Jeff for setting the entire organization up for success both today and tomorrow, and we wish him and his family the very best. With Jeff's departure, we welcomed James O'Sullivan as President and CEO of IGM Financial and Damon Murchison as President and CEO of IG Wealth Management.

In October, IGM realigned its reportable segments to better characterize the company's business lines and improve transparency into our key business drivers, including Wealth Management, Asset Management and Strategic Investments. The second half of 2020 also saw significant M&A activity, including several strategic acquisitions and investments to bolster our asset management business in important areas such as group retirement, private markets and sustainable investing.

As a result of our collective efforts, together we achieved some outstanding milestones in 2020. We ended the year with record-high assets under management and advisement (AUM&A) of $240 billion, up 26 per cent from last year. Net inflows for the year of $7.1 billion were also a record high, up from net outflows of $1.7 billion in 2019. Annual net earnings of $764.4 million or $3.21 per share compared to $746.7 million or $3.12 per share in 2019, and annual adjusted net earnings were $762.9 million or $3.20 per share compared to $763.9 million or $3.19 per share in 2019.

Accelerating our Business Operations Transformation

In 2020, we hit the midpoint of our five-year transformational journey to modernize our employee, consultant, advisor and client experience, while also continuing the digitization of our back office for greater efficiency and agility. The foundations laid in 2019 were critically important in helping our organization successfully respond to and navigate the challenges of the pandemic.

Our transformational work allowed us to quickly pivot when the pandemic hit and change the way we serve our clients. For example, we moved from meeting face-to-face across kitchen tables or in advisor/consultant offices to video conferencing and are now using new mobile apps and adopting online documents, including e-signatures. The transition from predominantly in-person service to a virtual environment was supported and driven through our consultants' transition to Salesforce and digital forms, which occurred in early 2020.

In addition, our employee experience was further enhanced in 2020 as we implemented SAP's leading HR platform, SuccessFactors, to better manage everything from employee benefits to vacation time. We also engaged Soroc Technology to manage and service all our staff and consultants' end-user productivity tools, including laptops and mobile devices. The result is enhanced service delivered more cost-effectively.

Major steps and new partnerships with global leaders furthered our operational efficiencies. This included moving data operations to Google Cloud, which provided us with cost savings, advanced data analytics and AI capabilities. In the back office, our relationship with Capco provided new technologies that have streamlined and, in many cases, automated processes that were once labour-intensive.

While our journey is not yet complete, we are well on our way to becoming one of the most modern financial institutions in the country. During the last two years we have implemented outsourcing, automation and efficiency initiatives that will reduce ongoing expenses by $40 million per year. This has allowed us to moderate expense growth while we bring to life new capabilities that enhance our client and advisor experience.

STRUCTURED FOR SUCCESS

Wealth Management

There have rarely been times when Canadians were more concerned with their future financial security. During 2020 it was essential for IG Wealth Management and Investment Planning Counsel to reassure our clients that we were there for them and that we had the people, expertise and tools to help them successfully navigate the year.

James O'Sullivan
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL

> Our transformational work allowed us to quickly pivot when the pandemic hit and change the way we serve our clients.

When the pandemic hit, IG Wealth Management consultants connected with our clients to help them understand how we would keep them on track to achieve their financial goals, leveraging the technology put in place as part of our business transformation. Our holistic approach to financial planning, embodied in the IG Living Plan, continued to deliver even during the most challenging periods of 2020.

The proof was in the results. During a challenging 2020, IG Wealth Management client assets under advisement grew to $103.3 billion, an increase of 6.4 per cent from 2019, while our gross client inflows were at record-high levels of $10.0 billion, and net flows of $795 million, which are the second highest over the last decade. We also made significant progress in our focus of meeting the distinct needs of high-net-worth (HNW) clients, who represent a growing segment of our client base. In 2020, sales of HNW solutions totaled $4.8 billion, representing 54 per cent of total sales, up from 52 per cent in 2019.

Investment Planning Counsel results were enhanced by its support and commitment to its financial advisors. IPC received stellar ratings from advisors in Investment Executive's 2020 Dealer Report Card: 9.1 out of 10 for corporate culture; 9 out of 10 for delivering on promises; and 8.6 out of 10 for client service. Despite the challenges of 2020, IPC continued to steadily grow its Corporate Branch Office model by more than 50 per cent year-over-year, and has positioned itself as a strong, viable place for retiring independent advisors to transition their business to a strategic partner.

Asset Management

Mackenzie Investments delivered on strategy with new products and tools at a time when Canada's advisors and retail investors needed them most, even as many other asset managers took a defensive wait-and-see posture. As a result, the Mackenzie team built on our 2019 success with a record-setting 2020, which also included significant acquisitions of, and investments in, strategic firms in the group retirement (GLC Asset Management Group Ltd.), private markets (Northleaf Capital Partners) and sustainable investing (Greenchip Financial Corp) sectors.

IGM's Jennifer Ottywill was among the employees who shared their favourite bedtime stories virtually with charities across Canada during IGM's Annual Caring Company Campaign.

Total assets under management (AUM) hit record-high levels of $186.8 billion, up 31.7 per cent from $141.8 billion at the end of 2019. Mackenzie AUM, excluding $30.3 billion from the acquisitions of GLC and Greenchip and $75.8 billion sub-advisory to the Wealth Management segment, rose to $80.6 billion, an increase of 18.1 per cent over 2019. We also saw record-high investment fund net sales of $4.2 billion and total net sales (including institutional) of $6.2 billion in 2020.

Mackenzie worked throughout the year to provide its clients with relevant, innovative and strong-performing products across all asset classes. The firm launched 11 new Exchange Traded Funds (ETFs) and several new mutual funds. In doing so, we reaffirmed our commitment to meeting and anticipating the needs of Canadian investors.

Finally, we are very proud that the team was once again recognized in 2020, with Mackenzie mutual funds and ETFs winning five Refinitiv Lipper Awards, including the prestigious Canada ETF Award for Best Equity Group (Three Year) and

11 awards for outstanding fund performance at this year's Fundata FundGrade A+ Awards. We would be remiss if we didn't congratulate Barry McInerney on being recognized as Wealth Professional's CEO of the Year.

Strategic Investments

In 2020, our strategic investments gave us access to new sectors and expertise that we share across the entire Power Corporation family. We also made some important gains by capitalizing on a couple of high-performing investments, which generated both excellent return on investment and valuable strategic assets for IGM.

The valuation of our investment in Wealthsimple, the online investment management provider geared towards millennials, more than doubled from $252 to $550 million, after a new equity fundraising. The new equity valuation gave Wealthsimple's common shares a valuation of $1.5 billion.

We also realized an excellent return from the sale of our 24.8 per cent interest in Personal Capital Corp. for $232.8 million, compared to an acquisition cost of $189.1 million. Personal Capital, an industry-leading digital wealth management company, remains in the Power Corp. family.

Our Commitment to Community and the World Around Us

While the pandemic was the dominant narrative for 2020, there were other important social and political catalysts that caused us to further strengthen and invest in our commitment to community, including a stronger focus on Diversity, Equity and Inclusion.

In 2020 there was an increased awareness of anti-Black systemic racism and, more generally, racism against Black, Indigenous, and People of Colour (BIPOC). This year IGM and its CEOs became signatories to the BlackNorth Initiative, which is dedicated to the removal of anti-Black systemic barriers.

In addition, we launched the IG Empower Your Tomorrow Indigenous Commitment, which will deliver $5 million over five years to Indigenous Communities across Canada. The centrepiece of the campaign is a new partnership with Prosper Canada to build the financial confidence of Indigenous Peoples in isolated, rural communities.

We continued our focus on climate change, acknowledging the role financial services companies play in tackling one of the most defining issues of our time. IGM was recognized by CDP at the leadership level for its climate disclosures for the third consecutive year. In addition, IGM ranked among Corporate Knights' 2021 Global 100 Most Sustainable Corporations in the World, finishing 29th overall and was the top rated investment services company globally and top rated financial services organization in North America.

2021 and Beyond

COVID challenged us as a company – and as individuals. However, despite these challenges, the firm was able to achieve some record results in 2020 and make significant improvements to our operations, client, consultant, advisor and employee experience and to make meaningful contributions to our communities. We are determined to see these successes translate into value for our shareholders in 2021 and beyond.

This was all possible because our remarkable team showed resilience, commitment and focus on our mission to help Canadians. They adjusted to a dramatically changed landscape and supported each other in ways that enabled us to keep moving forward.

The world may change, but our growth and commitment to you remains as steadfast and constant as ever.

On behalf of the Board of Directors.

James O'Sullivan
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

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PRESIDENT AND CHIEF EXECUTIVE OFFICER
BEAUWARD REAL ESTATE INC.

Marcel R. Coutu (3)
CORPORATE DIRECTOR

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DEPUTY CHAIRMAN
POWER CORPORATION OF CANADA

Paul Desmarais, Jr., O.C., O.Q. (2,3)
CHAIRMAN
POWER CORPORATION OF CANADA

Gary Doer (2)
SENIOR BUSINESS ADVISOR
DENTONS CANADA LLP

Susan Doniz (1,5)
CHIEF INFORMATION OFFICER
THE BOEING COMPANY

Claude Généreux (3,5)
EXECUTIVE VICE-PRESIDENT
POWER CORPORATION OF CANADA

Sharon L. Hodgson (1,4,5)
DEAN
IVEY BUSINESS SCHOOL

Sharon MacLeod (1,3,4)
CORPORATE DIRECTOR

Susan J. McArthur (2,3,5)
CORPORATE DIRECTOR

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

R. Jeffrey Orr (2,3,5)
CHAIR OF THE BOARD
IGM FINANCIAL INC.

PRESIDENT AND CHIEF EXECUTIVE OFFICER
POWER CORPORATION OF CANADA

James O'Sullivan
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL INC.

Gregory D. Tretiak, FCPA, FCA (5)
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER
POWER CORPORATION OF CANADA

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

(1) AUDIT COMMITTEE Chair: John S. McCallum

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

(3) HUMAN RESOURCES COMMITTEE Chair: Claude Généreux

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

(5) RISK COMMITTEE Chair: Gregory D. Tretiak

IGM stayed on strategy and on course during a challenging year, advancing our operational transformation and making some important acquisitions, all while promoting a culture that places the well-being of Canadians and their success at our centre.

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

EXECUTIVE LEADERSHIP

James O'Sullivan
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IGM FINANCIAL

Barry McInerney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MACKENZIE INVESTMENTS

Damon Murchison
PRESIDENT AND CHIEF EXECUTIVE OFFICER
IG WEALTH MANAGEMENT

Chris Reynolds
PRESIDENT AND CHIEF EXECUTIVE OFFICER
INVESTMENT PLANNING COUNSEL

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

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

Michael Dibden
CHIEF OPERATING OFFICER
IGM FINANCIAL

Rhonda Goldberg
EXECUTIVE VICE-PRESIDENT, GENERAL COUNSEL
IGM FINANCIAL

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

Blaine Shewchuk
EXECUTIVE VICE-PRESIDENT, CHIEF STRATEGY & CORPORATE DEVELOPMENT OFFICER
IGM FINANCIAL

Corporate Structure

Strength and scale as part of Power Corporation group of companies

IGM benefits from procurement systems; access to investment distribution channels, products and expertise; governance excellence; and financial strength.

POWER CORPORATION OF CANADA

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia.

IGM Financial

Wealth Management

IG WEALTH MANAGEMENT

Investment Planning Counsel®
FINANCIAL SOLUTIONS FOR LIFE

Asset Management

MACKENZIE Investments

Strategic Investments

ChinaAMC

Northleaf Capital Partners

Wealthsimple

PORTAGE

GREAT-WEST LIFECO INC.

Wealth Management Highlights

Damon Murchison
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
IG WEALTH MANAGEMENT

HIGHLIGHTS

$103.3 BILLION	$10.0 BILLION	$0.8 BILLION
TOTAL ASSETS UNDER ADVISEMENT	RECORD HIGH GROSS CLIENT INFLOWS	SECOND HIGHEST NET CLIENT INFLOWS IN A DECADE

IGM Financial is well-positioned to meet the needs of Canadians through its two operating companies focused on wealth management. IG Wealth Management and Investment Planning Counsel put the client at the centre of everything we do.

Expert Financial Planning Was Never More Important to Canadians

Nothing was more important for IG Wealth Management in 2020 than reassuring our clients that we were there for them, wherever they were, and that we have the tools to help them achieve their financial goals in any economy.

To facilitate stronger connections between our consultants and clients, we developed the Advisor Portal giving IG's consultants a holistic 360-degree view of current and potential clients. Powered by Salesforce's financial services cloud and delivered with the support of the technology consulting firm Slalom, Advisor Portal makes advisor/client interactions faster and easier, enabling our consultants to work with clients on mobile devices, anytime and anywhere.

As a result of the commitment to be there for clients, IG's consultants exceeded their client engagement target goals, as determined by an independent survey conducted by Gallup, a leading global advice and analytics firm.

Inspiring Financial Confidence in Challenging Times

In addition to being there for our clients, IG took concrete action to support the communities in which we live and work, making meaningful investments of money and resources to strengthen the social fabric of Canada in 2020.

IG launched **Answering the Call**, a program that delivered support to Canada's small and medium-sized businesses (SMBs) and their communities as they navigate the financial challenges of the COVID-19 crisis.

Answering the Call was an extension of the work our consultants were already doing in their communities, and included:

- free regional webinars with tax, financial planning and investing specialists;
- insights on tax planning and how to better understand and access government programs; and
- the opportunity for SMB owners across Canada to be matched with a local IG consultant for a no-obligation consultation.

Community involvement and support is an important part of IG Wealth Management. Through our work with community partners and organizations, we continue to build confidence where it matters.

Answering the call

Staff from our IG Fairview Markham region office deliver lunch to front line workers at the North York General Hospital.

Wealth Management Highlights

IG announced an initiative to donate up to $500,000 to support local businesses and their communities, which was in addition to the $1 million donation by IGM Financial along with Canada Life and Power Corporation of Canada to support crisis relief efforts.

To help meet the unique needs of First Nations communities in Canada, IG launched its **Empower Your Tomorrow Indigenous Commitment**, dedicating $5 million over the next five years to support programs and initiatives to enhance financial skills and confidence in Indigenous communities in Canada.

In 2020, IG Wealth Management also continued its support for The Alzheimer Society of Canada, turning our annual IG Walk For Alzheimer's into a virtual event, with $5.1 million raised by more than 12,000 virtual walkers nationally.

We also had a record-setting year for our support of United Way Canada. Participation was up 27 per cent from 2019, with $912,000 raised across the country, an increase of 10 per cent.

EMPOWER YOUR TOMORROW
Building financial confidence together

Keegan Starlight, an Indigenous artist from the Tsuut'ina Nation in Southern Alberta, was featured as part of IG's Empower Your Tomorrow program, which focuses on building the financial confidence of Canadians.

Investment Planning Counsel®

FINANCIAL SOLUTIONS FOR LIFE

Chris Reynolds
PRESIDENT AND CHIEF EXECUTIVE OFFICER
INVESTMENT PLANNING COUNSEL

HIGHLIGHTS

$29.3 BILLION TOTAL ASSETS UNDER ADVISEMENT	**696** FINANCIAL ADVISORS

The COVID-19 pandemic brought unique challenges for IPC, but the firm still maintained its client-centric growth momentum, continuing to provide independent financial planners with the tools, products and support they need to build a better business in support of the Canadians they are helping.

In September, IPC launched a renewed brand campaign – Advice Your Way – to meet the increased demand of accessing financial advice and guidance through virtual channels. The campaign also provided advisors with an enhanced platform to provide continued advice and support to clients during these uncertain times.

To enhance our investment offering and meet the evolving needs of investors, Counsel Portfolio Services and IPC Private Wealth expanded its product offering to include two new portfolio families: IPC Focus Portfolios and IPC Private Wealth Visio Pools, a series of simplified single portfolio solutions that provide investors with access to a strong combination of leading money managers not otherwise accessible to Canadian investors. These portfolios, launched in the fourth quarter of 2020, attracted close to $50 million in total assets over the final quarter of the year with strong momentum for continued growth in 2021.

IPC employees came together virtually to welcome advisors to the opening of IPC's 2020 Fall Summit.

Clockwise from top right: Andrew Schredl, Linda Dietrich, Paul Wylie, Sam Febbraro, Lisa Buffett, Meredith Malloch, Tanya Sydor, Shannon Stock, Hayley Glenn, Joel Penfold and Maja Hurtic.

Asset Management Highlights

MACKENZIE Investments

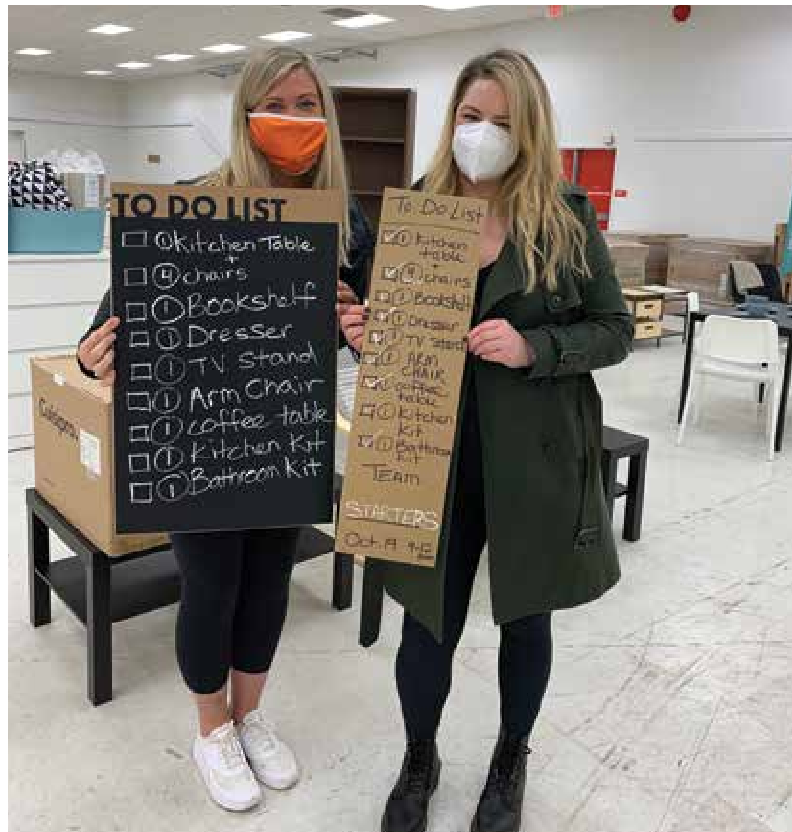
Barry McInerney
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MACKENZIE INVESTMENTS

HIGHLIGHTS

$186.8 BILLION*	$6.2 BILLION	$13.6 BILLION
RECORD HIGH TOTAL ASSETS UNDER MANAGEMENT	RECORD HIGH TOTAL NET SALES	MUTUAL FUND GROSS SALES

*includes $75.8 billion in advisory fee mandates to Wealth Management.

IGM Financial is committed to providing innovative and high-quality investment solutions. Mackenzie Investments continues to deliver strong investment performance by drawing on more than 50 years of experience, insights and expertise in the Asset Management sector.



Mackenzie employees volunteer at Toronto's Furniture Bank, building furniture donated by IKEA for families experiencing furniture poverty due to COVID-19. Pictured are IGM's Samantha Cherry and Kristi Mehisto putting their skills to the test.

Mackenzie Investments delivered on strategy in 2020, with new products and tools at a time when advisors and their clients needed them most. The firm also continued to provide the best possible support – research, investment advice, asset options – to ensure no advisor or client was left behind during the year. As a direct result, it maintained its positive momentum and posted excellent results.

Mackenzie also made three strategic investments in 2020, including:

Becoming One of Canada's Largest Asset Managers

In August, Mackenzie announced a definitive agreement to acquire GLC Asset Management Group Ltd., a subsidiary of The Canada Life Assurance Company. This made Mackenzie one of the top three providers of investment solutions to defined contribution plans and other group retirement offerings in Canada. Further, it increased Mackenzie's total AUM to $186.8 billion at December 31, 2020, solidifying its position as one of Canada's largest asset managers.

Opening Up Private Equity Opportunities to More Canadians

In October, Mackenzie established a strategic relationship to increase its presence in the growing private markets investment industry. With sister company GreatWest Lifeco Inc., Mackenzie acquired an interest in Northleaf Capital Partners. Northleaf is a global private markets investment firm with $15 billion in private equity, private credit and infrastructure assets under management. The transaction expands Mackenzie's abilities to offer global private equity, private credit and infrastructure investments through our retail advisory channels and financial institution distribution partners.

Responding to Canada's Strong Desire for Socially Responsible Investments

In December Mackenzie entered into an agreement to acquire Greenchip Financial Corp., a top-performing Canadian firm focused on the environmental economy. Greenchip invests exclusively in companies selling products that support the transition towards sustainable energy.

Helping Our Community

Mackenzie employees and clients also continued their invaluable support, both financially and through volunteer activities. The Mackenzie Investments Charitable Foundation coordinates our charitable giving and volunteer activities. Supporting charities across Canada, with a special focus on children and youth at risk, the Foundation has donated $12.8 million since it was created in 1999.

Mackenzie's Cake Day is a time-honoured tradition thanking employees for their tremendous efforts throughout the year! Pictured are Mackenzie's Armi McLeod and Errol Bose.

Strategic Investments Highlights

IGM Financial has a portfolio of strategic investments that support our core businesses, while also serving as good investments in their own right. 2020 was an exceptional year in terms of the value received from these investments and their contribution to our ability to serve our clients.

Strategic Investments Enhanced IGM's Business and Financial Strength

Prominent is our investment in China Asset Management Co., Ltd. (CAMC). Our investment in CAMC provides enormous opportunities to Canadian investors, while diversifying IGM's business outside of Canada. China is the second largest economy in the world with one of the highest savings rates globally and as a result CAMC is already seeing break-out performance. With 150 million clients, it is China's second largest provider of long-term mutual funds, and growth there is up 42 per cent in assets under management, as a result of market growth and new client contributions.

The market potential is considerable and we are well-positioned to be part of this exponential growth.

ChinaAMC

$285.1 BILLION	13.9%
ASSETS UNDER MANAGEMENT UP 48.1% IN THE YEAR	OWNERSHIP INTEREST

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

Northleaf Capital Partners

$14.6 BILLION	56%
ASSETS UNDER MANAGEMENT	NET ECONOMIC INTEREST

Northleaf is a global private markets investment firm focused on mid-market companies and assets, with an established long-term track record as a principal investor in private equity, private credit and infrastructure globally.

Wealthsimple

$9.7 BILLION	36.4%
ASSETS UNDER ADMINISTRATION UP 93.6% IN THE YEAR	ECONOMIC INTEREST

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

PORTAGE

38 Different Investments

Portag3, a venture capital fund focused on the financial technology sector, has holdings in over 30 early-stage financial technology companies including Wealthsimple.

Realizing Value from Investments

In the financial technology sector, the valuation of our investment in Wealthsimple more than doubled after a new equity fundraising.

From the sale of our equity interest in Personal Capital to the Empower Retirement subsidiary of our sister firm, Great-West Lifeco, we benefitted from Personal Capital's valuation of US $825 million while retaining its capabilities in the Power Corporation family. Proceeds from the transaction were CAD $232.8 million and up to an additional USD $24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

GREAT-WEST LIFECO INC.

$1.1 BILLION	4%
MARKET VALUE	OWNERSHIP INTEREST

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

Talent and Culture

IGM Financial has created and nurtured a healthy corporate culture that is essential to our success. That strong, inclusive culture has enabled us to thrive in spite of disruptions in the marketplace, as we saw in 2020 and will continue into 2021.

Young skiers celebrate following their participation in Mackenzie's U10 youth racing program. Mackenzie has been a proud supporter of Canadian snow sports for more than 20 years.

IPC's Linda Dietrich welcomes advisors to the Fall Summit.

IG's Amandip Singh Kainth and his family explore Churchill, MB, nicknamed the "Polar Bear Capital of the World".

IGM's success depends on top-notch relationships. We are strengthened by the uniqueness of our people and their different approaches, viewpoints and experiences – this makes our employees, consultants, advisors and clients our greatest ambassadors.

Standing together in our values and beliefs across IGM has created a compelling culture that enables us to embed and deliver sustainable value to our people and clients.

As part of IGM's five-year strategic initiatives, we are well into our journey of moving from a "one experience fits all" approach to deepening our culture of respect, equity, inclusion and community involvement. This is how we enable meaningful careers and motivate people to be the best they can be.

In 2020, COVID-19 acted as a catalyst for leadership and technological change, accelerating us toward our goals.

Across IGM, we acted in a cohesive, unified manner, enabling our people to work safely and productively from home – knowing they had all the tools to do their jobs, while the company acted quickly to focus on all aspects of their wellness.

Attention to employee physical, mental and financial wellness was front and centre. Maintaining a healthy sense of connection between leaders and their team members was essential and that continues into 2021. These connections promote innovative thought and a sense of belonging.

IGM made significant progress identifying and strengthening our corporate culture in 2020 and employee survey results prove these efforts have succeeded. We have encouraged our people to have a voice, and they are using theirs. We asked them to demonstrate managerial and individual courage. In turn, they are asking IGM to demonstrate corporate courage.

In addition to a connection to colleagues, clients and resources, our people also need a sense of connection to community. 2020 was a record-breaking year for our community giving. The IGM Caring Company Campaign raised $1.18 million, a 10 per cent increase from 2019. Our employees participate in a number of national sponsorship programs, such as the IG Wealth Management Walk for Alzheimer's. In 2020, $5.1 million was raised by more than 12,000 virtual walkers nationally, with over 40,000 devices tuned into the national walk broadcast. The Mackenzie Investments Charitable Foundation, run entirely by employee volunteers, continued its support of charities across Canada. The Foundation has donated more than $12 million in grants to charitable organizations that help people in need.

We will continue our journey in 2021. While our environment continues to evolve, our commitment to providing a strong and positive culture to help our people thrive remains unchanged.

IG's Andre Cadieux and Amy Cadieux had the opportunity to hold the Grey Cup when the 2019 champion Winnipeg Blue Bombers brought it to our head office in Winnipeg.

To achieve our vision, we have set priorities with measurable goals that focus on the following:

Strategic Workforce Planning

Anticipate and drive change that aligns talent decisions with future business opportunities

Optimal Organization Design

Align the right structure and roles with the business and workforce strategy, and ensure we continue to meet changing client needs

Talent Culture

Build greater capabilities and future-proof the business through evolving leadership, development and succession management

Fulfilling/Differentiated People Value Proposition

Enable employee and business success through clarity and focus on what makes IGM special

Holistic Approach To Wellness And Rewards

Increase resilience and engagement through holistic wellness, flexible and competitive total rewards packages

Talent Management Systems

Equip our leaders to make informed decisions through data-based insights driven by integrated systems and programs

Communications

Provide a connected, accessible communication experience that enables people to provide their feedback

Our Guiding Principles

2020 challenged us as a company – and as individuals. Despite these challenges, we achieved some record results, making significant improvements to our operations and meaningful contributions to our communities.

The world may change, but our growth and commitment to our shareholders remains as steadfast and constant as ever.

Clients Come First in All We Do
We will leverage the IGM ecosystem to deliver the best outcomes for our clients

Strong Businesses and 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

financial section

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, 2020 and 2019 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, 2020 is as of February 11, 2021.

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, 2020, Power Corporation of Canada (PCC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PCC, held directly or indirectly 62.1% and 3.9%, respectively, of the outstanding common shares of IGM Financial.

Forward-looking Statements

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

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

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

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

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), "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, Adjusted 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. 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, 4, 5 and 6.

IGM Financial Inc.

Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. The Company also operates through wealth manager Investment Planning Counsel and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Group Ltd. (Northleaf) and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

In the third quarter of 2020, the Company realigned its financial reporting and related disclosures to reflect its current reportable segments of Wealth Management, Asset Management and Strategic Investments and Other. These segments are described later in this MD&A.

IGM Financial's assets under management and advisement were $240.0 billion as at December 31, 2020, the highest level in the history of the Company, compared with $190.0 billion at December 31, 2019, as detailed in Table 8. This increase of 26.3% consists of $12.5 billion of client investment returns, $7.1 billion of client net flows and $30.3 billion of net business acquisitions. Average total assets under management and advisement for the year ended December 31, 2020 were $191.2 billion compared to $183.5 billion in 2019. Average total assets under management and advisement for the fourth quarter of 2020 were $202.2 billion compared to $187.4 billion in the fourth quarter of 2019.

Total assets under management were $214.0 billion at December 31, 2020, the highest level in the history of the Company, compared with $166.8 billion at December 31, 2019. Average total assets under management for the year ended December 31, 2020 were $168.5 billion compared to $161.1 billion in 2019. Average total assets under management for the fourth quarter of 2020 were $177.6 billion compared to $164.5 billion in the fourth quarter of 2019.

Net earnings available to common shareholders for the year ended December 31, 2020 were $764.4 million or $3.21 per share compared to net earnings available to common shareholders of $746.7 million or $3.12 per share in 2019. Net earnings available to common shareholders for the three months ended December 31, 2020 were $229.1 million or 96 cents per share compared to net earnings available to common shareholders of $191.6 million or 80 cents per share for the comparative period in 2019.

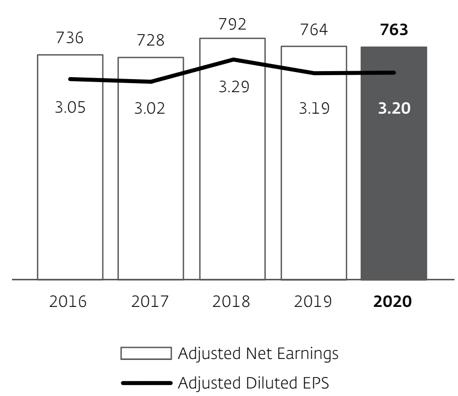
Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2020 were $762.9 million or $3.20 per share compared to adjusted net earnings available to common shareholders of $763.9 million or $3.19 per share in 2019. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended December 31, 2020 were $204.3 million or 86 cents per share compared to adjusted net earnings available to common shareholders of $200.8 million or 84 cents per share in 2019.

Other items for the year ended December 31, 2020 consisted of:

- A gain on the sale of the Quadrus Group of Funds net of acquisition costs, of $21.4 million after-tax ($25.2 million pre-tax), recorded in the fourth quarter.

Adjusted Net Earnings and Adjusted Net Earnings per Share

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



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

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

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

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

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

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

- The Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments related to the revaluation of a deferred tax asset less certain restructuring and transaction costs, of $3.4 million, recorded in the fourth quarter.
- A gain on the sale of the investment in Personal Capital Corporation of $31.4 million after-tax ($37.2 million pre-tax), recorded in the third quarter.
- Restructuring and other charges of $54.7 million after-tax ($74.5 million pre-tax), recorded in the third quarter, resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management Group Ltd. (GLC) and other changes to our investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. During the third quarter, IGM Financial announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company recorded costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the third quarter, the Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

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

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

Shareholders' equity was $5.0 billion at December 31, 2020, compared to $4.5 billion at December 31, 2019. Return on average common equity based on adjusted net earnings for the year ended December 31, 2020 was 16.1%, compared with 17.2% for the comparative period in 2019. The quarterly dividend per common share was 56.25 cents in 2020, unchanged from the end of 2019.

2020 DEVELOPMENTS

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, the Company's subsidiary, Mackenzie, acquired all of the common shares of GLC, a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco), for cash consideration of $185.0 million.

GLC has $37 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, individual and group segregated funds offered by and through Canada Life.

In a separate transaction, Lifeco's subsidiary, Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for total cash consideration of $30 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

Northleaf Capital Group Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Great-West Lifeco Inc. (Lifeco), acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of $241 million and up to an additional $245 million in consideration at the end of five years subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods.

Northleaf is a global private equity, private credit and infrastructure fund manager, headquartered in Toronto, with more than 150 employees across seven offices in Canada, the U.S., UK and Australia. Northleaf's assets under management, including invested capital and uninvested commitments, were $14.6 billion at December 31, 2020.

The financial results of Northleaf are recorded in the Company's Strategic Investments and Other segment.

Greenchip Financial Corporation (Greenchip)

On December 22, 2020, Mackenzie acquired 100% of Greenchip, a Canadian firm focused exclusively on the environmental economy since 2007. The acquisition adds $618 million in assets under management, of which $435 million was sub-advisory mandates to the Mackenzie Global Environmental Equity Fund.

INVESTMENT IN WEALTHSIMPLE FINANCIAL CORP. (WEALTHSIMPLE)

On October 14, 2020, Wealthsimple announced a $114 million equity fundraising led by TCV, one of the largest growth equity investors focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. The new investors have an ownership stake of 7.4%. The purchase price associated with this fundraising valued the common equity of Wealthsimple at $1.5 billion ($1.4 billion pre-money valuation).

IGM Financial is the largest shareholder in Wealthsimple and holds, directly and indirectly, a 36% interest. As a result of this valuation, the fair value of the Company's investment increased by $298 million and is recorded at $550 million at December 31, 2020. The change in fair value was recognized through Other Comprehensive Income.

SALE OF PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In the third quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of $232.8 million (USD $176.2 million) and up to an additional USD $24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of $37.2 million ($31.4 million net of tax) in Net investment income and other in the Consolidated Financial Statements.

The Company's economic gain, based on the cost of its investment in Personal Capital of $189.1 million, was approximately $43.7 million ($37.9 million net of tax).

COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Volatility in global equity markets in 2020 has been significant. In the first quarter of 2020, the S&P TSX Composite index declined by 21.6%, increased by 16.0% in the second quarter, increased by 3.9% in the third quarter, and in the fourth quarter increased by 8.1%. Year to date returns were positive 2.2%. U.S. equity markets, as measured by the S&P 500 index, for those same periods declined by 20.0%, increased by 20.0%, increased by 8.5%, and increased by 11.7% for a year to date return of positive 16.3%. Our clients experienced an average investment return of negative 11.7% in the first quarter, positive returns of 9.7% in the second quarter of 2020, positive returns of 4.2% in the third quarter, positive returns of 5.5% in the fourth quarter, and year to date positive returns of 6.5%. IGM Financial's assets under management and advisement increased from $196.4 billion at September 30, 2020 to $240.0 billion at December 31, 2020, which represents an increase of 6.7%, excluding $30.3 billion in net business acquisitions in the fourth quarter of GLC and Greenchip. Excluding these acquisitions, assets under management and advisement have increased by 10.3% from $190.0 billion at December 31, 2019, despite the volatility in global equity markets during the year. The volatility of IGM Financial's assets under management and advisement in 2020 has not been as severe as overall market changes, reflecting the diversified nature of IGM Financial's overall asset mix.

Even though progress has been made on the deployment of vaccines, the duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

In response to the impact of COVID-19, the Company continues to support our employees, advisors, clients and communities with actions as described in the following table.

COVID-19 COMPANY RESPONSE – SUPPORTING OUR EMPLOYEES, ADVISORS, CLIENTS AND COMMUNITIES

Employees & Advisors	Clients	Communities
a) **Safety:** Rapid move to work from home model for virtually all employees and company advisors. Investments in hardware and supported people to take desktops home b) **Financial peace of mind:** Commitment to no COVID-19 job loss across IGM in 2020 Special allowance for non-executive employees to cover work from home costs Allowance for the few essential workers still travelling to the office c) **Work-life balance:** Accommodations for childcare and flexible workdays d) **Mental and Physical Health:** Enhanced employee benefits e) **Advisor support** to work with clients	a) **Enhanced communication:** Increased support on managing market volatility, the value of advice and portfolio manager commentary b) **Taking advantage of digitization and technology to work with clients:** At IG, increased utilization of digital forms, e-signatures Increased use of virtual client interactions at IG and IPC At Mackenzie, increased utilization of virtual wholesaling with advisors c) **Financial hardship support:** Ongoing delivery of financial planning, helping clients access government programs where needed, mortgage deferral program at IG	a) **$1 million joint contribution:** along with Power Corporation of Canada and Canada Life, support crisis relief efforts in our communities – Local and national food banks – Vulnerable people – Small businesses b) IG Wealth Management will **strengthen its support of United Way** and their work with isolated seniors c) Mackenzie Investments Charitable Foundation will increase its **support for women and children in community shelters** d) Free financial planning advice to small and medium business owners

Foundations to Support our Stakeholders
a) **Executive COVID-19 Committee:** Leadership decision making and direction setting, as well as coordination of divisional support
b) **Business continuity and emergency preparedness:** We plan for and test our ability to securely operate in a variety of scenarios including work-at-home capabilities

COVID-19 has the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: liquidity risk; credit risk; business risk and risks related to assets under management; operational risk; governance, oversight and strategic risk; regulatory developments; and people risk. These risks are discussed in further detail in the Risk Management section of this MD&A.

REPORTING CHANGES

In the third quarter of 2020, the Company realigned its reportable segments and made disclosure enhancements to its Consolidated Statements of Earnings to better characterize the Company's business lines, improve transparency into the key drivers of the business, and facilitate appropriate valuation of each segment. Prior period comparative information has been restated to reflect the disclosure enhancements and realigned segments.

These changes have no impact on the reported earnings of the Company.

REPORTABLE SEGMENTS

The new segments as described below reflect the Company's internal financial reporting and performance measurement (Tables 4, 5 and 6):

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
($ millions)	**2020 DEC. 31**	2020 SEP. 30	2019 DEC. 31	**2020 DEC. 31**	2019 DEC. 31
Adjusted net earnings available to common shareholders – Non-IFRS measure	**$ 204.3**	$ 214.2	$ 200.8	**$ 762.9**	$ 763.9
Gain on sale of Personal Capital, net of tax	**–**	31.4	–	**31.4**	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**21.4**	–	–	**21.4**	–
Proportionate share of associate's adjustments	**3.4**	–	–	**3.4**	–
Restructuring and other, net of tax	**–**	(54.7)	–	**(54.7)**	–
Proportionate share of associate's one-time charges	**–**	–	(9.2)	**–**	(17.2)
Net earnings available to common shareholders – IFRS	**$ 229.1**	$ 190.9	$ 191.6	**$ 764.4**	$ 746.7
Adjusted net earnings per share[(1)] available to common shareholders – Non-IFRS measure	**$ 0.86**	$ 0.90	$ 0.84	**$ 3.20**	$ 3.19
Gain on sale of Personal Capital, net of tax	**–**	0.13	(0.04)	**0.13**	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**0.09**	–	–	**0.09**	–
Proportionate share of associate's adjustments	**0.01**	–	–	**0.02**	–
Restructuring and other, net of tax	**–**	(0.23)	–	**(0.23)**	–
Proportionate share of associate's one-time charges	**–**	–	–	**–**	(0.07)
Net earnings per share[(1)] available to common shareholders – IFRS	**$ 0.96**	$ 0.80	$ 0.80	**$ 3.21**	$ 3.12
EBITDA before sales commissions – Non-IFRS measure	**$ 326.4**	$ 336.3	$ 336.5	**$ 1,226.4**	$ 1,294.0
Sales-based commissions paid	**(41.3)**	(30.0)	(45.2)	**(139.5)**	(165.1)
EBITDA after sales commissions – Non-IFRS measure	**285.1**	306.3	291.3	**1,086.9**	1,128.9
Sales-based commissions paid subject to amortization	**36.1**	25.1	23.5	**117.6**	67.2
Amortization of capitalized sales commissions	**(10.6)**	(9.5)	(6.5)	**(36.4)**	(22.4)
Amortization of capital, intangible and other assets	**(21.5)**	(21.5)	(19.9)	**(83.5)**	(79.5)
Adjusted earnings before interest and income taxes – Non-IFRS measure	**289.1**	300.4	288.4	**1,084.6**	1,094.2
Interest expense[(2)]	**(27.9)**	(27.9)	(27.8)	**(110.6)**	(108.4)
Adjusted earnings before income taxes – Non-IFRS measure	**261.2**	272.5	260.6	**974.0**	985.8
Gain on sale of Personal Capital	**–**	37.2	–	**37.2**	–
Gain on sale of QGOF net of acquisition costs	**25.2**	–	–	**25.2**	–
Proportionate share of associate's adjustments	**3.4**	–	–	**3.4**	–
Restructuring and other	**–**	(74.5)	–	**(74.5)**	–
Proportionate share of associate's one-time charges	**–**	–	(9.2)	**–**	(17.2)
Earnings before income taxes	**289.8**	235.2	251.4	**965.3**	968.6
Income taxes	**(60.5)**	(44.3)	(59.8)	**(200.7)**	(219.7)
Non-controlling interest	**(0.2)**	–	–	**(0.2)**	–
Perpetual preferred share dividends	**–**	–	–	**–**	(2.2)
Net earnings available to common shareholders – IFRS	**$ 229.1**	$ 190.9	$ 191.6	**$ 764.4**	$ 746.7

(1) Diluted earnings per share.

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

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

At the consolidated IGM Financial level, the change in reportable segments has no effect on financial results. The key differences include the financial presentation changes and segment changes noted above. In addition, the Asset Management segment includes assets under management that are managed for other IGM businesses in the Wealth Management segment.

Assets under Management and Advisement (AUM&A) represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM operating companies.

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

COMPARISON OF IGM FINANCIAL REPORTABLE SEGMENTS

Segments Effective Third Quarter 2020(1)	Previous Segments
Wealth Management includes: • IG Wealth Management • Investment Planning Counsel Inc.	IG Wealth Management
Asset Management includes: • Mackenzie Investments • Results include the $76 billion sub-advisory relationship(2) with IG Wealth Management and Investment Planning Counsel	Mackenzie Investments
Strategic Investments and Other includes: • Great-West Lifeco Inc. • China AMC • Northleaf • Wealthsimple • Portag3 Ventures • Unallocated capital	Corporate and Other included: • Great-West Lifeco Inc. • China AMC • Wealthsimple • Portag3 Ventures • Personal Capital Corporation • Net investment income not allocated to the IG Wealth Management or Mackenzie segments • Investment Planning Counsel Inc.

(1) Prior period segment reporting and disclosure has been restated for comparison purposes.
(2) Previously recorded as a cost-sharing arrangement.

FINANCIAL PRESENTATION

The financial presentation changes include the reclassification of certain revenues and expenses to provide greater alignment with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The changes to the categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and net investment income and other revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses vary directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation and technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

The reconciliations of IGM's current presentation of its revenues and expenses to prior period presentation are included in Tables 2 and 3.

Certain items reflected in Tables 4, 5 and 6 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt and interest expense on leases. The change in interest expense for the twelve month period resulted from the impact of the issuance of $250 million 4.206% debentures on March 20, 2019.
- *2020 Gain on sale of the Quadrus Group of Funds net of acquisition costs* – $25.2 million ($21.4 million after-tax), recorded in the fourth quarter.
- *2020 Proportionate share of associate's adjustments* – $3.4 million which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.
- *2020 Gain on sale of Personal Capital* – $37.2 million ($31.4 million after-tax), recorded in the third quarter, resulting from the sale of the Company's investment in Personal Capital.
- *2020 Restructuring and other* – $74.5 million ($54.7 million after-tax), recorded in the third quarter, resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC and other changes to our investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. During the quarter, IGM announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company is recording costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the quarter, the Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.
- *2019 Proportionate share of associate's one-time charges* – consisted of:
  - $9.2 million representing the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction.
  - $8.0 million representing the Company's proportionate share in Great-West Lifeco Inc.'s after-tax loss, recorded in the second quarter, on the sale of its United States individual life insurance and annuity business.

TABLE 2: STATEMENT OF EARNINGS RECONCILIATION

THREE MONTHS ENDED DECEMBER 31, 2020
($ millions)

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		$ 599.8	$ 103.3	$ 93.8	$ 49.8	$ 43.5	$ 288.8	$ 283.7	$ 27.9	$ 289.8
CURRENT PRESENTATION										
Revenues										
Wealth management	$ 594.2	408.9	76.1	92.6	16.6					
Asset management	216.3	190.9	27.2	1.2				(3.0)		
Dealer compensation	(74.3)						(74.3)			
Net asset management	142.0	190.9	27.2	1.2			(74.3)	(3.0)		
Net investment income and other(1)	33.2				33.2					
Proportionate share of associates' earnings(2)	43.5					43.5				
	812.9	599.8	103.3	93.8	49.8	43.5	(74.3)	(3.0)		
Expenses										
Advisory and business development	283.1						214.5	68.6		
Operations and support(3)	193.8							193.8		
Sub-advisory	18.3							18.3		
Interest	27.9								27.9	
	523.1						214.5	280.7	27.9	
Earnings before income taxes	$ 289.8									

(1) Net investment income includes the gain on sale of Quadrus Group of funds of $30.0 million.
(2) Proportionate share of associates' earnings includes one time adjustments of $3.4 million.
(3) Operations and support includes acquisition costs of $4.8 million.

- *Income taxes* – changes in the effective tax rates are shown in Table 7.

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

- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares. The decrease in the preferred share dividends reflects the redemption of the $150.0 million in preferred shares on April 30, 2019.

TABLE 3: STATEMENT OF EARNINGS RECONCILIATION

TWELVE MONTHS ENDED DECEMBER 31, 2020
($ millions)

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		$ 2,282.9	$ 403.4	$ 346.3	$ 129.4	$ 150.4	$ 1,088.3	$ 1,148.2	$ 110.6	$ 965.3
CURRENT PRESENTATION										
Revenues										
Wealth management	$ 2,259.6	1,564.7	301.9	341.8	51.2					
Asset management	812.9	718.2	101.5	4.5				(11.3)		
Dealer compensation	(283.1)						(283.1)			
Net Asset management	529.8	718.2	101.5	4.5			(283.1)	(11.3)		
Net investment income and other(1)	78.2				78.2					
Proportionate share of associates' earnings(2)	150.4					150.4				
	3,018.0	2,282.9	403.4	346.3	129.4	150.4	(283.1)	(11.3)		
Expenses										
Advisory and business development	1,040.2						805.2	235.0		
Operations and support(3)	830.7							830.7		
Sub-advisory	71.2							71.2		
Interest	110.6								110.6	
	2,052.7						805.2	1,136.9	110.6	
Earnings before income taxes	$ 965.3									

(1) Net investment income includes the gain on sale of Personal Capital of $37.2 million and gain on sale of Quadrus Group of funds of $30.0 million.

(2) Proportionate share of associates' earnings includes one time adjustments of $3.4 million.

(3) Operations and support includes restructuring and other charges of $74.5 million and acquisition costs of $4.8 million.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2020 VS. Q4 2019

THREE MONTHS ENDED ($ millions)	WEALTH MANAGEMENT 2020 DEC. 31	WEALTH MANAGEMENT 2019 DEC. 31	ASSET MANAGEMENT 2020 DEC. 31	ASSET MANAGEMENT 2019 DEC. 31	STRATEGIC INVESTMENTS & OTHER 2020 DEC. 31	STRATEGIC INVESTMENTS & OTHER 2019 DEC. 31	INTERSEGMENT ELIMINATIONS 2020 DEC. 31	INTERSEGMENT ELIMINATIONS 2019 DEC. 31	TOTAL 2020 DEC. 31	TOTAL 2019 DEC. 31
Revenues										
Wealth management	**$ 598.5**	$ 591.1	**$ –**	$ –	**$ –**	$ –	**$ (4.3)**	$ (4.0)	**$ 594.2**	$ 587.1
Asset management	**–**	–	**242.1**	229.6	**–**	–	**(25.8)**	(26.2)	**216.3**	203.4
Dealer compensation expense	**–**	–	**(78.6)**	(73.9)	**–**	–	**4.3**	4.1	**(74.3)**	(69.8)
Net asset management	**–**	–	**163.5**	155.7	**–**	–	**(21.5)**	(22.1)	**142.0**	133.6
Net investment income and other	**1.0**	4.5	**1.0**	(0.3)	**1.1**	2.6	**0.1**	(0.1)	**3.2**	6.7
Proportionate share of associates' earnings	**–**	–	**–**	–	**40.1**	32.6	**–**	–	**40.1**	32.6
	599.5	595.6	**164.5**	155.4	**41.2**	35.2	**(25.7)**	(26.2)	**779.5**	760.0
Expenses										
Advisory and business development	**254.8**	248.6	**28.3**	22.5	**–**	–	**–**	(0.2)	**283.1**	270.9
Operations and support	**113.3**	104.2	**74.6**	77.7	**0.9**	0.6	**0.2**	0.1	**189.0**	182.6
Sub-advisory	**42.7**	41.5	**1.5**	2.7	**–**	–	**(25.9)**	(26.1)	**18.3**	18.1
	410.8	394.3	**104.4**	102.9	**0.9**	0.6	**(25.7)**	(26.2)	**490.4**	471.6
Adjusted earnings before interest and taxes	**$ 188.7**	$ 201.3	**$ 60.1**	$ 52.5	**$ 40.3**	$ 34.6	**$ –**	$ –	**289.1**	288.4
Interest expense[1]									**(27.9)**	(27.8)
Gain on sale of Quadrus Group of Funds net of acquisition costs									**25.2**	–
Proportionate share of associate's adjustments									**3.4**	–
Proportionate share of associate's one-time charges									**–**	(9.2)
Earnings before income taxes									**289.8**	251.4
Income taxes									**60.5**	59.8
Net earnings									**229.3**	191.6
Non-controlling interest									**(0.2)**	–
Net earnings available to common shareholders									**$ 229.1**	$ 191.6
Adjusted net earnings available to common shareholders[2]									**$ 204.3**	$ 200.8

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

(2) 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.

TABLE 5: CONSOLIDATED OPERATING RESULTS BY SEGMENT – TWELVE MONTHS ENDED

TWELVE MONTHS ENDED ($ millions)	WEALTH MANAGEMENT 2020 DEC. 31	WEALTH MANAGEMENT 2019 DEC. 31	ASSET MANAGEMENT 2020 DEC. 31	ASSET MANAGEMENT 2019 DEC. 31	STRATEGIC INVESTMENTS & OTHER 2020 DEC. 31	STRATEGIC INVESTMENTS & OTHER 2019 DEC. 31	INTERSEGMENT ELIMINATIONS 2020 DEC. 31	INTERSEGMENT ELIMINATIONS 2019 DEC. 31	TOTAL 2020 DEC. 31	TOTAL 2019 DEC. 31
Revenues										
Wealth management	$ 2,276.0	$ 2,315.2	$ –	$ –	$ –	$ –	$ (16.4)	$ (16.2)	$ 2,259.6	$ 2,299.0
Asset management	–	–	913.5	896.5	–	–	(100.6)	(104.2)	812.9	792.3
Dealer compensation expense	–	–	(299.5)	(292.9)	–	–	16.4	15.9	(283.1)	(277.0)
Net asset management	–	–	614.0	603.6	–	–	(84.2)	(88.3)	529.8	515.3
Net investment income and other	2.3	13.6	2.9	4.2	6.0	7.3	(0.2)	(0.3)	11.0	24.8
Proportionate share of associates' earnings	–	–	–	–	147.0	122.4	–	–	147.0	122.4
	2,278.3	2,328.8	616.9	607.8	153.0	129.7	(100.8)	(104.8)	2,947.4	2,961.5
Expenses										
Advisory and business development	960.0	986.5	80.2	79.9	–	–	–	(0.4)	1,040.2	1,066.0
Operations and support	453.7	436.0	293.7	295.2	4.1	2.2	(0.1)	(0.3)	751.4	733.1
Sub-advisory	163.2	161.5	8.7	10.8	–	–	(100.7)	(104.1)	71.2	68.2
	1,576.9	1,584.0	382.6	385.9	4.1	2.2	(100.8)	(104.8)	1,862.8	1,867.3
Adjusted earnings before interest and taxes	$ 701.4	$ 744.8	$ 234.3	$ 221.9	$ 148.9	$ 127.5	$ –	$ –	1,084.6	1,094.2
Interest expense[1]									(110.6)	(108.4)
Gain on sale of Personal Capital									37.2	–
Gain on sale of Quadrus Group of Funds net of acquisition costs									25.2	–
Proportionate share of associate's adjustments									3.4	–
Restructuring and other									(74.5)	–
Proportionate share of associate's one-time charges									–	(17.2)
Earnings before income taxes									965.3	968.6
Income taxes									200.7	219.7
Net earnings									764.6	748.9
Non-controlling interest									(0.2)	–
Perpetual preferred share dividends									–	(2.2)
Net earnings available to common shareholders									$ 764.4	$ 746.7
Adjusted net earnings available to common shareholders[2]									$ 762.9	$ 763.9

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

(2) 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.

TABLE 6: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q4 2020 VS. Q3 2020

	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
THREE MONTHS ENDED *($ millions)*	**2020 DEC. 31**	2020 SEP. 30	**2020 DEC. 31**	2020 SEP. 30	**2020 DEC. 31**	2020 SEP. 30	**2020 DEC. 31**	2020 SEP. 30	**2020 DEC. 31**	2020 SEP. 30
Revenues										
Wealth management	**$ 598.5**	$ 575.7	**$ –**	$ –	**$ –**	$ –	**$ (4.3)**	$ (4.1)	**$ 594.2**	$ 571.6
Asset management	**–**	–	**242.1**	233.1	**–**	–	**(25.8)**	(25.7)	**216.3**	207.4
Dealer compensation expense	**–**	–	**(78.6)**	(75.5)	**–**	–	**4.3**	4.2	**(74.3)**	(71.3)
Net asset management	**–**	–	**163.5**	157.6	**–**	–	**(21.5)**	(21.5)	**142.0**	136.1
Net investment income and other	**1.0**	0.7	**1.0**	1.1	**1.1**	0.6	**0.1**	(0.2)	**3.2**	2.2
Proportionate share of associates' earnings	**–**	–	**–**	–	**40.1**	43.5	**–**	–	**40.1**	43.5
	599.5	576.4	**164.5**	158.7	**41.2**	44.1	**(25.7)**	(25.8)	**779.5**	753.4
Expenses										
Advisory and business development	**254.8**	236.5	**28.3**	16.0	**–**	–	**–**	0.1	**283.1**	252.6
Operations and support	**113.3**	111.2	**74.6**	69.7	**0.9**	1.2	**0.2**	(0.2)	**189.0**	181.9
Sub-advisory	**42.7**	41.7	**1.5**	2.5	**–**	–	**(25.9)**	(25.7)	**18.3**	18.5
	410.8	389.4	**104.4**	88.2	**0.9**	1.2	**(25.7)**	(25.8)	**490.4**	453.0
Adjusted earnings before interest and taxes	**$ 188.7**	$ 187.0	**$ 60.1**	$ 70.5	**$ 40.3**	$ 42.9	**$ –**	$ –	**289.1**	300.4
Interest expense[1]									**(27.9)**	(27.9)
Gain on sale of Quadrus Group of Funds net of acquisition costs									**25.2**	–
Proportionate share of associate's adjustments									**3.4**	–
Gain on sale of Personal Capital									**–**	37.2
Restructuring and other									**–**	(74.5)
Earnings before income taxes									**289.8**	235.2
Income taxes									**60.5**	44.3
Net earnings									**229.3**	190.9
Non-controlling interest									**(0.2)**	–
Net earnings available to common shareholders									**$ 229.1**	$ 190.9
Adjusted net earnings available to common shareholders[2]									**$ 204.3**	$ 214.2

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

(2) 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.

TABLE 7: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	**2020 DEC. 31**	2019 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	**26.60 %**	26.82 %	26.76 %	**26.68 %**	26.77 %
Effect of:					
Proportionate share of associates' earnings	**(3.29)**	(4.50)	(3.43)	**(3.71)**	(3.31)
Tax loss consolidation[1]	**(0.96)**	(1.20)	(1.36)	**(1.15)**	(1.41)
Other items	**(0.19)**	(0.12)	0.83	**(0.11)**	0.15
Effective income tax rate – adjusted net earnings	**22.16**	21.00	22.80	**21.71**	22.20
Disposition of assets net of acquisition costs	**(0.98)**	(2.14)	–	**(0.82)**	–
Proportionate share of associate's adjustments	**(0.31)**	–	0.99	**(0.09)**	0.48
Effective income tax rate – net earnings	**20.87 %**	18.86 %	23.79 %	**20.80 %**	22.68 %

(1) See Note 26 – Related Party Transactions of the Consolidated Financial Statements included in the 2020 IGM Financial Inc. Annual Report (Annual Financial Statements).

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement were $240.0 billion at December 31, 2020 compared to $190.0 billion at December 31, 2019, an increase of 26.3%. Excluding $30.3 billion in net business acquisitions in the fourth quarter of GLC Asset Management Group Ltd. (GLC) and Greenchip Financial Corp. (Greenchip), assets under management and advisement at December 31, 2020 were up 10.3% from December 31, 2019. Total assets under management were $214.0 billion at December 31, 2020 compared to $166.8 billion at December 31, 2019, an increase of 28.3%. Excluding the net business acquisitions, total assets under management were up 10.1%. Changes in assets under management and advisement are detailed in Table 8.

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

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 9.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 9, variations in net earnings and total revenues result primarily from changes in average assets under management and advisement. Assets under management and advisement were $170.2 billion in 2018, increased to $190.0 billion in 2019 and increased to $240.0 billion in 2020. Increases were driven largely by changes in financial markets during the periods, and in 2020 were primarily due to net business acquisitions of $30.3 billion. Average total assets under management and advisement for the year ended December 31, 2020 were $191.2 billion compared to $183.5 billion in 2019. The impact on earnings and revenues of changes in average total assets under management and advisement and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

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

Dividends per Common Share – Annual dividends per common share were $2.25 in 2020, unchanged from 2019 and 2018.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 10 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 10, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

TABLE 8: ASSETS UNDER MANAGEMENT AND ADVISEMENT

	WEALTH MANAGEMENT				ASSET MANAGEMENT					
	IG WEALTH MANAGEMENT		INVESTMENT PLANNING COUNSEL		MACKENZIE INVESTMENTS		INTERCOMPANY ELIMINATIONS[1]		CONSOLIDATED	
THREE MONTHS ENDED (*$ millions*)	**2020 DEC. 31**	2019 DEC. 31	**2020 DEC. 31**	2019 DEC. 31	**2020 DEC. 31**	2019 DEC. 31	**2020 DEC. 31**	2019 DEC. 31	**2020 DEC. 31**	2019 DEC. 31
Gross flows										
Mutual fund gross sales[2][3]	**$ 2,572**	$ 2,251	**$ 177**	$ 147	**$ 4,501**	$ 2,587	**$ –**	$ –	**$ 7,250**	$ 4,985
Dealer gross inflows	**2,938**	2,467	**1,487**	1,150	**–**	–	**–**	–	**4,425**	3,617
Net flows										
Mutual fund net sales[2][3]	**(9)**	(247)	**(89)**	(114)	**1,376**	18	**–**	–	**1,278**	(343)
ETF Net creations	**–**	–	**–**	–	**372**	202	**–**	–	**372**	202
Investment fund net sales	**(9)**	(247)	**(89)**	(114)	**1,748**	220	**–**	–	**1,650**	(141)
Institutional SMA net sales	**–**	–	**–**	–	**(75)**	(73)	**–**	–	**(75)**	(73)
Managed asset net sales	**(9)**	(247)	**(89)**	(114)	**1,673**	147	**–**	–	**1,575**	(214)
Other dealer net flows	**494**	138	**338**	91	**–**	–	**(186)**	(22)	**646**	207
Total net flows	**485**	(109)	**249**	(23)	**1,673**	147	**(186)**	(22)	**2,221**	(7)
TWELVE MONTHS ENDED										
Gross flows										
Mutual fund gross sales[2][5]	**$ 8,987**	$ 8,723	**$ 577**	$ 694	**$ 13,565**	$ 9,886	**$ –**	$ –	**$ 23,129**	$ 19,303
Dealer gross inflows	**9,977**	9,307	**4,760**	4,345	**–**	–	**–**	–	**14,737**	13,652
Net flows										
Mutual fund net sales[2][5]	**(451)**	(1,089)	**(307)**	(272)	**2,956**	512	**–**	–	**2,198**	(849)
ETF Net creations[4]	**–**	–	**–**	–	**1,232**	707	**–**	–	**1,232**	707
Investment fund net sales	**(451)**	(1,089)	**(307)**	(272)	**4,188**	1,219	**–**	–	**3,430**	(142)
Institutional SMA net sales	**–**	–	**–**	–	**2,062**	(1,492)	**–**	–	**2,062**	(1,492)
Managed asset net sales	**(451)**	(1,089)	**(307)**	(272)	**6,250**	(273)	**–**	–	**5,492**	(1,634)
Other dealer net flows	**1,246**	309	**680**	(317)	**–**	–	**(319)**	(22)	**1,607**	(30)
Total net flows	**795**	(780)	**373**	(589)	**6,250**	(273)	**(319)**	(22)	**7,099**	(1,664)
Assets under Management and Advisement										
Wealth Management										
AUM	**$ 97,713**	$ 93,161	**$ 5,320**	$ 5,391			**$ –**	$ –	**$103,033**	$ 98,552
Other AUA	**5,560**	3,939	**23,998**	22,337			**(8)**	(8)	**29,550**	26,268
AUA	**103,273**	97,100	**29,318**	27,728			**(8)**	(8)	**132,583**	124,820
Asset Management										
Mutual funds					**$ 55,462**	$ 60,839			**55,462**	60,839
ETFs					**3,788**	2,372			**3,788**	2,372
Investment funds					**59,250**	63,211			**59,250**	63,211
Institutional SMA					**51,688**	5,046			**51,688**	5,046
Total ex sub-advisory to Wealth Management					**110,938**	68,257			**110,938**	68,257
Sub-advisory to Wealth Management					**75,821**	73,575			**75,821**	73,575
Total AUM					**186,759**	141,832			**186,759**	141,832
ETFs										
Distributed to third parties					**3,788**	2,372			**3,788**	2,372
Held within IGM investment funds					**4,663**	2,376	**(4,663)**	(2,376)	**–**	–
Total ETFs					**8,451**	4,748	**(4,663)**	(2,376)	**3,788**	2,372
Consolidated										
AUM	**97,713**	93,161	**5,320**	5,391	**186,759**	141,832	**(75,821)**	(73,575)	**213,971**	166,809
Other AUA	**5,560**	3,939	**23,998**	22,337	**–**	–	**(3,579)**	(3,050)	**25,979**	23,226
AUM&A	**103,273**	97,100	**29,318**	27,728	**186,759**	141,832	**(79,400)**	(76,625)	**239,950**	190,035

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

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

(3) *During the fourth quarter of 2020, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of $625 million and net sales of $32 million.*

(4) *ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in $370 million of purchases in Mackenzie ETFs and $325 million of redemptions from Mackenzie's ETFs respectively.*

(5) *During 2020, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales of $1.4 billion and net sales of $612 million (2019 – sales of $129 million, net redemptions of $36 million).*

TABLE 9: SELECTED ANNUAL INFORMATION

	2020	2019	2018
Consolidated statements of earnings *($ millions)*			
Revenues			
Wealth management	**$ 2,259.6**	$ 2,299.0	$ 2,276.6
Net asset management	**529.8**	515.3	515.5
Net investment income and other	**11.0**	24.8	20.0
Proportionate share of associates' earnings	**147.0**	122.4	150.0
	2,947.4	2,961.5	2,962.1
Expenses	**1,973.4**	1,975.7	1,942.6
	974.0	985.8	1,019.5
Gain on sale of Personal Capital	**37.2**	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs	**25.2**	–	–
Proportionate share of associate's adjustments	**3.4**	–	–
Restructuring and other	**(74.5)**	–	(22.7)
Proportionate share of associate's one-time charges	**–**	(17.2)	–
Premium paid on early redemption of debentures	**–**	–	(10.7)
Earnings before income taxes	**965.3**	968.6	986.1
Income taxes	**200.7**	219.7	210.0
Net earnings	**764.6**	748.9	776.1
Non-controlling interest	**(0.2)**	–	–
Perpetual preferred share dividends	**–**	(2.2)	(8.8)
Net earnings available to common shareholders	**$ 764.4**	$ 746.7	$ 767.3
Reconciliation of Non-IFRS financial measures[1] *($ millions)*			
Adjusted net earnings available to common shareholders – non-IFRS measure	**$ 762.9**	$ 763.9	$ 791.8
Other items:			
Gain on sale of Personal Capital, net of tax	**31.4**	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**21.4**	–	–
Proportionate share of associate's adjustments	**3.4**	–	–
Restructuring and other, net of tax	**(54.7)**	–	(16.7)
Proportionate share of associate's one-time charges	**–**	(17.2)	–
Premium paid on early redemption of debentures, net of tax	**–**	–	(7.8)
Net earnings available to common shareholders – IFRS	**$ 764.4**	$ 746.7	$ 767.3
Earnings per share *($)*			
Adjusted net earnings available to common shareholders[1]			
– Basic	**$ 3.20**	$ 3.19	$ 3.29
– Diluted	**3.20**	3.19	3.29
Net earnings available to common shareholders			
– Basic	**3.21**	3.12	3.19
– Diluted	**3.21**	3.12	3.18
Dividends per share *($)*			
Common	**$ 2.25**	$ 2.25	$ 2.25
Preferred, Series B	**–**	0.37	1.48
Average assets under management and advisement *($ billions)*			
Investment fund assets under management	**$ 161.7**	$ 155.5	$ 150.5
Total assets under management	**168.5**	161.1	156.9
Total assets under management and advisement	**191.2**	183.5	179.3
Ending assets under management and advisement *($ billions)*			
Investment fund assets under management	**$ 162.3**	$ 161.8	$ 143.3
Total assets under management	**214.0**	166.8	149.1
Total assets under management and advisement	**240.0**	190.0	170.2
Total corporate assets *($ millions)*	**$ 16,062**	$ 15,391	$ 15,609
Total long-term debt *($ millions)*	**$ 2,100**	$ 2,100	$ 1,850
Outstanding common shares *(thousands)*	**238,308**	238,294	240,885

(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 10: SUMMARY OF QUARTERLY RESULTS

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Wealth management	**$ 594.2**	$ 571.6	$ 531.1	$ 562.7	$ 587.1	$ 581.1	$ 577.5	$ 553.3
Asset management	**216.3**	207.4	190.7	198.5	203.4	201.2	198.5	189.2
Dealer compensation expense	**(74.3)**	(71.3)	(66.1)	(71.4)	(69.8)	(68.9)	(69.6)	(68.7)
Net asset management	**142.0**	136.1	124.6	127.1	133.6	132.3	128.9	120.5
Net investment income and other	**3.2**	2.2	7.6	(2.0)	6.7	2.0	4.9	11.2
Proportionate share of associates' earnings	**40.1**	43.5	43.3	20.1	32.6	28.9	28.2	32.7
	779.5	753.4	706.6	707.9	760.0	744.3	739.5	717.7
Expenses								
Advisory and business development	**283.1**	252.6	245.4	259.1	270.9	257.1	267.7	270.3
Operations and support	**189.0**	181.9	185.4	195.1	182.6	180.3	178.5	191.7
Sub-advisory	**18.3**	18.5	16.9	17.5	18.1	17.4	17.0	15.7
Interest[1]	**27.9**	27.9	27.5	27.3	27.8	27.8	27.6	25.2
	518.3	480.9	475.2	499.0	499.4	482.6	490.8	502.9
Earnings before undernoted	**261.2**	272.5	231.4	208.9	260.6	261.7	248.7	214.8
Gain on sale of Personal Capital	**–**	37.2	–	–	–	–	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs	**25.2**	–	–	–	–	–	–	–
Proportionate share of associate's adjustments	**3.4**							
Restructuring and other	**–**	(74.5)	–	–	–	–	–	–
Proportionate share of associate's one-time charges	**–**	–	–	–	(9.2)	–	(8.0)	–
Earnings before income taxes	**289.8**	235.2	231.4	208.9	251.4	261.7	240.7	214.8
Income taxes	**60.5**	44.3	47.9	48.0	59.8	59.2	55.6	45.1
Net earnings	**229.3**	190.9	183.5	160.9	191.6	202.5	185.1	169.7
Non-controlling interest	**(0.2)**	–	–	–	–	–	–	–
Perpetual preferred share dividends	**–**	–	–	–	–	–	–	(2.2)
Net earnings available to common shareholders	**$ 229.1**	$ 190.9	$ 183.5	$ 160.9	$ 191.6	$ 202.5	$ 185.1	$ 167.5
Reconciliation of Non-IFRS financial measures[2] *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	**$ 204.3**	$ 214.2	$ 183.5	$ 160.9	$ 200.8	$ 202.5	$ 193.1	$ 167.5
Other items:								
Gain on sale of Personal Capital, net of tax	**–**	31.4	–	–	–	–	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	**21.4**	–	–	–	–	–	–	–
Proportionate share of associate's adjustments	**3.4**	–	–	–	–	–	–	–
Restructuring and other, net of tax	**–**	(54.7)	–	–	–	–	–	–
Proportionate share of associate's one-time charges	**–**	–	–	–	(9.2)	–	(8.0)	–
Net earnings available to common shareholders – IFRS	**$ 229.1**	$ 190.9	$ 183.5	$ 160.9	$ 191.6	$ 202.5	$ 185.1	$ 167.5
Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders[1]								
– Basic	**86**	90	77	68	84	85	81	70
– Diluted	**86**	90	77	68	84	85	81	70
Net earnings available to common shareholders								
– Basic	**96**	80	77	68	80	85	77	70
– Diluted	**96**	80	77	68	80	85	77	70
Average assets under management and advisement *($ billions)*								
Investment fund assets under management	**$ 169.8**	$ 163.7	$ 152.6	$ 158.5	$ 159.5	$ 156.8	$ 155.7	$ 149.9
Total assets under management	**177.6**	171.4	159.2	163.3	164.5	162.1	161.8	155.9
Assets under management and advisement	**202.2**	194.9	181.5	186.0	187.4	184.7	184.2	177.8
Ending assets under management and advisement *($ billions)*								
Investment fund assets under management	**$ 162.3**	$ 164.9	$ 157.8	$ 143.2	$ 161.8	$ 157.6	$ 156.3	$ 154.3
Total assets under management	**214.0**	172.6	165.4	147.5	166.8	162.5	162.3	160.5
Assets under management and advisement	**240.0**	196.4	188.3	168.4	190.0	185.1	184.9	182.8

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

(2) *Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A in addition to the Summary of Consolidated Operating Results section included in the MD&A of the 2020 IGM Financial Inc. Annual Report for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.*

Wealth Management

The Wealth Management segment consists of both IG Wealth Management and Investment Planning Counsel, Inc. (IPC). Prior to the third quarter of 2020, IG Wealth Management was disclosed as a separate segment and IPC was included as part of the Corporate and other segment.

Other key differences of the reporting changes are as follows:

- **Wealth management revenue** include Advisory fees, Product and program fees and Other financial planning revenues. Revenues were previously recorded by function (i.e. management, administration, distribution). Wealth management revenues depend largely on the level and composition of client assets under advisement. Advisory fees are fees for providing financial advice to clients including fees related to the distribution of products.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees.
- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.
- Expenses include **Advisory and business development**, **Operations and support** and **Sub-advisory fees**. Expenses were previously categorized as either commission or non-commission.
- **Sub-advisory fees** are fees paid between segments and to third parties for investment management services provided to our investment products. Under the new segments, Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Review of the Business

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of approximately 3,300 Consultants. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 696 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management Consultants and IPC Advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 97% of earnings before interest and taxes of the total segment.

2020 DEVELOPMENTS

COVID-19 AND CLIENT OUTREACH

As a result of COVID-19 and the resulting impact to global financial markets, we have significantly increased communications to clients and Consultants. We have provided comprehensive information and ongoing market updates to our Consultants, so they have the tools they need to support our clients and their long-term financial planning needs. Our Consultants continue to actively reach out and communicate with our clients, continuing to reinforce the importance of long term planning and a diversified investment portfolio.

During the year, IG Wealth Management launched “Answering the Call,” a new program to support Canadian small and medium-sized businesses (SMBs) and their communities as they navigate the financial challenges presented by the COVID-19 crisis.

As of March 2020, there were almost 1.1 million SMBs in Canada, which employed 70 per cent of all private sector workers. IG Wealth Management counts several thousand SMBs among its clients and has been working closely with them throughout this period. The firm has now extended its financial planning expertise to SMB owners across the country.

The Answering the Call initiative was inspired by and is an extension of the work IG Consultants have been doing in their communities since the crisis began. It includes:

- free live regional webinars with tax, financial planning and investing specialists;
- videos from experts on a variety of topics;
- insights on tax planning and how to better understand and access government programs; and
- the opportunity for SMB owners across Canada to be matched with a local IG Wealth Management advisor for a no-obligation consultation.

The firm has also set up an initiative that will see as much as $500,000 donated by IG Wealth Management to support local businesses and their communities. This is in addition to the $1 million donation IGM Financial made along with Canada Life and Power Corporation of Canada to support crisis relief efforts.

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

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

We increased fee transparency by making unbundled solutions available to all client segments in the fourth quarter of 2019. This means clients pay an advisory fee to the dealer for its services as opposed to dealer compensation being bundled within mutual fund management fees. Previously, these solutions were available only to high net worth clients.

IG Wealth Management introduced the IG Advisory Account (IGAA) in the fourth quarter of 2019. IGAA is a fee-based account that offers clients the ability to simplify and consolidate investments into a single account while providing unbundled pricing solutions and improved fee transparency.

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.

Canadians hold $5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics, and we view these savings as IG Wealth's addressable market. 75% of these savings are held by households with over $1 million, which are referred to as high net worth, and another 21% reside with households with between $100,000 and $1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

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

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.
- A high-performing and diverse culture.

DELIVERING 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, Superior Advice

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors (called Consultants) in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

All IG Wealth Management Consultant practices hold a credentialed financial planning designation or are enrolled in a program. These designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at December 31, 2020:

- 1,820 Consultant practices (1,830 at December 31, 2019), which reflect Consultants with more than four years of experience. These practices may include Associates as described below. The level and productivity of Consultant practices is a key measurement of our business as they serve clientele representing approximately 97% of AUM.
- 440 New Consultants (520 at December 31, 2019), which are those Consultants with less than four years of experience.
- 1,044 Associates and Regional Directors (1,031 at December 31, 2019). 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 3,304 (3,381 at December 31, 2019).

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

Our training curriculum is reviewed and refreshed each year 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.

We also support Consultants and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants or specialists.

Segmented Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our 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. It incorporates investments, tax and risk management strategies, for a truly personalized plan.

The IG Living Plan leverages the expertise of IG Wealth Management's Consultants who serve approximately one million clients located in communities throughout Canada.

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

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of different policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a 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.

We have established a National Service Centre focused on clients with small account values, while our Consultant practices focus on those clients who have more complicated needs.

Business Processes

IG Wealth Management continually seeks to enhance our systems and business processes so our Consultants can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.

During 2020, we launched the IG Wealth Management Advisor Portal which is a customer relationship management platform based on Salesforce. It enables our Consultants to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

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.

A High-Performing and Diverse Culture

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

DELIVERING 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 achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality global sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, China AMC, Putnam and JP Morgan Asset Management.

Powerful Financial Solutions

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed portfolios that rebalance investments to ensure that a chosen mix of risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.
- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA was introduced in the fourth quarter of 2019 and is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with unbundled pricing solutions. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.
- *iProfile™ Private Portfolios* – iProfile Private portfolios are unique portfolio management programs that are 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.

  During the third quarter, the iProfile Fixed Income Private Pool revised its investment strategies by adding a Private Credit Mandate that provides diversified exposure to private credit investments in privately held companies from around the world. The Pool subsequently made commitments to three of Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe.
- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios are available to households with investments held at IG Wealth Management in excess of $100,000.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts) and fee-based brokerage accounts.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. We are in the process of migrating our clients to unbundled fee products, a significant change for IG Wealth Management and the Canadian mutual fund industry overall. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to offer competitive pricing, particularly for high net worth clients. This allows IG Wealth Management to differentiate pricing by client segment, ensuring that it is competitive and rewards client loyalty while encouraging consolidation of client wealth at IG and attracting new clients.

We have discontinued offering bundled purchase options for substantially all investment products.

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

At December 31, 2020, 90.8% of IG Wealth Management mutual fund unbundled series had a rating of three stars or better from Morningstar† fund ranking service and 37.4% had a rating of four or five stars. This compared to the Morningstar† universe of 71.2% for three stars or better and 36.3% for four and five star funds at December 31, 2020. These are available within the IG Advisory Account to which we are in the process of migrating IG client accounts. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were $132.6 billion at December 31, 2020, an increase of 6.2% from December 31, 2019. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were $103.0 billion, an increase of 4.5% from December 31, 2019. The level of assets under management are influenced by sales, redemptions and investment returns.

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

IG WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

The introduction of the IG Advisory Account means that fees are charged on eligible external assets under advisement. Assets under advisement are therefore a key performance indicator for IG Wealth Management. Revenues from the IG Advisory Account are earned on eligible external assets under advisement. Our Consultants' compensation is also based on assets contributed into the IG Advisory Account and other fee-based programs.

IG Wealth Management's assets under advisement were $103.3 billion at December 31, 2020, an increase of 6.4% from

TABLE 11: CHANGE IN ASSETS UNDER ADVISEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Gross client inflows	$ 4,425	$ 3,024	$ 3,617	46.3 %	22.3 %
Gross client outflows	3,688	3,179	3,748	16.0	(1.6)
Net flows	737	(155)	(131)	N/M	N/M
Investment returns	6,831	4,703	3,254	45.2	109.9
Net change in assets	7,568	4,548	3,123	66.4	142.3
Beginning assets	125,015	120,467	121,697	3.8	2.7
Ending assets under advisement	$ 132,583	$ 125,015	$ 124,820	6.1 %	6.2 %
IG Wealth Management	103,273	97,538	97,100	5.9	6.4
Investment Planning Counsel	29,318	27,484	27,728	6.7	5.7
Average assets under advisement	$ 128,342	$ 124,327	$ 123,180	3.2 %	4.2 %
IG Wealth Management	100,295	97,045	95,780	3.3	4.7
Investment Planning Counsel	28,054	27,288	27,407	2.8	2.4

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Gross client inflows	$ 14,737	$ 13,652	7.9 %
Gross client outflows	13,564	15,016	(9.7)
Net flows	1,173	(1,364)	N/M
Investment returns	6,590	14,064	(53.1)
Net change in assets	7,763	12,700	(38.9)
Beginning assets	124,820	112,120	11.3
Ending assets under advisement	$ 132,583	$ 124,820	6.2 %
IG Wealth Management	103,273	97,100	6.4
Investment Planning Counsel	29,318	27,728	5.7
Average assets under advisement	$ 122,919	$ 120,622	1.9 %
IG Wealth Management	95,870	93,546	2.5
Investment Planning Counsel	27,056	27,084	(0.1)

December 31, 2019, and mutual fund assets under management were $97.7 billion, an increase of 4.9%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 13 and 14.

For the quarter ended December 31, 2020, gross client inflows of IG Wealth Management assets under advisement were $2.9 billion, an increase of 19.1% from $2.5 billion in the comparable period in 2019. Net client inflows were $485 million in the fourth quarter, an improvement of $594 million from net client outflows of $109 million in the comparable period in 2019. During the fourth quarter, investment returns resulted in an increase of $5.3 billion in assets under advisement compared to an increase of $2.7 billion in the fourth quarter of 2019.

For the year ended December 31, 2020, gross client inflows of IG Wealth Management assets under advisement were $10.0 billion, an increase of 7.2% from $9.3 billion in the comparable period in 2019. Net client inflows were $795 million in 2020, an increase of $1.6 billion from net client outflows of $780 million in the comparable period in 2019. During the twelve month period, investment returns resulted in an increase of $5.4 billion in assets under advisement compared to an increase of $11.5 billion in 2019.

Changes in mutual fund assets under management for the periods under review are reflected in Table 14.

At December 31, 2020, $51.7 billion, or 53% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 43.3% from $36.0 billion at December 31, 2019 which represented 39% of assets under management.

HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, who represent a growing segment of our client base, and continues to look at improving our offerings to this segment. Assets under management for clients in this category totalled $58.9 billion at December 31, 2020, an increase of 18.5% from one year ago, and represented

TABLE 12: CHANGE IN ASSETS UNDER MANAGEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED *($ millions)*	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Sales	$ 2,749	$ 2,046	$ 2,398	34.4 %	14.6 %
Redemptions	2,847	2,382	2,759	19.5	3.2
Net sales (redemptions)	(98)	(336)	(361)	70.8	72.9
Investment returns	5,118	3,775	2,769	35.6	84.8
Net change in assets	5,020	3,439	2,408	46.0	108.5
Beginning assets	98,013	94,574	96,144	3.6	1.9
Ending assets under management	$ 103,033	$ 98,013	$ 98,552	5.1 %	4.5 %
IG Wealth Management	97,713	92,874	93,161	5.2	4.9
Investment Planning Counsel	5,320	5,139	5,391	3.5	(1.3)
Daily average mutual fund assets	$ 100,419	$ 97,687	$ 97,316	2.8 %	3.2 %
IG Wealth Management	95,194	92,543	91,931	2.9	3.5
Investment Planning Counsel	5,225	5,144	5,385	1.6	(3.0)

TWELVE MONTHS ENDED *($ millions)*	2020 DEC. 31	2019 DEC. 31	% CHANGE
Sales	$ 9,564	$ 9,417	1.6 %
Redemptions	10,322	10,778	(4.2)
Net sales (redemptions)	(758)	(1,361)	44.3
Investment returns	5,239	11,651	(55.0)
Net change in assets	4,481	10,290	(56.4)
Beginning assets	98,552	88,262	11.7
Ending assets under management	$ 103,033	$ 98,552	4.5 %
IG Wealth Management	97,713	93,161	4.9
Investment Planning Counsel	5,320	5,391	(1.3)
Daily average mutual fund assets	$ 97,062	$ 95,252	1.9 %
IG Wealth Management	91,929	89,875	2.3
Investment Planning Counsel	5,133	5,377	(4.5)

60% of total assets under management. Sales of high net worth solutions totalled $1.6 billion for the fourth quarter of 2020, an increase of 28.8% from a year ago, and represented 62% of total sales up from 55% in 2019. For the twelve month period, sales of high net worth solutions totalled $4.8 billion, an increase of 7.9% from a year ago, and represented 54% of total sales up from 52% in 2019. High net worth solutions include Series U and for family groups in excess of $500,000, Series J and iProfile™ Private Portfolios.

- Series U is available to all clients and provides an unbundled pricing structure that 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, 2020, Series U assets under management related to households with investments held at IG Wealth Management in excess of $500,000 had increased to $28.5 billion, compared to $20.6 billion at December 31, 2019, an increase of 38.1%.
- iProfile™ Private Portfolios – are unique portfolio management programs that are available for households with investments held at IG Wealth Management in excess of $250,000. The iProfile program also has an unbundled pricing structure. At December 31, 2020, the iProfile program assets under management were $19.7 billion, an increase of 30.0% from $15.1 billion at December 31, 2019.
- Series J is available for households with investments in IG Wealth Management funds in excess of $500,000 and had assets of $10.7 billion at December 31, 2020, a decrease of 23.1% from $14.0 billion at December 31, 2019, 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. We continue to migrate clients from Series J to Series U.

NATIONAL SERVICE CENTRE

Our National Service Centre supports more than 200,000 clients and $1.8 billion assets under management.

TABLE 13: CHANGE IN ASSETS UNDER ADVISEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Gross client inflows	$ 2,938	$ 2,132	$ 2,467	37.8 %	19.1 %
Gross client outflows	2,453	2,141	2,576	14.6	(4.8)
Net flows	485	(9)	(109)	N/M	N/M
Investment returns	5,250	3,711	2,680	41.5	95.9
Net change in assets	5,735	3,702	2,571	54.9	123.1
Beginning assets	97,538	93,836	94,529	3.9	3.2
Ending assets	$ 103,273	$ 97,538	$ 97,100	5.9 %	6.4 %
Average assets under advisement	$ 100,295	$ 97,045	$ 95,780	3.3 %	4.7 %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Gross client inflows	$ 9,977	$ 9,307	7.2 %
Gross client outflows	9,182	10,087	(9.0)
Net flows	795	(780)	N/M
Investment returns	5,378	11,458	(53.1)
Net change in assets	6,173	10,678	(42.2)
Beginning assets	97,100	86,422	12.4
Ending assets	$ 103,273	$ 97,100	6.4 %
Average assets under advisement	$ 95,870	$ 93,546	2.5 %

TABLE 14: CHANGE IN ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Sales	$ 2,572	$ 1,949	$ 2,251	32.0 %	14.3 %
Redemptions	2,581	2,208	2,498	16.9	3.3
Net sales (redemptions)	(9)	(259)	(247)	96.5	96.4
Investment returns	4,848	3,600	2,629	34.7	84.4
Net change in assets	4,839	3,341	2,382	44.8	103.1
Beginning assets	92,874	89,533	90,779	3.7	2.3
Ending assets	$ 97,713	$ 92,874	$ 93,161	5.2 %	4.9 %
Daily average assets under management	$ 95,194	$ 92,543	$ 91,931	2.9 %	3.5 %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Sales	$ 8,987	$ 8,723	3.0 %
Redemptions	9,438	9,812	(3.8)
Net sales (redemptions)	(451)	(1,089)	58.6
Investment returns	5,003	11,113	(55.0)
Net change in assets	4,552	10,024	(54.6)
Beginning assets	93,161	83,137	12.1
Ending assets	$ 97,713	$ 93,161	4.9 %
Daily average assets under management	$ 91,929	$ 89,875	2.3 %

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – 2020 VS. 2019

IG Wealth Management's assets under advisement were $103.3 billion at December 31, 2020, up 6.4% from $97.1 billion at December 31, 2019. IG Wealth Management's mutual fund assets under management were $97.7 billion at December 31, 2020, representing an increase of 4.9% from $93.2 billion at December 31, 2019. Average daily mutual fund assets were $95.2 billion in the fourth quarter of 2020, up 3.5% from $91.9 billion in the fourth quarter of 2019. Average daily mutual fund assets were $91.9 billion for the twelve months ended December 31, 2020, up 2.3% from $89.9 billion in 2019.

For the quarter ended December 31, 2020, sales of IG Wealth Management mutual funds through its Consultant network were $2.6 billion, an increase of 14.3% from the comparable period in 2019. Mutual fund redemptions totalled $2.6 billion, an increase of 3.3% from 2019. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2020 were $9 million compared with net redemptions of $247 million in 2019. During the fourth quarter, investment returns resulted in an increase of $4.8 billion in mutual fund assets compared to an increase of $2.6 billion in the fourth quarter of 2019.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 10.3% in the fourth quarter of 2020, compared to 10.2% in the fourth quarter of 2019. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.8% at December 31, 2020, compared to 10.3% at December 31, 2019, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.8% at December 31, 2020. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

For the twelve months ended December 31, 2020, sales of IG Wealth Management mutual funds through its Consultant network were $9.0 billion, an increase of 3.0% from 2019. Mutual fund redemptions totalled $9.4 billion, a decrease of 3.8% from 2019. Net redemptions of IG Wealth Management mutual funds were $451 million compared with net redemptions of $1.1 billion in 2019. During 2020, investment returns resulted in an increase of $5.0 billion in mutual fund assets compared to an increase of $11.1 billion in 2019.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – Q4 2020 VS. Q3 2020

IG Wealth Management's assets under advisement were $103.3 billion at December 31, 2020, an increase of 5.9% from $97.5 billion at September 30, 2020. IG Wealth Management's mutual fund assets under management were $97.7 billion at December 31, 2020, an increase of 5.2% from $92.9 billion at September 30, 2020. Average daily mutual fund assets were $95.2 billion in the fourth quarter of 2020 compared to $92.5 billion in the third quarter of 2020, an increase of 2.9%.

For the quarter ended December 31, 2020, sales of IG Wealth Management mutual funds through its Consultant network were $2.6 billion, an increase of 32.0% from the third quarter of 2020. Mutual fund redemptions, which totalled $2.6 billion for the fourth quarter, increased 16.9% from the previous quarter and the annualized quarterly redemption rate was 10.3% in the fourth quarter compared to 9.0% in the third quarter of 2020. IG Wealth Management mutual fund net redemptions were $9 million for the current quarter compared to net redemptions of $259 million in the previous quarter.

IG WEALTH MANAGEMENT OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At December 31, 2020, total segregated fund assets were $1.6 billion, unchanged from December 31, 2019.

INSURANCE

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

The average number of policies sold by each insurance-licensed Consultant was 2.6 for the quarter ended December 31, 2020, compared to 2.5 in 2019. For the twelve months ended December 31, 2020, the average number of policies sold by each insurance-licensed Consultant was 9.0 compared to 10.0 in 2019. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

MORTGAGE AND BANKING OPERATIONS

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

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

In 2020, the Company supported and participated in the deferral of mortgage payments enacted to support homeowners as a result of the economic disruption caused by COVID-19. The assessment was made on a case by case basis, subject to client needs and in the context of their overall financial plan. At December 31, 2020, there were no mortgages in the deferral program. This compared to $94.5 million at September 30, 2020 and $306.0 million at June 30, 2020 which represented 1.1% and 3.3%, respectively, of the Company's total mortgages.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking† for the three and twelve months ended December 31, 2020 were $297 million and $1.1 billion compared to $293 million and $1.2 billion in 2019, an increase of 1.4% and a decrease of 6.1%, respectively. At December 31, 2020, mortgages offered through both sources totalled $9.5 billion, compared to $10.3 billion at December 31, 2019, a decrease of 8.4%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the three and twelve month periods ended December 31, 2020 were $411 million and $1.2 billion, respectively, compared to $240 million and $770 million in 2019. At December 31, 2020, the balance outstanding of Solutions Banking† All-in-One products was $3.4 billion, compared to $2.9 billion one year ago, and represented approximately 51% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking† 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 outstanding lending products of IG Wealth Management clients in the Solutions Banking† offering, including Solutions Banking† mortgages totalled $5.1 billion at December 31, 2020, compared to $4.5 billion at December 31, 2019.

Review of Segment Operating Results

The Wealth Management segment's earnings before interest and taxes are presented in Table 15 and include the operations of IG Wealth Management and Investment Planning Counsel.

IG WEALTH MANAGEMENT

IG Wealth Management earnings before interest and taxes are presented in Table 16.

2020 VS. 2019

FEE INCOME

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were $265.5 million in the fourth quarter of 2020, an increase of $1.8 million or 0.7% from $263.7 million in 2019. For the twelve months ended December 31, 2020, advisory fees were $1,019.1 million, a decrease of $14.6 million or 1.4% from $1,033.7 million in 2019.

The increase in advisory fees in the three months ending December 31, 2020 was primarily due to the increase in average assets under advisement of 4.7%, as shown in Table 13, offset by a decrease in the advisory fee rate. The decrease in advisory fees for the twelve months ending December 31, 2020 was due to lower rates offset in part by an increase in assets under advisement of 2.5%. The average advisory fee rate for the fourth quarter was 105.3 basis points of average assets under advisement compared to 109.2 basis points in 2019, reflecting changes in product and client mix. The average advisory fee rate for the twelve months ended December 31, 2020, was 106.3 basis points of average assets under advisement compared to 110.5 basis points in 2019, primarily reflecting changes in product and client mix. We also have more high net worth clients who are eligible for lower rates.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled $205.8 million in the current quarter, up 2.3% from $201.2 million a year ago. Product and program fees were $790.6 million for the twelve month period ended December 31, 2020 compared to $784.8 million in 2019, increase of 0.7%.

The increase in product and program fees in the fourth quarter of 2020 was primarily due to the increase in average assets under management of 3.5%, as shown in Table 14. The average product and program fee rate for the fourth quarter was 85.9 basis points of average assets under management compared to 87.1 basis points in 2019, reflecting changes in product mix.

The increase in product and program fees in the twelve month period ended December 31, 2020 was primarily due to the increase in average assets under management of 2.3%, as shown in Table 14. The average product and program fee rate for the year was 86.3 basis points of average assets under management compared to 87.6 basis points in 2019, reflecting changes in product mix.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking†

Other financial planning revenues of $45.3 million for the fourth quarter of 2020 increased by $0.9 million from $44.4 million in 2019. For the twelve month period, other financial planning revenues of $149.5 million decreased by $14.6 million from $164.1 million in 2019. The increase in the three month period was primarily due to higher earnings from the mortgage banking operations offset in part by lower distribution fee income from insurance products. The decrease in the twelve month period was primarily due to lower distribution income from insurance products.

A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 17.

NET INVESTMENT INCOME AND OTHER

Net investment income and other is primarily related to investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

EXPENSES

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our Consultants. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of consultants or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation, increased by

TABLE 15: OPERATING RESULTS – WEALTH MANAGEMENT

THREE MONTHS ENDED *($ millions)*	**2020 DEC. 31**	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Revenues					
Wealth Management					
Advisory fees	**$ 325.5**	$ 315.3	$ 319.4	3.2 %	1.9 %
Product and program fees	**219.8**	214.9	216.3	2.3	1.6
	545.3	530.2	535.7	2.8	1.8
Redemption fees	**3.2**	3.7	5.8	(13.5)	(44.8)
Other financial planning revenues	**50.0**	41.8	49.6	19.6	0.8
Total Wealth Management	**598.5**	575.7	591.1	4.0	1.3
Net investment income and other	**1.0**	0.7	4.5	42.9	(77.8)
	599.5	576.4	595.6	4.0	0.7
Expenses					
Advisory and business development					
Asset-based compensation	**164.3**	158.9	147.0	3.4	11.8
Sales-based compensation	**10.6**	9.5	22.5	11.6	(52.9)
Other					
Other product commissions	**20.1**	15.7	20.4	28.0	(1.5)
Business development	**59.8**	52.4	58.7	14.1	1.9
	79.9	68.1	79.1	17.3	1.0
Total advisory and business development	**254.8**	236.5	248.6	7.7	2.5
Operations and support	**113.3**	111.2	104.2	1.9	8.7
Sub-advisory	**42.7**	41.7	41.5	2.4	2.9
	410.8	389.4	394.3	5.5	4.2
Earnings before interest and taxes	**$ 188.7**	$ 187.0	$ 201.3	0.9 %	(6.3) %

TWELVE MONTHS ENDED *($ millions)*	**2020 DEC. 31**	2019 DEC. 31	% CHANGE
Revenues			
Wealth Management			
Advisory fees	**$ 1,245.7**	$ 1,259.0	(1.1) %
Product and program fees	**846.3**	844.7	0.2
	2,092.0	2,103.7	(0.6)
Redemption fees	**16.0**	26.5	(39.6)
Other financial planning revenues	**168.0**	185.0	(9.2)
Total Wealth Management	**2,276.0**	2,315.2	(1.7)
Net investment income and other	**2.3**	13.6	(83.1)
	2,278.3	2,328.8	(2.2)
Expenses			
Advisory and business development			
Asset-based compensation	**625.9**	576.2	8.6
Sales-based compensation	**36.4**	95.5	(61.9)
Other			
Other product commissions	**69.8**	80.2	(13.0)
Business development	**227.9**	234.6	(2.9)
	297.7	314.8	(5.4)
Total advisory and business development	**960.0**	986.5	(2.7)
Operations and support	**453.7**	436.0	4.1
Sub-advisory	**163.2**	161.5	1.1
	1,576.9	1,584.0	(0.4)
Earnings before interest and taxes	**$ 701.4**	$ 744.8	(5.8) %

TABLE 16: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Revenues					
Wealth Management					
Advisory fees	**$ 265.5**	$ 259.1	$ 263.7	2.5 %	0.7 %
Product and program fees	**205.8**	201.0	201.2	2.4	2.3
	471.3	460.1	464.9	2.4	1.4
Redemption fees	**3.0**	3.7	5.7	(18.9)	(47.4)
Other financial planning revenues	**45.3**	37.2	44.4	21.8	2.0
Total Wealth Management	**519.6**	501.0	515.0	3.7	0.9
Net investment income and other	**0.8**	0.6	4.0	33.3	(80.0)
	520.4	501.6	519.0	3.7	0.3
Expenses					
Advisory and business development					
Asset-based compensation	**116.8**	113.1	101.8	3.3	14.7
Sales-based compensation	**10.6**	9.5	22.6	11.6	(53.1)
Other					
Other product commissions	**17.3**	12.9	17.4	34.1	(0.6)
Business development	**52.3**	46.0	51.8	13.7	1.0
	69.6	58.9	69.2	18.2	0.6
Total advisory and business development	**197.0**	181.5	193.6	8.5	1.8
Operations and support	**101.8**	100.0	92.3	1.8	10.3
Sub-advisory	**39.2**	38.4	37.6	2.1	4.3
	338.0	319.9	323.5	5.7	4.5
Earnings before interest and taxes	**$ 182.4**	$ 181.7	$ 195.5	0.4 %	(6.7) %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Revenues			
Wealth Management			
Advisory fees	**$ 1,019.1**	$ 1,033.7	(1.4) %
Product and program fees	**790.6**	784.8	0.7
	1,809.7	1,818.5	(0.5)
Redemption fees	**15.7**	26.1	(39.8)
Other financial planning revenues	**149.5**	164.1	(8.9)
Total Wealth Management	**1,974.9**	2,008.7	(1.7)
Net investment income and other	**1.3**	10.1	(87.1)
	1,976.2	2,018.8	(2.1)
Expenses			
Advisory and business development			
Asset-based compensation	**445.5**	397.0	12.2
Sales-based compensation	**36.4**	95.2	(61.8)
Other			
Other product commissions	**58.6**	67.6	(13.3)
Business development	**199.1**	207.3	(4.0)
	257.7	274.9	(6.3)
Total advisory and business development	**739.6**	767.1	(3.6)
Operations and support	**407.1**	385.7	5.5
Sub-advisory	**149.7**	145.4	3.0
	1,296.4	1,298.2	(0.1)
Earnings before interest and taxes	**$ 679.8**	$ 720.6	(5.7) %

TABLE 17: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 44.1**	$ 44.7	$ 50.5	(1.3) %	(12.7) %
Interest expense	**33.5**	35.5	41.3	(5.6)	(18.9)
Net interest income	**10.6**	9.2	9.2	15.2	15.2
Gains on sales[1]	**3.7**	3.2	0.6	15.6	N/M
Fair value adjustments	**(1.0)**	–	0.2	–	N/M
Other	**1.8**	1.8	2.8	–	(35.7)
	$ 15.1	$ 14.2	$ 12.8	6.3 %	18.0 %
Average mortgages serviced					
Securitizations	**$ 6,126**	$ 6,444	$ 6,996	(4.9) %	(12.4) %
Other	**2,670**	2,736	2,744	(2.4)	(2.7)
	$ 8,796	$ 9,180	$ 9,740	(4.2) %	(9.7) %
Mortgage sales to:[2]					
Securitizations	**$ 434**	$ 606	$ 284	(28.4) %	52.8 %
Other[1]	**246**	167	256	47.3	(3.9)
	$ 680	$ 773	$ 540	(12.0) %	25.9 %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	**$ 181.1**	$ 208.0	(12.9) %
Interest expense	**148.5**	171.9	(13.6)
Net interest income	**32.6**	36.1	(9.7)
Gains on sales[1]	**9.8**	3.2	206.3
Fair value adjustments	**(5.1)**	(4.3)	(18.6)
Other	**8.5**	10.4	(18.3)
	$ 45.8	$ 45.4	0.9 %
Average mortgages serviced			
Securitizations	**$ 6,465**	$ 7,232	(10.6) %
Other	**2,748**	2,782	(1.2)
	$ 9,213	$ 10,014	(8.0) %
Mortgage sales to:[2]			
Securitizations	**$ 1,605**	$ 1,517	5.8 %
Other[1]	**760**	558	36.2
	$ 2,365	$ 2,075	14.0 %

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

(2) *Represents principal amounts sold.*

$15.0 million and $48.5 million for the three and twelve month periods ended December 31, 2020 to $116.8 million and $445.5 million, compared to 2019. The increase was primarily due to increased average assets under advisement and compensation changes implemented in 2020.

Effective January 1, 2020, IG Wealth Management Consultant sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements), where previously they were based upon gross sales of IG Wealth Management mutual funds.

All sales-based compensation payments are now capitalized and amortized as they reflect incremental costs to obtain a client contract. Previously, sales-based compensation associated with sales of IG Wealth Management mutual funds with bundled pricing were expensed as incurred as these commissions were deemed to be fulfillment of an existing contract with a mutual fund.

Sales-based compensation paid fluctuates with the level of new assets contributed to IG Wealth Management accounts. Sales-based compensation 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 sales-based compensation paid on investment product sales are expensed as incurred.

Sales-based compensation was $10.6 million for the fourth quarter of 2020, a decrease of $12.0 million from $22.6 million in 2019 and for the twelve month period, sales-based compensation expense was $36.4 million, a decrease of $58.8 million from $95.2 million in 2019. There was lower sales-based compensation expense in 2020 primarily due to sales-based compensation paid on the sales of investment products being capitalized in 2020.

Other advisory and business development expenses were $52.3 million in the fourth quarter of 2020, compared to $51.8 million in 2019. Other advisory and business development expenses were $199.1 million in the twelve months ended December 31, 2020 compared to $207.3 million in 2019 due to the reduction of certain costs due to COVID-19 as communicated in the first quarter of 2020.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were $101.8 million for the fourth quarter of 2020 compared to $92.3 million in 2019, an increase of $9.5 million or 10.3%. For the twelve month period, operations and support expenses were $407.1 million in 2020 compared to $385.7 million in 2019, an increase of $21.4 million or 5.5%. The changes are due to expenses related to information technology, including Advisor Portal as well as expenses related to our operations transformation program.

Sub-advisory expenses were $39.2 million for the fourth quarter of 2020 compared to $37.6 million in 2019, an increase of $1.6 million or 4.3%. For the twelve month period, sub-advisory expenses were $149.7 million in 2020 compared to $145.4 million in 2019, an increase of $4.3 million or 3.0%.

Q4 2020 VS. Q3 2020

FEE INCOME

Advisory fee income increased by $6.4 million or 2.5% to $265.5 million in the fourth quarter of 2020 compared with the third quarter of 2020. The increase in advisory fees in the fourth quarter was primarily due to the increase in average assets under advisement of 3.3% for the quarter, as shown in Table 13. The average advisory fee rate for the fourth quarter was 105.3 basis points of average assets under management compared to 106.2 basis points in the third quarter of 2020.

Product and program fees were $205.8 million in the fourth quarter of 2020, an increase of $4.8 million from $201.0 in the third quarter of 2020. The increase in product and program fees was due to higher assets under management. The average product and program fee rate in the fourth quarter was 85.9 basis points compared to 86.2 basis points in the third quarter of 2020.

Other financial planning revenues of $45.3 million in the fourth quarter of 2020 increased by $8.1 million from $37.2 million in the third quarter primarily due to increased distribution revenue from insurance products.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was $0.8 million in the fourth quarter of 2020 compared to $0.6 million in the previous quarter, an increase of $0.2 million.

EXPENSES

Advisory and business development expenses in the current quarter were $197.0 million compared with $181.5 million in the previous quarter due to higher asset based compensation and higher commissions on the distribution of insurance products.

INVESTMENT PLANNING COUNSEL

2020 VS. 2019

Earnings before interest and taxes related to Investment Planning Counsel were $0.4 million higher in the fourth quarter of 2020 compared to the fourth quarter of 2019 and were $2.7 million lower in the year ended December 31, 2020 compared to 2019.

Q4 2020 VS. Q3 2020

Earnings before interest and taxes related to Investment Planning Counsel were $1.0 million higher in the fourth quarter of 2020 compared to the prior quarter.

Asset Management

The Asset Management segment includes Mackenzie Investments.

The key differences of the disclosure enhancements made to the Asset Management segment during 2020 are as follows:

- **Assets managed for IG Wealth Management** are included in the Asset Management segment's assets under management. Revenue earned on these sub-advised assets are included in Asset Management's revenue. Previously, the costs of the investment management teams were allocated based on a cost sharing agreement.
- **Asset management fees** include fees received from our mutual funds, Wealth Management segment, and third parties for investment management services. Under the new segments, Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.
- Introduction of **net asset management fees** which offsets management fees with dealer compensation expenses.
- Expenses include **Advisory and business development, Operations and support, and Sub-advisory fees** as previously discussed in this MD&A. Expenses were previously categorized as either commission or non-commission.

Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees primarily from:

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

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

2020 DEVELOPMENTS

COVID-19 AND COMMUNICATION

As a result of COVID-19 and the resulting impact to global financial markets, we significantly increased communications to support the independent financial advisors and our institutional clients. Our focus has been to provide capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the tools and resources they need to support their clients. Our multi-boutique approach ensures that investors can find the right solution in any market condition.

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, Mackenzie acquired GLC, a Canadian investment management firm with $37 billion in assets under management, from Great-West Lifeco Inc. (Lifeco) for total consideration of $185.0 million.

Separately, Lifeco's subsidiary, The Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of $30 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

Benefits of the deal to Mackenzie include the following:

- The net addition of $30.1 billion in assets under management resulting in Mackenzie becoming one of Canada's largest asset managers.
- Expands Mackenzie's distribution reach to the fast-growing group retirement business channel and establishes Mackenzie as one of the top three providers in Canada of investment solutions to defined contribution plans and other group retirement offerings.
- Enhances Mackenzie's investment capabilities with the addition of a new Canadian Equity boutique.

The acquisition also includes a distribution agreement with Canada Life, positioning Mackenzie as the core investment advisor to its individual and group product offerings and enhancing Canada Life's capabilities and competitiveness.

Greenchip Financial Corporation (Greenchip)

On December 22, 2020, Mackenzie acquired Greenchip, a leading Canadian firm focused exclusively on the environmental economy since 2007. The acquisition adds $618 million in assets under management, of which $435 million was sub-advisory mandates to the Mackenzie Global Environmental Equity Fund. Mackenzie has been a leader in bringing sustainable investing to Canadians, with an evolving suite of funds focused on environmental leadership, gender diversity and sustainability. The acquisition of Greenchip is a natural evolution reflecting the success of Greenchip's sub-advisory relationship to the Mackenzie Global Environmental Equity Fund.

Northleaf Capital Group Ltd. (Northleaf)

The Northleaf investment, which closed on October 28, 2020, expands Mackenzie's capabilities to offer global private equity, private credit and infrastructure investment solutions through our retail advisory channels and financial institution distribution partners.

Northleaf is a global private equity, private credit and infrastructure fund manager, headquartered in Toronto, with more than 150 employees across seven offices in Canada, the U.S., UK and Australia. Northleaf's assets under management at December 31, 2020 was $14.6 billion.

ASSET MANAGEMENT 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 vision impacts our strategic priorities and drives 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.

To support this vision and strategic mandate our employees strive to:

- Deliver competitive and consistent risk-adjusted performance
- Offer innovative and high quality investment solutions
- Accelerate distribution
- Advance brand leadership
- Drive operational excellence and discipline
- Enable a high-performing and diverse culture

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

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong. In addition to our own investment teams, we supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. During the second quarter of 2020, Mackenzie partnered with Wealthsimple and launched two Socially Responsible ETFs. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

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

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

ASSETS UNDER MANAGEMENT

Beginning in the third quarter of 2020, assets managed for the Wealth Management segment are included in total assets under management. Assets managed by Mackenzie for IG Wealth Management were previously excluded from the Mackenzie reportable segment.

The changes in investment fund assets under management are summarized in Table 18 and the changes in total assets under management are summarized in Table 19.

At December 31, 2020, Mackenzie's total assets under management were $186.8 billion, an all-time high, and an increase of 31.7% from $141.8 billion last year. Mackenzie's total assets under management excluding the $30.3 billion related to the net business acquisitions of GLC and Greenchip were $156.5 billion, an increase of 10.3% from last year. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were $110.9 billion, also an all-time high, and an increase of 62.5% from $68.3 billion last year. Mackenzie's total assets under management excluding sub-advisory to Wealth Management and net business acquisitions were $80.6 billion, an increase of 18.1% from last year. 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 – 2020 VS. 2019

Mackenzie's total assets under management at December 31, 2020 were $186.8 billion, inclusive of $30.3 billion related to the net business acquisitions noted previously. Mackenzie's total assets under management exclusive of these net acquisitions were $156.5 billion, an increase of 10.3% from $141.8 billion at December 31, 2019. Assets under management excluding sub-advisory to the Wealth Management segment and acquisitions were $80.6 billion, an increase of 18.1% from $68.3 billion at December 31, 2019.

Investment fund assets under management were $59.3 billion at December 31, 2020, reflecting the decrease of $13.2 billion of net assets under management related to the sale of mutual fund contracts in the divestiture of QGOF and the Greenchip acquisition, noted previously. Mackenzie's total investment fund assets excluding the impact of these transactions was $72.5 billion, an increase of 14.6% from December 30, 2019. Mackenzie's mutual fund assets under management excluding the impact of the transactions noted above were $68.7 billion at December 31, 2020, an increase of 12.9% from $60.8 billion at December 31, 2019. Mackenzie's ETF assets excluding ETFs held within IGM investment funds were $3.8 billion at December 31, 2020, an increase of 59.7% from $2.4 billion at December 31, 2019. ETF assets inclusive of IGM investment funds were $8.5 billion at December 31, 2020 compared to $4.7 billion at December 31, 2019.

In the three months ended December 31, 2020, Mackenzie's mutual fund gross sales were $4.5 billion, a record high, an increase of 74.0% from $2.6 billion in 2019. Mutual fund redemptions in the current quarter were $3.1 billion, an increase of 21.6% from last year. Mutual fund net sales for the three months ended December 31, 2020 were $1.4 billion, as compared to net sales of $18 million last year. In the three months ended December 31, 2020, ETF net creations were $372 million compared to $202 million last year. Investment fund net sales in the current quarter were $1.7 billion compared to net sales of $220 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by $3.8 billion compared to an increase of $1.6 billion last year.

During the fourth quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $625 million, redemptions of $593 million and net sales of $32 million. During the fourth quarter of 2019, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $129 million, redemptions of $165 million and net redemptions of $36 million. Excluding these transactions in 2020 and 2019, mutual fund gross sales increased by 57.7% in the three months ended December 31, 2020 compared to last year, mutual fund redemptions increased by 5.3% and mutual fund net sales of $1.3 billion in 2020 compared to mutual fund net sales of $54 million last year.

Total net sales excluding sub-advisory to the Wealth Management segment for the three months ended December 31, 2020 were $1.7 billion compared to net sales of $147 million last year. Excluding the transactions noted above, net sales were $1.6 billion for the three months ended December 31, 2020 compared to net sales of $183 million last year. During the current quarter, investment returns resulted in assets increasing by $4.4 billion compared to an increase of $1.7 billion last year.

In the twelve months ended December 31, 2020, Mackenzie's mutual fund gross sales were $13.6 billion, a record high, and an increase of 37.2% from $9.9 billion in the comparative period last year. Mutual fund redemptions in the current period were $10.6 billion, an increase of 13.2% from last year. Mutual fund net sales for the twelve months ended December 31, 2020 were $3.0 billion, as compared to net sales of $512 million last year. In the twelve months ended December 31, 2020, ETF net creations were $1.2 billion compared to ETF net creations of $707 million last year. Investment fund net sales in the current period were $4.2 billion, compared to $1.2 billion last year. During the current period, investment returns resulted in investment fund assets increasing by $5.1 billion as compared to an increase of $7.0 billion last year.

During the twelve months ended December 31, 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales

TABLE 18: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT[1]

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Sales	$ 4,501	$ 2,903	$ 2,587	55.0 %	74.0 %
Redemptions	3,125	2,054	2,569	52.1	21.6
Mutual fund net sales (redemptions)[2]	1,376	849	18	62.1	N/M
ETF net creations[3]	372	97	202	N/M	84.2
Investment fund net sales (redemptions)[4]	1,748	946	220	84.8	N/M
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition[5]	(13,216)	–	–	N/M	N/M
Investment returns	3,789	2,719	1,557	39.4	143.4
Net change in assets	(7,679)	3,665	1,777	N/M	N/M
Beginning assets	66,929	63,264	61,434	5.8	8.9
Ending assets	$ 59,250	$ 66,929	$ 63,211	(11.5) %	(6.3) %
Consists of:					
Mutual funds	$ 55,462	$ 63,599	$ 60,839	(12.8) %	(8.8) %
ETFs	3,788	3,330	2,372	13.8	59.7
Investment funds	$ 59,250	$ 66,929	$ 63,211	(11.5) %	(6.3) %
Daily average investment fund assets	$ 69,343	$ 66,026	$ 62,216	5.0 %	11.5 %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Sales	$ 13,565	$ 9,886	37.2 %
Redemptions	10,609	9,374	13.2
Mutual fund net sales (redemptions)[2]	2,956	512	N/M
ETF net creations[3]	1,232	707	74.3
Investment fund net sales (redemptions)[4]	4,188	1,219	N/M
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition[5]	(13,216)	–	N/M
Investment returns	5,067	6,972	(27.3)
Net change in assets	(3,961)	8,191	N/M
Beginning assets	63,211	55,020	14.9
Ending assets	$ 59,250	$ 63,211	(6.3) %
Daily average investment fund assets	$ 64,617	$ 60,280	7.2 %

(1) *Investment Fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM investment funds.*

(2) *Mutual funds – During 2020 and 2019, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:*
- *Third quarter 2020 – resulted in sales and net sales of $290 million.*
- *Fourth quarter 2020 – resulted in sales of $625 million, redemptions of $593 million and net sales of $32 million.*
- *Year to date 2020 – resulted in sales of $1.4 billion, redemptions of $785 million and net sales of $612 million.*
- *Fourth quarter and year to date 2019 – resulted in sales of $129 million, redemptions of $165 million and net redemptions of $36 million.*

(3) *ETFs – during the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in $370 million of purchases in Mackenzie ETFs and $325 million of redemptions from Mackenzie's ETFs respectively.*

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

(5) *Sold $13.4 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Great-West Lifeco. Inc. Acquired $183 million in mutual fund assets under management related to acquisition of Greenchip Financial Corporation.*

TABLE 19: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT[1]

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Assets under management excluding sub-advisory to Wealth Management					
Net sales (redemptions)					
Mutual funds[1]	**$ 1,376**	$ 849	$ 18	62.1 %	N/M %
ETF net creations[2]	**372**	97	202	N/M	84.2
Investment funds[3]	**1,748**	946	220	84.8	N/M
Sub-advisory, institutional and other accounts[4]	**(75)**	(319)	(73)	76.5	(2.7)
Total net sales (redemptions)	**1,673**	627	147	166.8	N/M
Change due to GLC[5]	**30,300**	–	–	N/M	N/M
Investment returns	**4,365**	3,152	1,718	38.5	154.1
Net change in assets	**36,338**	3,779	1,865	N/M	N/M
Beginning assets	**74,600**	70,821	66,392	5.3	12.4
Ending assets	**$ 110,938**	$ 74,600	$ 68,257	48.7 %	62.5 %
Consolidated Assets under management					
Mutual funds	**$ 55,462**	$ 63,599	$ 60,839	(12.8) %	(8.8) %
ETFs	**3,788**	3,330	2,372	13.8	59.7
Investment funds[3]	**59,250**	66,929	63,211	(11.5)	(6.3)
Sub-advisory, institutional and other accounts	**51,688**	7,671	5,046	N/M	N/M
	110,938	74,600	68,257	48.7	62.5
Sub-advisory to Wealth Management	**75,821**	72,660	73,575	4.4	3.1
Consolidated assets under management	**$ 186,759**	$ 147,260	$ 141,832	26.8 %	31.7 %
Average total assets[6]					
Excluding sub-advisory to Wealth Management	**$ 77,186**	$ 73,698	$ 67,217	4.7 %	14.8 %
Consolidated	**150,868**	145,750	140,236	3.5	7.6

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Net sales (redemptions)			
Mutual funds[1]	**$ 2,956**	$ 512	N/M %
ETF net creations[2]	**1,232**	707	74.3
Investment funds[3]	**4,188**	1,219	N/M
Sub-advisory, institutional and other accounts[4]	**2,062**	(1,492)	N/M
Total net sales (redemptions)	**6,250**	(273)	N/M
Change due to GLC[5]	**30,300**	–	N/M
Investment returns	**6,131**	7,726	(20.6)
Net change in assets	**42,681**	7,453	N/M
Beginning assets	**68,257**	60,804	12.3
Ending assets	**$ 110,938**	$ 68,257	62.5 %
Average total assets[6]			
Excluding sub-advisory to Wealth Management	**$ 71,402**	$ 65,807	8.5 %
Consolidated	**143,193**	138,675	3.3

(1) *Mutual funds – During 2020, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:*
- *Third quarter of 2020 – resulted in sales and net sales of $290 million.*
- *Fourth quarter of 2020 – Resulted in sales of $625 million, redemptions of $593 million and net sales of $32 million.*
- *Year to date 2020 – Resulted in sales of $1.4 billion, redemptions of $785 million and net sales of $612 million.*
- *Fourth quarter and year to date 2019 – Resulted in sales of $129 million, redemptions of $165 million and net redemptions of $36 million.*

(2) *ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in $370 million of purchases in Mackenzie ETFs and $325 million of redemptions from Mackenzie's ETFs respectively.*

(3) *Investment Fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM investment funds.*

(4) *Sub-advisory, institutional and other accounts – During the second quarter of 2020, Mackenzie onboarded $2.6 billion of sub-advisory and institutional wins from various clients. During the third quarter of 2019, MD Management reassigned sub-advisory responsibilities totalling $1.2 billion on mandates advised by Mackenzie.*

(5) *Sold $13.4 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Great-West Lifeco. Inc. Acquired $183 million in mutual fund assets under management related to acquisition of Greenchip Financial Corporation. Acquired $43.5 billion in institutional accounts as part of transaction with Great-West Lifeco Inc.*

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

of $1.4 billion, redemptions of $785 million and net sales of $612 million. During the twelve month ended December 31, 2019, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $129 million, redemptions of $165 million and net redemptions of $36 million. Excluding these transactions in 2020 and 2019, mutual fund gross sales increased by 24.7% and mutual fund redemptions increased by 6.7% in the twelve months ended December 31, 2020 compared to last year and mutual fund net sales were $2.3 billion in the current year compared to $548 million last year.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2020, were $3.0 billion and $10.1 billion, respectively, as compared to $2.5 billion and $9.0 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were $2.4 billion in the three months ended December 31, 2020 and $9.3 billion in the twelve months ended December 31, 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 18.2% in the fourth quarter of 2020, compared to 16.4% in the fourth quarter of 2019. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 14.5% in the fourth quarter of 2020, compared to 15.0% in the fourth quarter of 2019. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.6% at December 31, 2020, as compared to 15.6% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 15.3% at December 31, 2020, compared to 15.1% at December 31, 2019. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 15.3% at December 31, 2020. Mackenzie and the mutual fund industry saw increased redemptions in the month of March 2020 as a result of COVID-19 and these redemption rates have stabilized and declined during the second and third quarters. 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 excluding sub-advisory to the Wealth Management segment for the twelve months ended December 31, 2020 were $6.3 billion, as compared to net redemptions of $273 million last year. During the twelve months ended December 31, 2020, investment returns resulted in assets increasing by $6.1 billion compared to an increase of $7.7 billion last year.

During the second quarter of 2020, Mackenzie onboarded $2.6 billion of sub-advisory and institutional wins from various clients. These wins were spread across a diverse range of investment strategies, including Global Equity, U.S. Equity, Fixed Income and Currency Overlay strategies. During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in net sales of $45 million into Mackenzie ETFs. Excluding these transactions and the mutual fund allocation changes made by third party programs noted above, total net sales were $3.0 billion in the twelve months ended December 31, 2020.

During the third quarter of 2019, MD Management reassigned sub-advisory responsibilities totalling $1.2 billion on mandates advised by Mackenzie. Excluding this transaction and the allocation changes made by third party programs noted above, total net sales were $0.9 billion in the twelve months ended December 31, 2019.

As at December 31, 2020, Mackenzie's sub-advisory to the Wealth Management segment were $75.8 billion or 73.6% of total Wealth Management assets under management compared to $73.6 billion or 74.7% of total Wealth Management assets under management at December 31, 2019.

CHANGE IN ASSETS UNDER MANAGEMENT – Q4 2020 VS. Q3 2020

Mackenzie's total assets under management at December 31, 2020 were $186.8 billion, inclusive of $30.3 billion related to the net business acquisitions that closed on December 31, 2020. Mackenzie's total assets under management exclusive of these net acquisitions were $156.5 billion, an increase of 6.2% from $147.3 billion at September 30, 2020. Assets under management excluding sub-advisory to the Wealth Management segment and the recent net business acquisitions were $80.6 billion, an increase of 8.1% from $74.6 billion at September 30, 2020.

Investment fund assets under management were $59.3 billion at December 31, 2020, reflecting the decrease of $13.2 billion of net assets under management related to the sale of mutual fund contracts in the divestiture of QGOF and the Greenchip acquisition noted previously. Mackenzie's total investment fund assets exclusive of these transactions was $72.5 billion, an increase of 8.3% from $66.9 billion at September 30, 2020. Mackenzie's mutual fund assets under management excluding the transactions noted above were $68.7 billion at December 31, 2020, an increase of 8.0% from $63.6 billion at September 30, 2020. Mackenzie's ETF assets were $3.8 billion at December 31, 2020 compared to $3.3 billion at September 30, 2020. ETF assets inclusive of IGM investment funds were $8.5 billion at December 31, 2020 compared to $7.5 billion at September 30, 2020.

For the quarter ended December 31, 2020, Mackenzie mutual fund gross sales were $4.5 billion, an increase of 55.0% from the third quarter of 2020. Mutual fund redemptions were $3.1 billion, an increase of 52.1% from the third quarter of 2020. Net sales of Mackenzie mutual funds for the current quarter were $1.4 billion compared with net sales of $849 million in the previous quarter.

During the current quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of $625 million, redemptions of $593 million and net sales of $32 million. During the third quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross and net sales of $290 million. Excluding these mutual fund allocation changes made by third party programs during the fourth and third quarters of 2020, mutual fund gross sales increased 48.3%, redemptions increased 23.3% and mutual fund net sales were $1.3 billion in the current quarter compared to net sales of $559 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $3.0 billion, compared to $1.9 billion in the third quarter of 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 18.2% compared to 12.6% in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 14.5% in the fourth quarter of 2020. Net sales of long-term funds for the current quarter were $1.3 billion compared to net sales of $784 million in the previous quarter.

For the quarter ended December 31, 2020, Mackenzie ETF net creations were $372 million compared to $97 million in the third quarter. Excluding the Wealthsimple allocation changes during the third quarter of 2020 previously discussed, ETF net creations were $422 million in the quarter ended September 30, 2020.

Investment fund net sales in the current quarter were $1.7 billion compared to net sales of $0.9 billion in the third quarter. Excluding the mutual fund and ETF allocation changes made by third party programs, investment fund net sales of $1.7 billion in the current quarter compared to net sales of $1.0 billion in the prior quarter.

As at December 31, 2020, Mackenzie's sub-advisory to the Wealth Management segment were $75.8 billion or 73.6% of total Wealth Management assets under management compared to $72.7 billion or 74.1% of total Wealth Management assets under management at September 30, 2020.

INVESTMENT MANAGEMENT

Mackenzie has $186.8 billion in assets under management at December 31, 2020, including $75.8 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management. Upon the retirement of the Chief Investment Officer (CIO) at December 31, 2020, Mackenzie introduced a two CIO model that supports its growing size and complexity. This new model will include one CIO dedicated to Fixed Income, Quantitative and Multi-Asset Strategies and the other CIO dedicated to Equities and ensure that our Investment Management teams benefit from independent leadership of their boutiques. At the same time, the two CIO's will partner on key areas, including talent, innovation, technology and data, investment operations and a collaborative approach to solutions selling.

Our investment team currently consists of sixteen boutiques. Initiatives during 2020 include the following:

- Addition of a new Canadian Equity boutique with the acquisition of GLC at December 31, 2020.
- Addition of a new Greenchip boutique with the acquisition of Greenchip Financial Corp. at December 22, 2020.

The investment in Northleaf will also enhance our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments Inc., TOBAM, China AMC, Impax Asset Management LLC and Rockefeller Capital Management.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2020, 78.3% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 67.2% for the three year time frame and 60.8% 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, 2020, 82.5% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 59.6% had a rating of four or five stars. This compared to the Morningstar† universe of 84.6% for three stars or better and 50.1% for four and five star funds at December 31, 2020. These ratings exclude the Quadrus Group of Funds†.

Mackenzie was once again recognized for industry leading performance, winning five 2020 Refinitiv Lipper Awards. The award honours funds that lead in delivering strong, risk-adjusted performance relative to their peers:

- Mackenzie Canadian Growth Balanced Fund Series A – Best three-year and five-year performance in the Canadian Equity Balanced category. This fund is co-managed by Mackenzie's Bluewater, Fixed Income and Asset Allocation Teams.
- Mackenzie Precious Metals Class Series A – Best ten-year performance in the Precious Metals Equity category. This fund is managed by Mackenzie's Resource Team.
- Mackenzie Maximum Diversification Canada Index ETF and Mackenzie Maximum Diversification All World Developed Index ETF – Best three-year performance in the ETF Equity category. This ETF is managed by Mackenzie's Asset Allocation Team.

In addition, eleven of Mackenzie's mutual funds and ETFs were recognized for industry leading performance at the Fundata FundGrade A+ awards.

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2020, Mackenzie launched a number of new products 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 when building long-term diversified portfolios.

During 2020, Mackenzie launched eleven new ETFs and two USD series. These ETFs fill meaningful gaps in the product line-up as well as provide unique exposures in the Canadian market. With Mackenzie's continued focus on multi-channel distribution, many of these ETFs cater to multi-channel opportunities.

- Wealthsimple North American Socially Responsible Index ETF
- Wealthsimple Developed Markets excluding North America Socially Responsible Index
- Mackenzie U.S. Aggregate Bond Index ETF (CAD-Hedged)
- Mackenzie Developed ex-North America Aggregate Bond Index ETF (CAD-Hedged)
- Mackenzie Developed Markets Real Estate Index ETF
- Mackenzie Global Fixed Income Allocation ETF
- Mackenzie Balanced Allocation ETF
- Mackenzie Conservative Allocation ETF
- Mackenzie Growth Allocation ETF
- Mackenzie Global Infrastructure Index ETF
- Mackenzie Global Sustainable Dividend Index ETF (CAD units and USD units)
- Mackenzie US Large Cap Equity ETF (USD units)

Mackenzie's current line-up consists of 41 ETFs: 22 active and strategic beta ETFs and 19 traditional index ETFs. ETF assets under management ended the quarter at $8.5 billion, inclusive of $4.7 billion in investments from IGM mutual funds. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

MUTUAL FUNDS

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors.

During 2020, Mackenzie launched five mutual funds:

- Mackenzie Global Small-Mid Cap Fund
- Mackenzie Alternative Enhanced Yield Fund
- Mackenzie US Mid Cap Opportunities Fund
- Mackenzie US Mid Cap Opportunities Currency Neutral Fund
- Mackenzie Private Equity Replication Fund

In December of 2020, Mackenzie launched a Private Equity Replication Fund. This fund seeks to provide access to the amplified return and managed volatility characteristics of U.S. private equity buyouts. It does this by replicating key elements of the private equity investment profile including active exposures to specific industries, leverage, and volatility management. The fund invests in U.S. publicly traded companies that possess characteristics similar to what private equity firms select for investments, such as high quality companies with elevated profitability that trade at attractive valuations.

Product changes during 2020 include the following:

- On October 29, the Mackenzie US Small-Mid Cap Growth Class and the Mackenzie US Small-Mid Cap Growth Currency Neutral Class were soft capped due to capacity constraints. These funds have delivered strong investment performance versus their benchmark and peers, which has led to sustained asset growth in recent years. Closing the funds to new investors will help to ensure that the integrity of the portfolio managers' investment process is protected, and the fund continues to meet its objectives. New investors will be able to access US mid caps through the Mackenzie US Mid Cap Opportunities Fund and the US Mid Cap Opportunities Currency Neutral Fund, which were launched during 2020. The funds are managed by the same Mackenzie Growth Team with a focus on high-quality innovative US mid cap companies.
- Early in the fourth quarter, the Mackenzie Growth Fund merged into the Mackenzie Canadian Growth Fund to streamline the product shelf for investors and advisors.

Review of Segment Operating Results

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual fund and ETFs by the Wealth Management segment.

The Asset Management segment earnings before interest and taxes are presented in Table 20.

2020 VS. 2019

REVENUES

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
  - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee 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 retail and sold through third party financial advisors.
  - Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.
  - Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option.
- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were $137.7 million for the three months ended December 31, 2020, an increase of $8.2 million or 6.3% from $129.5 million last year. The increase in net asset management fees – third party was primarily due to a 14.8% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 70.8 basis points for the three months December 31, 2020 compared to 76.7 basis points in the comparative period in 2019. The decline in the net asset 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. Contributing to the increase in non-retail assets was the onboarding of $2.6 billion of sub-advisory and institutional wins during the second quarter of 2020.

Net asset management fees – third party were $513.4 million for the year ended December 31, 2020, an increase of $14.0 million or 2.8% from $499.4 million last year. The increase in net asset management fees – third party was primarily due to an 8.5% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.8 basis points for the year ended December 31, 2020 compared to 76.0 basis points in the comparative period in 2019. The decrease in the net asset management fee rate in the current period 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.

Management fees – Wealth Management were $25.8 million for the three months ended December 31, 2020, a decline of $0.4 million or 1.5% from $26.2 million last year. The decline in management fees was due to a decline in the effective management fee rate partially offset by a 0.9% increase in average assets under management. Mackenzie's management fee rate was 13.9 basis points for the three months December 31, 2020 compared to 14.2 basis points in the comparative period in 2019. The decrease in the management fee rate was due to a change in the composition of assets under management.

Management fees – Wealth Management were $100.6 million for the year ended December 31, 2020, a decline of $3.6 million or 3.5% from $104.2 million last year. The decline in management fees was due to a 1.5% decline in average assets under management coupled with a decline in the effective management fee rate. Mackenzie's management fee rate was 14.0 basis points for the year ended December 31, 2020 compared to 14.3 basis points in the comparative period in 2019. The decrease in the management fee rate was due to a change in the composition of assets under management.

TABLE 20: OPERATING RESULTS – ASSET MANAGEMENT

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Revenues					
Asset management					
Asset management fees – third party	**$ 215.1**	$ 206.4	$ 202.0	4.2 %	6.5 %
Redemption fees	**1.2**	0.9	1.4	33.3	(14.3)
	216.3	207.3	203.4	4.3	6.3
Dealer compensation expenses					
Asset-based compensation	**(73.5)**	(70.6)	(68.3)	4.1	7.6
Sales-based compensation	**(5.1)**	(4.9)	(5.6)	4.1	(8.9)
	(78.6)	(75.5)	(73.9)	4.1	6.4
Net asset management fees – third party	**137.7**	131.8	129.5	4.5	6.3
Asset management fees – Wealth Management	**25.8**	25.8	26.2	–	(1.5)
Net asset management	**163.5**	157.6	155.7	3.7	5.0
Net investment income and other	**1.0**	1.1	(0.3)	(9.1)	N/M
	164.5	158.7	155.4	3.7	5.9
Expenses					
Advisory and business development	**28.3**	16.0	22.5	76.9	25.8
Operations and support	**74.6**	69.7	77.7	7.0	(4.0)
Sub-advisory	**1.5**	2.5	2.7	(40.0)	(44.4)
	104.4	88.2	102.9	18.4	1.5
Earnings before interest and taxes	**$ 60.1**	$ 70.5	$ 52.5	(14.8) %	14.5 %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Revenues			
Asset management			
Asset management fees – third party	**$ 808.4**	$ 786.6	2.8 %
Redemption fees	**4.5**	5.7	(21.1)
	812.9	792.3	2.6
Dealer compensation expenses			
Asset-based compensation	**(277.7)**	(268.1)	3.6
Sales-based compensation	**(21.8)**	(24.8)	(12.1)
	(299.5)	(292.9)	2.3
Net asset management fees – third party	**513.4**	499.4	2.8
Asset management fees – Wealth Management	**100.6**	104.2	(3.5)
Net asset management	**614.0**	603.6	1.7
Net investment income and other	**2.9**	4.2	(31.0)
	616.9	607.8	1.5
Expenses			
Advisory and business development	**80.2**	79.9	0.4
Operations and support	**293.7**	295.2	(0.5)
Sub-advisory	**8.7**	10.8	(19.4)
	382.6	385.9	(0.9)
Earnings before interest and taxes	**$ 234.3**	$ 221.9	5.6 %

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $1.0 million for the three months ended December 31, 2020 compared to ($0.3) million last year and was $2.9 million for the year ended December 31, 2020, compared to $4.2 million last year.

EXPENSES

Mackenzie incurs advisory and business development expenses that primarily includes wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were $28.3 million for the three months ended December 31, 2020, an increase of $5.8 million or 25.8% from $22.5 million in 2019. The increase in expense during the current quarter is due to higher wholesaler commissions attributed to record high level of sales partially offset by lower travel and entertainment expenses. Expenses for the year ended December 31, 2020 were $80.2 million, an increase of $0.3 million or 0.4% from $79.9 million last year.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were $74.6 million for the three months ended December 31, 2020, a decrease of $3.1 million or 4.0% from $77.7 million in 2019. Expenses for the year ended December 31, 2020 were $293.7 million, a decline of $1.5 million or 0.5% from $295.2 million last year.

Sub-advisory expenses were $1.5 million for the three months ended December 31, 2020, compared to $2.7 million in 2019. Expenses for the year ended December 31, 2020 were $8.7 million, compared to $10.8 million last year.

Q4 2020 VS. Q3 2020

REVENUES

Net asset management fees – third party were $137.7 million for the current quarter, an increase of $5.9 million or 4.5% from $131.8 million in the third quarter. The increase in net asset management fees – third party was primarily due to a 4.7% increase in average assets under management slightly offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 70.8 basis points for the current quarter compared to 71.0 basis points in the third quarter.

Management fees – Wealth Management were $25.8 million in the current quarter, consistent with the third quarter. The 2.3% increase in average assets under management was offset by a decline in the effective management fee rate. The management fee rate was 13.9 basis points in the current quarter compared to 14.2 basis points in the third quarter.

Net investment income and other was $1.0 million for the current quarter, a decrease of $0.1 million from the third quarter.

EXPENSES

Advisory and business development expenses were $28.3 million for the current quarter, an increase of $12.3 million or 76.9% from $16.0 million in the third quarter. The increase during the current quarter is due to higher wholesaler commissions attributable to record high level of sales during the quarter.

Operations and support expenses were $74.6 million for the current quarter, an increase of $4.9 million or 7.0% from $69.7 million compared to the third quarter.

Sub-advisory expenses were $1.5 million for the current quarter, compared to $2.5 million in the third quarter.

Strategic Investments and Other

Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp., Portag3 Ventures LPs., and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, China AMC and Northleaf as well as net investment income on unallocated capital.

In the third quarter of 2020, the Company sold its 24.8% equity interest in Personal Capital as discussed in the Consolidated Financial Position section of this MD&A. The gain on sale is excluded from segment results.

Assets held by the Strategic Investments and Other segment are included in Table 21.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic investments and other segment earnings before interest and taxes are presented in Table 22.

2020 VS. 2019

The proportionate share of associates' earnings increased by $7.5 million in the fourth quarter of 2020 compared to the fourth quarter of 2019 and increased by $24.6 million in the year ended December 31, 2020, compared to 2019. These earnings reflect equity earnings from Lifeco, China AMC and, until the third quarter of 2020, Personal Capital, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the fourth quarter resulted primarily from increases in the proportionate share of China AMC's earnings of $4.6 million and an increase in Personal Capital reflecting the sale of the Company's investment in the second quarter of 2020. The increase in the twelve months ended December 31, 2020, resulted from the increases in the proportionate share of China AMC's earnings of $11.4 million and Personal Capital's earnings of $12.2 million. Net investment income and other decreased to $1.1 million in the fourth quarter of 2020 compared to $2.6 million in 2019. For the twelve month period, net investment income and other decreased to $6.0 million compared to $7.3 million in 2019.

Q4 2020 VS. Q3 2020

The proportionate share of associates' earnings was $40.1 million in the fourth quarter of 2020, a decrease of $3.4 million from the third quarter of 2020. Net investment income and other was $1.1 million in the fourth quarter of 2020, compared to $0.6 million in the third quarter.

TABLE 21: TOTAL ASSETS – STRATEGIC INVESTMENTS AND OTHER

($ millions)	**2020 DECEMBER 31**	2019 DECEMBER 31
Investments in associates		
Lifeco	**$ 962.4**	$ 896.7
China AMC	**720.3**	662.7
Northleaf	**248.5**	–
Personal Capital	**–**	194.5
	1,931.2	1,753.9
FVTOCI investments		
Wealthsimple (direct investment only)	**511.6**	236.2
Portag3 and other investments	**81.7**	64.9
	593.3	301.1
Unallocated capital and other	**240.6**	321.0
Total assets	**$ 2,765.1**	$ 2,376.0
Lifeco fair value	**$ 1,133.2**	$ 1,241.8

TABLE 22: OPERATING RESULTS – STRATEGIC INVESTMENTS AND OTHER

THREE MONTHS ENDED ($ millions)	2020 DEC. 31	2020 SEP. 30	2019 DEC. 31	% CHANGE 2020 SEP. 30	% CHANGE 2019 DEC. 31
Revenues					
Net investment income and other	**$ 1.1**	$ 0.6	$ 2.6	83.3 %	(57.7) %
Proportionate share of associates' earnings					
Investment in Lifeco	**27.3**	33.0	29.9	(17.3)	(8.7)
Investment in China AMC	**11.8**	10.5	7.2	12.4	63.9
Investment in Northleaf	**1.0**	–	–	N/M	N/M
Investment in Personal Capital	**–**	–	(4.5)	–	100.0
	40.1	43.5	32.6	(7.8)	23.0
	41.2	44.1	35.2	(6.6)	17.0
Expenses					
Operations and support	**0.9**	1.2	0.6	(25.0)	50.0
Earnings before interest and taxes	**$ 40.3**	$ 42.9	$ 34.6	(6.1) %	16.5 %

TWELVE MONTHS ENDED ($ millions)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Revenues			
Net investment income and other	**$ 6.0**	$ 7.3	(17.8) %
Proportionate share of associates' earnings			
Investment in Lifeco	**109.1**	109.1	–
Investment in China AMC	**41.5**	30.1	37.9
Investment in Northleaf	**1.0**	–	N/M
Investment in Personal Capital	**(4.6)**	(16.8)	72.6
	147.0	122.4	20.1
	153.0	129.7	18.0
Expenses			
Operations and support	**4.1**	2.2	86.4
Earnings before interest and taxes	**$ 148.9**	$ 127.5	16.8 %

Consolidated Financial Position

IGM Financial's total assets were $16.1 billion at December 31, 2020, compared to $15.4 billion at December 31, 2019.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 23.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp., and Portag3 Ventures LP and Portag3 Ventures II LP.

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 Power Financial Corporation, a subsidiary of Power Corporation of Canada. As at December 31, 2020, the Company had invested a total of $53.1 million in Portag3.

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. As at December 31, 2020, the Company had invested a total of $186.9 million in Wealthsimple through a limited partnership controlled by Power Financial Corporation. The investment is classified at Fair value through other comprehensive income.

On October 14, 2020, Wealthsimple announced a $114 million equity fundraising led by TCV, one of the largest growth equity investors focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. The new investors have an ownership stake of 7.4%. The purchase price associated with this fundraising valued the common equity of Wealthsimple at $1.5 billion ($1.4 billion pre-money valuation).

IGM Financial Inc. is the largest shareholder in Wealthsimple and holds, directly and indirectly, a 36% interest. As a result of this valuation, the fair value of the Company's investment increased by $298 million and is recorded at $550 million at December 31, 2020.

The total fair value of Corporate investments of $593 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

LOANS

The composition of the Company's loans is detailed in Table 24.

Loans consisted of residential mortgages and represented 39.4% of total assets at December 31, 2020, compared to 46.8% at December 31, 2019.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $6.2 billion at December 31, 2020, compared to $6.9 billion at December 31, 2019.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total

TABLE 23: OTHER INVESTMENTS

	DECEMBER 31, 2020		DECEMBER 31, 2019	
($ millions)	**COST**	**FAIR VALUE**	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	**$ 251.4**	**$ 593.3**	$ 245.0	$ 301.2
Fair value through profit or loss				
Equity securities	**1.5**	**1.5**	1.6	1.8
Proprietary investment funds	**35.3**	**37.5**	51.3	54.4
	36.8	**39.0**	52.9	56.2
	$ 288.2	**$ 632.3**	$ 297.9	$ 357.4

TABLE 24: LOANS

($ millions)	DECEMBER 31, 2020	DECEMBER 31, 2019
Amortized cost	$ 6,329.4	$ 7,198.7
Less: Allowance for expected credit losses	0.8	0.7
	6,328.6	7,198.0
Fair value through profit or loss	3.3	–
	$ 6,331.9	$ 7,198.0

loans being held pending sale or securitization are $334.5 million at December 31, 2020, compared to $344.5 million at December 31, 2019.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At December 31, 2020, IG Wealth Management serviced $11.0 billion of residential mortgages, including $2.4 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

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

In the fourth quarter of 2020, the Company securitized loans through its mortgage banking operations with cash proceeds of $422.8 million compared to $277.8 million in 2019. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 6 to the Annual Financial Statements.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At December 31, 2020, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three and twelve months ended December 31, 2020 compared with 2019 are shown in Table 25.

In December 2020, Lifeco recorded a gain in relation to the revaluation of a deferred tax asset less certain restructuring and transaction costs. The Company's after-tax proportionate share of these adjustments was $3.4 million.

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

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

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.

TABLE 25: INVESTMENT IN ASSOCIATES

($ millions)	DECEMBER 31, 2020 LIFECO	CHINA AMC	PERSONAL CAPITAL	NORTHLEAF	TOTAL	DECEMBER 31, 2019 LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
THREE MONTHS ENDED									
Carrying value, October 1	**$ 942.8**	**$ 713.0**	**$ –**	**$ –**	**$ 1,655.8**	$ 898.7	$ 651.2	$ 202.8	$ 1,752.7
Investment	**–**	**–**	**–**	**247.5**	**247.5**	–	–	–	–
Dividends	**(16.3)**	**–**	**–**	**–**	**(16.3)**	(15.4)	–	–	(15.4)
Proportionate share of:									
Earnings (losses)(1)	**27.3**	**11.8**	**–**	**1.0(2)**	**40.1**	29.9	7.2	(4.5)	32.6
Associate's adjustments(1)	**3.4**	**–**	**–**	**–**	**3.4**	–	–	–	–
Associate's one-time charges(1)	**–**	**–**	**–**	**–**	**–**	(9.2)	–	–	(9.2)
Other comprehensive income (loss) and other adjustments	**5.2**	**(4.5)**	**–**	**–**	**0.7**	(7.3)	4.3	(3.8)	(6.8)
Carrying value, December 31	**$ 962.4**	**$ 720.3**	**$ –**	**$ 248.5**	**$ 1,931.2**	$ 896.7	$ 662.7	$ 194.5	$ 1,753.9
TWELVE MONTHS ENDED									
Carrying value, January 1	**$ 896.7**	**$ 662.7**	**$ 194.5**	**$ –**	**$ 1,753.9**	$ 967.8	$ 683.5	$ –	$ 1,651.3
Investment	**–**	**–**	**–**	**247.5**	**247.5**	–	–	–	–
Transfer from corporate investments (FVTOCI)	**–**	**–**	**–**	**–**	**–**	–	–	217.0	217.0
Proceeds from substantial issuer bid	**–**	**–**	**–**	**–**	**–**	(80.4)	–	–	(80.4)
Dividends	**(65.4)**	**(13.7)**	**–**	**–**	**(79.1)**	(62.6)	(10.3)	–	(72.9)
Proportionate share of:									
Earnings (losses)(1)	**109.1**	**41.5**	**(4.6)**	**1.0**	**147.0**	109.1	30.1	(16.8)	122.4
Associate's adjustments(1)	**3.4**	**–**	**–**	**–**	**3.4**	–	–	–	–
Associate's one-time charges(1)	**–**	**–**	**–**	**–**	**–**	(17.2)	–	–	(17.2)
Other comprehensive income (loss) and other adjustments	**18.6**	**29.8**	**8.8**	**–**	**57.2**	(20.0)	(40.6)	(5.7)	(66.3)
Disposition	**–**	**–**	**(198.7)**	**–**	**(198.7)**	–	–	–	–
Carrying value, December 31	**$ 962.4**	**$ 720.3**	**$ –**	**$ 248.5**	**$ 1,931.2**	$ 896.7	$ 662.7	$ 194.5	$ 1,753.9

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $0.8 million.

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,461.1 billion ($285.1 billion) at December 31, 2020, representing an increase of 41.6% (CAD$ increase of 48.1%) from RMB¥ 1,032.1 billion ($192.4 billion) at December 31, 2019.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. Changes in the carrying value for the three and twelve months ended December 31, 2020 are shown in Table 25. The change in other comprehensive income of negative $4.5 million in the three month period ended December 31, 2020 was due to a 0.5% depreciation of the Chinese yuan relative to the Canadian dollar.

Personal Capital Corporation (Personal Capital)

During the third quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of $232.8 million (USD $176.2 million) and up to an additional USD $24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of $37.2 million ($31.4 million net of tax) in Net investment income and other in the Annual Financial Statements.

The Company's economic gain based on the cost of its investment in Personal Capital of $189.1 million was approximately $43.7 million ($37.9 million net of tax).

Northleaf Capital Group Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf, a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of $241 million and up to an additional $245 million in consideration at the end of five years subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining equity and voting interest in Northleaf commencing in approximately five years and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle therefore it recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%. Net of NCI, IGM's investment at December 31, 2020 was $199.6 million, comprised of $192.6 million in cash consideration, $6.2 million in capitalized transaction costs and proportionate share of 2020 earnings of $0.8 million.

Northleaf's assets under management, including invested capital and uninvested commitments, were $14.6 billion as at December 31, 2020.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled $771.6 million at December 31, 2020 compared with $720.0 million at December 31, 2019. Cash and cash equivalents related to the Company's deposit operations were $5.2 million at December 31, 2020, compared to $2.2 million at December 31, 2019, as shown in Table 26.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities. The increase in the balance since December 31, 2019 is primarily due to market volatility that has caused clients to hold larger cash positions and due to the migration of IG Wealth clientele to nominee accounts that may hold deposit balances.

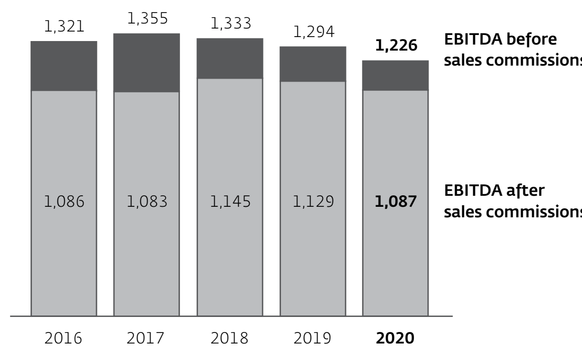
Working capital, which consists of current assets less current liabilities, totalled $330.8 million at December 31, 2020 compared with $464.3 million at December 31, 2019 (Table 27). The decrease in working capital reflects the closing of the Company's acquisitions as previously discussed.

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 $1,226.4 million for the year ended December 31, 2020, compared to $1,294.0 million for 2019. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

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



Adjusted EBITDA before and after sales commissions excluded the following:

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

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

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

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

TABLE 26: DEPOSIT OPERATIONS – FINANCIAL POSITION

AS AT DECEMBER 31 (*$ millions*)	**2020**	2019
Assets		
Cash and cash equivalents	**$ 5.2**	$ 2.2
Client funds on deposit	**1,063.4**	561.3
Accounts and other receivables	**36.5**	12.3
Loans	**10.5**	20.4
Total assets	**$ 1,115.6**	$ 596.2
Liabilities and shareholders' equity		
Deposit liabilities	**$ 1,104.9**	$ 584.3
Other liabilities	**0.3**	0.5
Shareholders' equity	**10.4**	11.4
Total liabilities and shareholders' equity	**$ 1,115.6**	$ 596.2

TABLE 27: WORKING CAPITAL

AS AT DECEMBER 31 (*$ millions*)	2020	2019
Current Assets		
Cash and cash equivalents	$ 771.6	$ 720.0
Client funds on deposit	1,063.4	561.3
Accounts receivable and other assets	391.3	345.3
Current portion of securitized mortgages and other	1,518.6	1,531.7
	3,744.9	3,158.3
Current Liabilities		
Accounts and other payables	756.5	611.9
Deposits and certificates	1,101.4	579.0
Current portion of obligations to securitization entities and other	1,556.2	1,503.1
	3,414.1	2,694.0
Working Capital	$ 330.8	$ 464.3

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled $1,086.9 million for the year ended December 31, 2020, compared to $1,128.9 million for 2019. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

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

CASH FLOWS

Table 28 – 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, 2020. Cash and cash equivalents increased by $51.6 million in 2020 compared to an increase of $69.8 million in 2019.

Adjustments to determine net cash from operating activities during the year ended 2020 compared to 2019 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sale commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The adjustment for other items in 2020, which included the add-back of restructuring provision and other and the deduction of the gain on the sale of the Company's investment in Personal Capital and the gain on the sale of the Quadrus Group of Funds.
- The deduction of restructuring provision cash payments.

TABLE 28: CASH FLOWS

TWELVE MONTHS ENDED (*$ millions*)	2020 DEC. 31	2019 DEC. 31	% CHANGE
Operating activities			
Earnings before income taxes	$ 965.4	$ 968.7	(0.3) %
Income taxes paid	(172.3)	(236.7)	27.2
Adjustments to determine net cash from operating activities	(56.5)	(19.9)	(183.9)
	736.6	712.1	3.4
Financing activities	(1,358.4)	(1,068.9)	(27.1)
Investing activities	673.4	426.6	57.9
Change in cash and cash equivalents	51.6	69.8	(26.1)
Cash and cash equivalents, beginning of year	720.0	650.2	10.7
Cash and cash equivalents, end of year	$ 771.6	$ 720.0	7.2 %

Financing activities during the year ended December 31, 2020 compared to 2019 related to:

- An increase in obligations to securitization entities of $1,568.5 million and repayments of obligations to securitization entities of $2,359.8 million in 2020 compared to an increase in obligations to securitization entities of $1,456.3 million and repayments of obligations to securitization entities of $1,960.8 million in 2019.
- The payment of regular common share dividends which totalled $536.2 million in 2020 compared to $539.0 million in 2019.

2019 also included the following financing activities:

- Issuance of debentures of $250.0 million.
- Redemption of preferred shares of $150.0 million.
- The purchase of 2,762,788 common shares under IGM Financial's normal course issuer bid at a cost of $100.0 million.
- Payment of perpetual preferred share dividends which totalled $4.4 million.

Investing activities during the year ended December 31, 2020 compared to 2019 primarily related to:

- The purchases of other investments totalling $32.7 million and sales of other investments with proceeds of $38.8 million in 2020 compared to $118.9 million and $85.5 million, respectively, in 2019.
- An increase in loans of $1,793.0 million with repayments of loans and other of $2,679.7 million in 2020 compared to $1,682.1 million and $2,211.5 million, respectively, in 2019, primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions was $68.8 million in 2020 compared to $64.1 million in 2019.
- The acquisition of GLC Asset Management Group Ltd. for $175.8 million in 2020.
- The investment in Northleaf Capital Group Ltd. of $198.8 million in 2020.
- The sales of the Company's investment in Personal Capital and the Quadrus Group of Funds with proceeds of $262.8 million.

2019 also included the following investing activities:

- An additional investment in Personal Capital of $66.8 million.
- Proceeds of $80.4 million from the sale of 2,400,255 Lifeco shares as a result of the Company's participation in the Lifeco substantial issuer bid.

CAPITAL RESOURCES

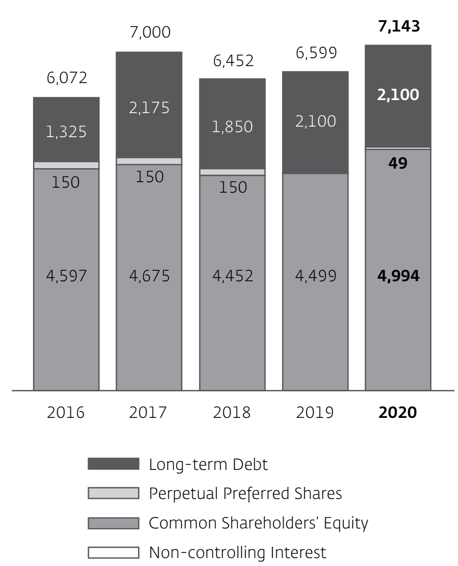
The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity which totalled $7.1 billion at December 31, 2020, compared to $6.6 billion at December 31, 2019. The Company regularly assesses its capital management practices in response to changing economic conditions.

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

The total outstanding long-term debt was $2.1 billion at December 31, 2020, unchanged from December 31, 2019. 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.

Capital

As at December 31 ($ millions)



Other activities in 2020 included the declaration of common share dividends of $536.2 million or $2.25 per share. Changes in common share capital are reflected in the Annual 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 29 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.

TABLE 29: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2020		DECEMBER 31, 2019	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	$ 593.3	$ 593.3	$ 301.2	$ 301.2
– Fair value through profit or loss	39.0	39.0	56.2	56.2
Loans				
– Fair value through profit or loss	3.3	3.3	–	–
Derivative financial instruments	37.3	37.3	15.2	15.2
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	6,328.6	6,532.8	7,198.0	7,273.8
Financial liabilities recorded at fair value				
Derivative financial instruments	34.5	34.5	17.2	17.2
Financial liabilities recorded at amortized cost				
Deposits and certificates	1,104.9	1,105.4	584.3	584.7
Obligations to securitization entities	6,173.9	6,345.2	6,913.6	6,997.0
Long-term debt	2,100.0	2,653.8	2,100.0	2,453.6

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

See Note 23 of the Annual Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the twelve months ended December 31, 2020.

Risk Management

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

RISK MANAGEMENT FRAMEWORK

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

RISK GOVERNANCE

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM Department, compliance groups, and Internal Audit Department.

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

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

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.
- The Related Party and Conduct Review Committee oversees conflicts of interest.

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

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

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

In response to the impact of COVID-19, the Company is focusing our teams on addressing and managing COVID-19 issues and has established new committees and processes where required.

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

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

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

Our liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance and other business leaders.

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

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. 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 2020 and 2019, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Issued $250 million 4.206% debentures in March 2019 maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of $150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.
- Participated in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of $80.4 million.
- Received proceeds from the sales of the Company's investment in Personal Capital and the Quadrus Group of Funds of $262.8 million.

The Company's contractual obligations are reflected in Table 30.

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

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $825 million at December 31, 2020, unchanged from December 31, 2019. The lines of credit at December 31, 2020 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2019. 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, 2020 and December 31, 2019, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

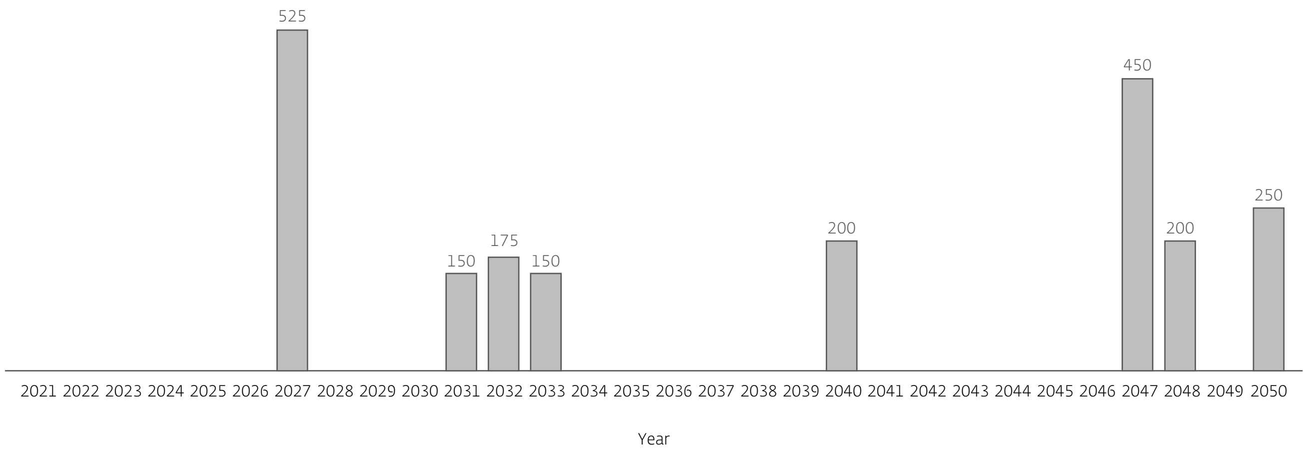
TABLE 30: CONTRACTUAL OBLIGATIONS

AS AT DECEMBER 31, 2020 (*$ millions*)	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 13.1	$ 21.4	$ –	$ 34.5
Deposits and certificates	1,099.4	2.1	2.5	0.9	1,104.9
Obligations to securitization entities	–	1,543.1	4,610.1	20.7	6,173.9
Leases(1)	–	27.6	88.2	131.1	246.9
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding(2)	–	14.1	–	–	14.1
Total contractual obligations	**$ 1,099.4**	**$ 1,600.0**	**$ 4,722.2**	**$ 2,252.7**	**$ 9,674.3**

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

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2021 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Long-Term Debt Maturity Schedule
($ millions)



The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $47.2 million compared to $82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns and is required to be funded over five years. The registered pension plan had a going concern surplus of $46.1 million compared to $24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During the year ended December 31, 2020, the Company made contributions of $25.6 million (2019 – $26.4 million). The Manitoba Government announced that they will temporarily waive certain contributions businesses are required to make to their defined benefit pension plans including solvency funding payments for the 13 months from December 2020 to December 2021. IGM has elected this special payment moratorium and as a result, the Company expects to only make current service cost contributions of approximately $14.1 million in 2021. 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, 2019.

CREDIT RISK

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

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

Cash and Cash Equivalents and Client Funds on Deposit

At December 31, 2020, cash and cash equivalents of $771.6 million (2019 – $720.0 million) consisted of cash balances of $76.6 million (2019 – $68.0 million) on deposit with Canadian chartered banks and cash equivalents of $695.0 million (2019 – $652.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $96.0 million (2019 – $34.5 million), provincial government treasury bills and promissory notes of $148.8 million (2019 – $206.5 million), and bankers' acceptances and other short-term notes issued by Canadian chartered banks of $450.2 million (2019 – $411.0 million).

Client funds on deposit of $1,063.4 million (December 31, 2019 – $561.3 million) represent cash balances held in client accounts which are deposited at Canadian financial institutions.

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

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2019.

Mortgage Portfolio

As at December 31, 2020, residential mortgages, recorded on the Company's balance sheet, of $6.3 billion (2019 – $7.2 billion) consisted of $6.0 billion sold to securitization programs (2019 – $6.8 billion), $334.5 million held pending sale or securitization (2019 – $344.5 million) and $14.1 million related to the Company's intermediary operations (2019 – $24.2 million).

The Company manages credit risk related to residential mortgages through:

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

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

- Under the NHA MBS program totalling $3.2 billion (2019 – $3.9 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.8 billion (2019 – $2.9 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $73.0 million (2019 – $71.9 million) and $45.6 million (2019 – $37.9 million), respectively, at December 31, 2020. 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 3.0% of mortgages held in ABCP Trusts insured at December 31, 2020 (2019 – 4.6%).

At December 31, 2020, residential mortgages recorded on balance sheet were 55.3% insured (2019 – 59.1%). As at December 31, 2020, impaired mortgages on these portfolios were $4.8 million, compared to $2.4 million at December 31, 2019. Uninsured non-performing mortgages over 90 days on these portfolios were $2.3 million at December 31, 2020, compared to $1.6 million at December 31, 2019.

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, 2020, compared to $0.7 million at December 31, 2019, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2019.

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 $35.8 million (2019 – $15.7 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 $3.8 million at December 31, 2020 (2019 – $0.7 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2020. Management of credit risk related to derivatives has not changed materially since December 31, 2019.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 2, 6 and 22 to the Annual Financial Statements.

MARKET RISK

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our mortgage banking operations.

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

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of $21.1 million (December 31, 2019 – negative $0.9 million) and an outstanding notional amount of $0.7 billion at December 31, 2020 (December 31, 2019 – $0.8 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled $19.9 million (December 31, 2019 – negative $4.9 million), on an outstanding notional amount of $1.3 billion at December 31, 2020 (December 31, 2019 – $1.6 billion). The net fair value of these swaps of negative $1.2 million at December 31, 2020 (December 31, 2019 – negative $5.8 million) is recorded on the balance sheet and has an outstanding notional amount of $2.0 billion (December 31, 2019 – $2.4 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The negative fair value of these swaps was $0.3 million (December 31, 2019 – positive $0.6 million) on an outstanding notional amount of $191.3 million at December 31, 2020 (December 31, 2019 – $180.4 million).

As at December 31, 2020, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $1.3 million (December 31, 2019 – decrease of $2.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2019.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was $632.3 million at December 31, 2020 (December 31, 2019 – $357.4 million), as shown in Table 23.

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

Foreign Exchange Risk

IGM Financial is exposed to foreign exchange risk on its investment in China AMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $34.0 million ($37.6 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately $2.0 million ($2.1 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

At December 31, 2020, IGM Financial's total assets under management and advisement were $240.0 billion compared to $190.0 billion at December 31, 2019.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management and advisement on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

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

During 2020, there has been significant global market volatility, as discussed in the Operational Assessment section of the MD&A.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company has increased its communication to clients and others of market conditions and changes and the Company and its Consultants have actively been reaching out to clients to discuss their financial planning needs and goals in light of COVID-19 and will continue those efforts. The Company has also increased communication to support the independent financial advisors and its institutional clients with a focus on providing capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the resources they need to support their clients in light of COVID-19.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

2) OPERATIONAL RISK

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

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

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

TABLE 31: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT DECEMBER 31, 2020	INVESTMENT FUNDS	TOTAL
Cash	1.6 %	2.6 %
Short-term fixed income and mortgages	5.1	5.0
Other fixed income	26.0	25.5
Domestic equity	19.8	24.3
Foreign equity	44.9	40.6
Real Property	2.6	2.0
	100.0 %	100.0 %
CAD	52.9 %	58.7 %
USD	30.4	27.1
Other	16.7	14.2
	100.0 %	100.0 %

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

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

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

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

For the health and safety of the Company's employees and clients and to help efforts to limit the speed and spread of the COVID-19 infection, the Company moved substantially all of its employees and Consultants to work from home and temporarily closed its offices in March 2020. The Company is continuously assessing its plan and protocols, and taking direction from external governing bodies such as the Medical Officers of Health, to determine when employees and advisors will return to the office.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

TECHNOLOGY AND CYBER RISK

We use systems and technology to support business operations and the client and 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. The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

OUTSOURCING

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

MODEL RISK

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

LEGAL AND REGULATORY COMPLIANCE

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

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

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

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

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

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

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

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

We have 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.

REGULATORY DEVELOPMENT RISK

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

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

The Company continuously monitors regulatory developments, guidance and communications, and has been engaged in ongoing discussions with regulators as the industry works to address issues resulting from COVID-19.

ACQUISITION RISK

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

4) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, 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 32 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

CATASTROPHIC EVENTS OR LOSS

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance. Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

The global COVID-19 pandemic has caused economic disruption, adversely impacted economic conditions, has caused significant volatility and reductions in the level of financial markets, and has increased unemployment in Canada and globally.

In response, the Company has implemented its business continuity plans and has transitioned substantially all of its employees and Consultants to working from home.

It is difficult to predict how significant the COVID-19 pandemic and government measures taken in response will be to world economies, our clients and our business. This event could have a material impact on the financial positions and results of the Company, subject to duration and severity.

PRODUCT / SERVICE OFFERING

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

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

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

TABLE 32: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2020 DEC. 31	2019 DEC. 31
IGM Financial Inc.		
IG Wealth Management	**9.8 %**	10.3 %
Mackenzie	**16.6 %**	15.6 %
Counsel	**20.1 %**	19.3 %

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS / CLIENT RELATIONSHIPS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and 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 Wealth Management Review of the Business section of this MD&A.

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

PEOPLE RISK

This risk refers to the potential inability to attract or retain employees or Consultants, develop them to an appropriate level of proficiency, or manage engagement and personnel succession or transition.

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

We have a Diversity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

Our activities have a current focus on enabling the upward mobility of women and other under-represented groups. We had a goal to have at least 35% of our executive roles – Vice-President and above – held by women by the end of 2020. As of December 31, 2020, 33% of these roles were held by women and 27% of IG Wealth Management Consultants were women. We are supporters of the UN Women's Empowerment Principles and also work with Catalyst, the Institute for Gender and the Economy and Women in Capital Markets to advance gender equality. In 2020, the IGM Financial companies also signed a pledge through the BlackNorth Initiative that reinforces our shared commitment to end anti-Black systemic racism.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain social distance for our employees and Consultants.
- Providing the tools and processes to enable our employees and Consultants to continue to operate effectively from home.
- Providing Employee Assistance Programs and other programs to support the mental and physical well-being of our employees, Consultants, and their families.
- Developing a return to office strategy to safely allow employees and advisors to return to the office when appropriate.

5) ENVIRONMENTAL AND SOCIAL RISK

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social issues connected to our business operations or investment activities.

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

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Responsibility Statement approved by the Board of Directors. The Board's risk management oversight includes ensuring that material environmental and social risks are appropriately identified, managed and monitored.

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

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

IG Wealth Management and Mackenzie Investments are signatories to the Principles for Responsible Investment (PRI). IG Wealth Management sub-advisors were also required to be signatories to the PRI by the end of 2019. Under the PRI, investors formally commit to incorporate 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 Investment Policies outlining the practices at each company.

IGM Financial reports annually on ESG management and performance in its Corporate Responsibility Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2021 Global 100 and Best 50 Corporate Citizens, and has been recognized by CDP at the leadership level for the past three years for its climate disclosures.

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 including setting and monitoring emission reduction targets. We have been recognized by CDP at the leadership level for the past three years for our climate disclosures.

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

TCFD DISCLOSURE

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

Governance: IGM Financial's Board is responsible for providing oversight on risk and strategy, which includes climate-related matters. Through its Risk Committee, the Board is responsible for ensuring that material climate-related issues are appropriately identified, managed and monitored. Our Chief Financial Officer (CFO) oversees implementation of the CR and Enterprise Risk Management programs. We have established an enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy and product offering for clients, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

Strategy: Climate-related opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. In addition to our commitments described above to be responsible investors through engagement and integration of material climate issues into our investment processes, we also offer investment products with specific environmental or social mandates.

At Mackenzie Investments, sustainable investing is one of our key areas of strategic emphasis, and we have established a dedicated function which reports to the CEO. We also have an investment boutique, Greenchip, which is exclusively focused on thematic investing to fight climate change.

At IG Wealth, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and have requirements for all sub-advisors to our product offering to be UN PRI signatories. We have a Sustainable and Responsible Investing Committee whose responsibilities include incorporation of climate change awareness and management into our product and service offerings, and we have established education and communication programs for our financial planners.

Risk Management: Assessment and management of climate-related risks is integrated into our ERM framework. At Mackenzie Investments, our boutique investment teams are each responsible for determining when and how climate change is material and how to incorporate transition and physical risks into their investment process. The teams have access to ESG data tools and a service provider for comprehensive global investor engagement who places a priority on climate change engagement. To help aid in the assessment of material climate risks and opportunities, Mackenzie Investments is in the process of implementing the Sustainability Accounting Standards Board framework and a tool to enhance climate data and analytics. We are following the development of climate scenario tools for our industry in order to incorporate scenario planning to enhance our understanding of how our clients and the Company will be impacted by various climate change scenarios.

Metrics and Targets: We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our CR Report which are available at igmfinancial.com/en/corporate-responsibility. We are reviewing tools to expand our reporting of emissions metrics in our investment portfolios. We have set emission reduction and renewable energy targets in our operations and are on track to meet these goals. As we continue to develop our climate strategy, we will review our targets to continue measuring our progress.

The Financial Services Environment

Canadians held $5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 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% ($3.3 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 $1.7 trillion held outside of a financial advisory relationship, approximately 61% consisted of bank deposits.

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

Approximately 41% of Canadian discretionary financial assets or $2.0 trillion resided in investment funds at December 31, 2019, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $162 billion in investment fund assets under management at December 31, 2020, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

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

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 42% of total industry long-term mutual fund assets at December 31, 2020.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 73% of industry long-term mutual fund assets and 73% of total mutual fund assets under management at December 31, 2020. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

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

THE COMPETITIVE LANDSCAPE

Our subsidiaries IG Wealth Management and Investment Planning Counsel compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of our product and service offerings, including pricing, product structures, dealer and advisor compensation and disclosure. We monitor developments on an ongoing basis, and engage in policy discussions and develop product and service responses as appropriate.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the Company and long-term value for our clients and shareholders. We are midway through a five-year transformation to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

BROAD PRODUCT CAPABILITIES

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

ENDURING CLIENT RELATIONSHIPS

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

PART OF THE POWER CORPORATION GROUP OF COMPANIES

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

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

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

The major critical accounting estimates are summarized below:

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

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

  The Company completed its annual impairment tests of goodwill and indefinite life intangible assets as at April 1, 2020, and determined there was no impairment in the value of those assets.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 15 to the Consolidated Financial Statements.
- *Capitalized sales commissions* – Commissions paid directly by the client on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to its carrying value. At December 31, 2020, 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 2020, the performance of the defined benefit pension plan assets was positively impacted by market conditions. Corporate bond yields decreased in 2020 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, 2020 was 2.70% compared to 3.20% at December 31, 2019. Pension plan assets increased to $517.0 million at December 31, 2020 from $466.5 million at December 31, 2019. The increase in plan assets was due to market performance of $26.1 million comprised of interest income of $14.9 million calculated based on the discount rate, which was recorded as a reduction to the pension expense, and actuarial gains of $11.2 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 $25.6 million (2019 – $26.4 million) to the pension plan. The decrease in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial losses of $57.2 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised which resulted in nominal net actuarial gains. The total defined benefit pension plan obligation was $650.1 million at December 31, 2020 compared to $565.6 million at December 31, 2019. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $133.1 million at December 31, 2020 compared to $99.1 million at the end of 2019. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $74.8 million and $42.1 million, respectively, at December 31, 2020 compared to $69.2 million and $39.1 million in 2019.

  A decrease of 0.25% in the discount rate utilized in 2020 would result in a change of $31.4 million in the accrued pension obligation, $29.3 million in other comprehensive income, and $2.1 million in pension expense. Additional information regarding the Company's accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 14 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

IGM Financial has not adopted any changes in accounting policies in 2020.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

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

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, 2020, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

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

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

Effective November 18, 2019, IGM Financial entered into an outsourcing agreement with CIBC Mellon to assume most of IGM Financial's fund services functions. This adds fund administration servicing solutions to the custody and related services that CIBC Mellon already performs for IGM Financial. As a result of the outsourcing, substantially all of IGM Financial's employees in the outsourced functions were hired by CIBC Mellon and continued performing the same functions during the remainder of the fourth quarter. Contractually, CIBC Mellon is required to develop and implement internal controls and has agreed to work with IGM Financial to implement compliance measures to satisfy CSA National Instrument 52-109. CIBC Mellon has agreed to make minimal changes to processes and systems through 2020. Accordingly, management has concluded that this outsourcing has not materially affected the Company's internal controls in 2020. As the transition proceeds over the coming months and years, management will continually reassess its impact on the Company's internal control over financial reporting.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2020, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Notwithstanding the above, during the fourth quarter of 2020, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

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

- During 2020 and 2019, the Company provided to and received from Canada Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise. In 2020, IGM notified Canada Life of its intention to terminate its long-term technology infrastructure related sharing agreement.
- The Company distributes insurance products under a distribution agreement with Canada Life and received $45.1 million in distribution fees (2019 – $54.8 million). The Company received $18.4 million (2019 – $17.1 million) and paid $29.6 million (2019 – $26.2 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $78.3 million (2019 – $78.8 million) to Canada Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2020, the Company sold residential mortgage loans to Canada Life for $20.9 million compared to $10.8 million in 2019.

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 Company recognized the benefit of the tax losses realized throughout the year. On each of December 31, 2020 and December 31, 2019, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired. The benefits from these tax loss consolidation arrangements ended at December 31, 2020.

Additional transactions with related parties included the sale of Personal Capital, the investment in Northleaf, the acquisition of GLC Asset Management Group Ltd. and the sale of Quadrus Group of Funds (Note 8 and Note 29 of the Consolidated Financial Statements).

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

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2020 totalled 238,308,284. Outstanding stock options as at December 31, 2020 totalled 11,930,224 of which 6,326,067 were exercisable. As at February 5, 2021, outstanding common shares totalled 238,312,192 and outstanding stock options totalled 11,918,854 of which 6,322,159 were exercisable.

SEDAR

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

consolidated financial statements

Notes to 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.

James O'Sullivan
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. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, 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, 2020 and 2019, 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill – Asset Management cash generating unit – Refer to Notes 2 and 11 to the financial statements

Key Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each cash generating unit ("CGU") to its carrying value. The recoverable amount of the Asset Management CGU is based on fair value less costs of disposal, which is determined using both a market approach based on valuation multiples and an income approach based on a discounted cash flow analysis. In determining the recoverable amount of the Asset Management CGU, management made significant estimates and assumptions related to market multiples, changes in future assets under management resulting from net sales and investment returns, pricing levels, and discount rates. The recoverable amount of the Asset Management CGU exceeded its carrying value as of the measurement date and no impairment was recognized.

While there are several estimates and assumptions that are required to determine the recoverable amount of the Asset Management CGU, the estimates and assumptions with the highest degree of subjectivity are the valuation multiples used in the market approach and the future changes in assets under management resulting from net sales and investment returns, pricing levels, and discount rates used in the income approach. This required significant auditor attention as these estimates are subject to estimation uncertainty and the impact to the assumptions from the COVID-19 pandemic. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures which resulted in an increased extent of audit effort and the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to market multiples, future changes in assets under management resulting from net sales and investment returns, pricing levels, and discount rates used to determine the recoverable amount of the Asset Management CGU included the following, among others:

- With the assistance of fair value specialists, evaluated the valuation multiples by analyzing precedent business acquisition transactions and comparable public company multiples and developing a range of independent market multiples and comparing them to those selected by management.
- Evaluated management's ability to accurately forecast future changes in assets under management resulting from net sales and investment returns, and pricing levels by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of forecasted future changes in assets under management resulting from net sales and investment returns, and pricing levels by comparing the forecasts to:
  - Historical changes in assets under management resulting from net sales and investment returns with consideration to historical market and industry returns;
  - Historical pricing levels; and
  - Known changes to the Asset Management CGU's operations and its industry, including the impact of the COVID-19 pandemic to future operating performance.
- With the assistance of fair value specialists, evaluated the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent discount rates and comparing to those selected by management.

Investment in Associates – Acquisition of Northleaf Capital Group Ltd.– Refer to Notes 2 and 8 to the financial statements

Key Audit Matter Description
On October 29, 2020, the Company acquired a non-controlling interest in Northleaf Capital Group Ltd. ("Northleaf") and owns a 49.9% voting interest and 70% economic interest in Northleaf with a future obligation and right to purchase additional economic and voting interest commencing in approximately five years and extending into the future. The Company determined that it does not have control over the investment in Northleaf but rather significant influence, and as such applied the equity method of accounting.

The determination of the accounting treatment for the investment in Northleaf required management to evaluate whether the Company exercised control or significant influence over the investment. This involved significant management judgment to interpret the key agreement and legal terms of the purchase agreement and other legal agreements associated with the acquisition. Auditing whether the Company exercised control or significant influence over the investment in Northleaf required a high degree of auditor judgment which resulted in an increased extent of audit effort and the involvement of professionals in our firm with expertise in business combinations and consolidation.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to the evaluation of whether the Company exercised control or significant influence over the investment in Northleaf, included the following, among others:

- Confirmed the key agreement and legal terms of the purchase agreement and other legal agreements directly with legal counsel and assessed the terms of the purchase agreement and other legal agreements to determine whether all key facts and circumstances were incorporated into management's assessment.
- With the assistance of professionals in our firm with expertise in business combinations and consolidation, evaluated management's assessment of whether the Company exercised control or significant influence over the investment in Northleaf by analyzing specific facts and circumstances to relevant accounting guidance.

Independent Auditor's Report *(continued)*

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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Dalziel.

Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 11, 2021

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars, except per share amounts)*	2020	2019
Revenues		
Wealth management	$ 2,259,576	$ 2,299,048
Asset management	812,931	792,327
Dealer compensation expense	(283,163)	(277,075)
Net asset management	529,768	515,252
Net investment income and other *(Notes 8 and 29)*	78,209	24,825
Proportionate share of associates' earnings *(Note 8)*	150,429	105,225
	3,017,982	2,944,350
Expenses *(Note 3)*		
Advisory and business development	1,040,146	1,066,021
Operations and support	830,650	733,045
Sub-advisory	71,213	68,232
Interest *(Note 16)*	110,597	108,386
	2,052,606	1,975,684
Earnings before income taxes	965,376	968,666
Income taxes *(Note 15)*	200,770	219,719
Net earnings	764,606	748,947
Non-controlling interest *(Note 8)*	(198)	–
Perpetual preferred share dividends	–	(2,213)
Net earnings available to common shareholders	$ 764,408	$ 746,734
Earnings per share *(in dollars)* *(Note 24)*		
– Basic	$ 3.21	$ 3.12
– Diluted	$ 3.21	$ 3.12

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	2020	2019
Net earnings	$ 764,606	$ 748,947
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) *(Note 4), net of tax of $(38,565) and $(1,651)*	247,085	10,597
Employee benefits		
Net actuarial gains (losses), *net of tax of $11,461 and $6,243*	(31,002)	(16,895)
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	(2,906)	(19,129)
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $(1,900) and $3,448*	50,889	(35,009)
	264,066	(60,436)
Total comprehensive income	$ 1,028,672	$ 688,511

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 *(in thousands of Canadian dollars)*	2020	2019
Assets		
Cash and cash equivalents	$ 771,585	$ 720,005
Other investments *(Note 4)*	632,300	357,362
Client funds on deposit	1,063,442	561,269
Accounts and other receivables	444,458	394,210
Income taxes recoverable	30,366	11,925
Loans *(Note 5)*	6,331,855	7,198,043
Derivative financial instruments *(Note 22)*	37,334	15,204
Other assets *(Note 7)*	49,782	45,843
Investment in associates *(Note 8)*	1,931,168	1,753,882
Capital assets *(Note 9)*	329,690	216,956
Capitalized sales commissions *(Note 10)*	231,085	149,866
Deferred income taxes *(Note 15)*	84,624	76,517
Intangible assets *(Note 11)*	1,321,590	1,230,127
Goodwill *(Note 11)*	2,803,075	2,660,267
	$ 16,062,354	$ 15,391,476
Liabilities		
Accounts payable and accrued liabilities	$ 486,575	$ 434,957
Income taxes payable	7,146	4,867
Derivative financial instruments *(Note 22)*	34,514	17,193
Deposits and certificates *(Note 12)*	1,104,889	584,331
Other liabilities *(Note 13)*	536,141	441,902
Obligations to securitization entities *(Note 6)*	6,173,886	6,913,636
Lease obligations	188,334	90,446
Deferred income taxes *(Note 15)*	388,079	305,049
Long-term debt *(Note 16)*	2,100,000	2,100,000
	11,019,564	10,892,381
Shareholders' Equity		
Share capital *(Note 17)*		
Common shares	1,598,381	1,597,860
Contributed surplus	51,663	48,677
Retained earnings	3,207,469	2,980,260
Accumulated other comprehensive income (loss) *(Note 20)*	136,364	(127,702)
Non-controlling interest *(Note 8)*	48,913	–
	5,042,790	4,499,095
	$ 16,062,354	$ 15,391,476

These financial statements were approved and authorized for issuance by the Board of Directors on February 11, 2021.

James O'Sullivan
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 17)	SHARE CAPITAL: COMMON SHARES (Note 17)	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 20)	NON-CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
2020							
Balance, beginning of year	**$ –**	**$ 1,597,860**	**$ 48,677**	**$ 2,980,260**	**$ (127,702)**	**$ –**	**$ 4,499,095**
Net earnings	**–**	**–**	**–**	**764,606**	**–**	**–**	**764,606**
Other comprehensive income (loss), net of tax	**–**	**–**	**–**	**–**	**264,066**	**–**	**264,066**
Total comprehensive income	**–**	**–**	**–**	**764,606**	**264,066**	**–**	**1,028,672**
Common shares							
Issued under stock option plan	**–**	**521**	**–**	**–**	**–**	**–**	**521**
Stock options							
Current period expense	**–**	**–**	**3,010**	**–**	**–**	**–**	**3,010**
Exercised	**–**	**–**	**(24)**	**–**	**–**	**–**	**(24)**
Common share dividends	**–**	**–**	**–**	**(536,194)**	**–**	**–**	**(536,194)**
Issuance of non-controlling interest	**–**	**–**	**–**	**(198)**	**–**	**48,913**	**48,715**
Other	**–**	**–**	**–**	**(1,005)**	**–**	**–**	**(1,005)**
Balance, end of year	**$ –**	**$ 1,598,381**	**$ 51,663**	**$ 3,207,469**	**$ 136,364**	**$ 48,913**	**$ 5,042,790**
2019							
Balance, beginning of year	$ 150,000	$ 1,611,263	$ 45,536	$ 2,834,998	$ (45,798)	$ –	$ 4,595,999
Net earnings	–	–	–	748,947	–	–	748,947
Other comprehensive income (loss), net of tax	–	–	–	–	(60,436)	–	(60,436)
Total comprehensive income	–	–	–	748,947	(60,436)	–	688,511
Redemption of preferred shares	(150,000)	–	–	–	–	–	(150,000)
Common shares							
Issued under stock option plan	–	5,111	–	–	–	–	5,111
Purchased for cancellation	–	(18,514)	–	–	–	–	(18,514)
Stock options							
Current period expense	–	–	3,406	–	–	–	3,406
Exercised	–	–	(265)	–	–	–	(265)
Perpetual preferred share dividends	–	–	–	(2,213)	–	–	(2,213)
Common share dividends	–	–	–	(537,588)	–	–	(537,588)
Transfer out of fair value through other comprehensive income	–	–	–	21,468	(21,468)	–	–
Common share cancellation excess and other	–	–	–	(85,352)	–	–	(85,352)
Balance, end of year	$ –	$ 1,597,860	$ 48,677	$ 2,980,260	$ (127,702)	$ –	$ 4,499,095

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	2020	2019
Operating activities		
Earnings before income taxes	$ 965,376	$ 968,666
Income taxes paid	(172,319)	(236,676)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	36,433	22,387
Capitalized sales commissions paid	(117,652)	(67,209)
Amortization of capital, intangible and other assets	83,498	79,496
Proportionate share of associates' earnings, net of dividends received	(71,328)	(32,251)
Pension and other post-employment benefits	(4,758)	(4,810)
Restructuring provisions and other	74,460	–
Gain on sale of Personal Capital Corporation	(37,232)	–
Gain on sale of Quadrus Group of Funds	(30,000)	–
Changes in operating assets and liabilities and other	26,772	9,316
Cash from operating activites before restructuring provision payments	753,250	738,919
Restructuring provision cash payments	(16,625)	(26,853)
	736,625	712,066
Financing activities		
Net decrease in deposits and certificates	(5,832)	(2,472)
Increase in obligations to securitization entities	1,568,521	1,456,265
Repayments of obligations to securitization entities and other	(2,359,844)	(1,960,757)
Repayment of lease obligations	(25,579)	(23,370)
Issue of debentures	–	250,000
Redemption of preferred shares	–	(150,000)
Issue of common shares	498	4,846
Common shares purchased for cancellation	–	(99,963)
Perpetual preferred share dividends paid	–	(4,425)
Common share dividends paid	(536,186)	(539,046)
	(1,358,422)	(1,068,922)
Investing activities		
Purchase of other investments	(32,651)	(118,917)
Proceeds from the sale of other investments	38,840	85,462
Increase in loans	(1,792,995)	(1,682,079)
Repayment of loans and other	2,679,740	2,211,504
Net additions to capital assets	(38,991)	(18,813)
Net cash used in additions to intangible assets and acquisitions	(68,808)	(64,121)
Investment in Northleaf Capital Group Ltd. *(Note 8)*	(198,793)	–
Acquisition of GLC Asset Management Group Ltd. *(Note 29)*	(175,788)	–
Proceeds from sale of Personal Capital Corporation *(Note 8)*	232,823	–
Investment in Personal Capital Corporation	–	(66,811)
Proceeds from sale of Quadrus Group of Funds *(Note 8)*	30,000	–
Proceeds from substantial issuer bid *(Note 8)*	–	80,408
	673,377	426,633
Increase in cash and cash equivalents	51,580	69,777
Cash and cash equivalents, beginning of year	720,005	650,228
Cash and cash equivalents, end of year	$ 771,585	$ 720,005
Cash	$ 76,617	$ 67,986
Cash equivalents	694,968	652,019
	$ 771,585	$ 720,005
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 267,369	$ 301,738
Interest paid	$ 256,272	$ 271,914

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

December 31, 2020 and 2019 *(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 Corporation of Canada.

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

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), as issued by the International Accounting Standards Board (IASB). 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, 11, 13, 14, 15, 23 and 29. The twelve months ended December 31, 2020 were characterized by increased uncertainty due to COVID-19. The Company is closely monitoring the current environment and assessing the impacts, if any, on its significant assumptions related to critical estimates.

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), China Asset Management Co., Ltd. (China AMC) and Northleaf Capital Group Ltd. (Northleaf) 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 (loss) and the dividends received since the date of acquisition. The equity method was used to account for the Company's equity interest in Personal Capital Corporation (Personal Capital) until the announcement of the sale of the investment on June 29, 2020.

CHANGES IN PRESENTATION

In the third quarter of 2020, the Company realigned its reportable segments and made disclosure enhancements to its Consolidated Statements of Earnings to better characterize the Company's business lines and improve transparency into the key drivers of the business. These changes have had no impact on the reported earnings of the Company.

The Company restated comparative figures in its Consolidated Statements of Earnings and Segmented information note to conform to the current period's presentation. The changes had no impact to prior period earnings and no impact to the Consolidated Balance Sheets.

CHANGES IN PRESENTATION *(continued)*

Segment reporting

The Company has realigned its reportable segments (Note 28) as follows:

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

Statements of Earnings

The Company has reclassified its Statement of Earnings as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset based and sales based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product and planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses vary directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation and technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

CHANGES IN PRESENTATION *(continued)*

Statements of Earnings (continued)

The following tables provide reconciliations from current presentation to prior period presentation for the Consolidated Statement of Earnings.

2020

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		$ 2,282,908	$ 403,417	$ 346,289	$ 129,412	$ 150,429	$ 1,088,343	$ 1,148,139	$ 110,597	$ 965,376
CURRENT PRESENTATION										
Revenues										
Wealth management	**$ 2,259,576**	1,564,667	301,902	341,804	51,203					
Asset management	**812,931**	718,241	101,515	4,485				(11,310)		
Dealer compensation	**(283,163)**						(283,163)			
Net asset management	**529,768**	718,241	101,515	4,485			(283,163)	(11,310)		
Net investment income and other	**78,209**				78,209					
Proportionate share of associates' earnings *(Note 8)*	**150,429**					150,429				
	3,017,982	2,282,908	403,417	346,289	129,412	150,429	(283,163)	(11,310)		
Expenses										
Advisory and business development	**1,040,146**						805,180	234,966		
Operations and support	**830,650**							830,650		
Sub-advisory	**71,213**							71,213		
Interest	**110,597**								110,597	
	2,052,606						805,180	1,136,829	110,597	
Earnings before income taxes	**$ 965,376**									

CHANGES IN PRESENTATION *(continued)*

Statements of Earnings *(continued)*

2019

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		$ 2,267,960	$ 414,457	$ 368,036	$ 76,928	$ 105,225	$ 1,101,165	$ 1,054,389	$ 108,386	$ 968,666
CURRENT PRESENTATION										
REVENUES										
Wealth management	**$ 2,299,048**	1,568,346	316,309	362,290	52,103					
Asset management	**792,327**	699,614	98,148	5,746				(11,181)		
Dealer compensation	**(277,075)**						(277,075)			
Net asset management	**515,252**	699,614	98,148	5,746			(277,075)	(11,181)		
Net investment income and other	**24,825**				24,825					
Proportionate share of associates' earnings *(Note 8)*	**105,225**					105,225				
	2,944,350	2,267,960	414,457	368,036	76,928	105,225	(277,075)	(11,181)		
Expenses										
Advisory and business development	**1,066,021**						814,263	251,758		
Operations and support	**733,045**						9,827	723,218		
Sub-advisory	**68,232**							68,232		
Interest	**108,386**								108,386	
	1,975,684						824,090	1,043,208	108,386	
Earnings before income taxes	**$ 968,666**									

REVENUE RECOGNITION

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Revenues from financial advisory fees and investment management and related administration fees are based on the net asset value of investment funds or other assets under advisement and are accrued as services are performed. Distribution revenue associated with insurance and banking products and services are also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade date basis.

Asset management revenue related to investment management advisory and administrative services is based on the net asset value of investment funds and other assets under management and is accrued as services are performed.

FINANCIAL INSTRUMENTS

All financial assets are initially recognized at fair value in the Consolidated Balance Sheets and are subsequently classified as measured at 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.

FINANCIAL INSTRUMENTS *(continued)*

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 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. Revenues from mortgage activities are included in Wealth Management revenues in the Consolidated Statement of Earnings.

Changes in fair value of loans measured at FVTPL are recorded in Wealth management revenue 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 Wealth management revenue 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 Wealth management revenue 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.

Commissions paid on investment product sales where the Company earns fees from a 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 comprised of Property and equipment and Right-of-use assets.

Property and equipment

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.

Right-of-use assets

A right-of-use asset representing the Company's property leases is depreciated using the straight-line method from the commencement date to the end of the lease term and is recorded in Advisory and business development and Operations and support expenses.

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. Imputed interest on the lease liability is recorded in Interest expense.

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

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

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.

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 Operations and support 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, Restricted Share Unit and Deferred Share Unit plans. 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 hedging 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 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 21). The effective portion of changes in fair value are initially recorded in Other comprehensive income and subsequently recorded in Wealth management revenue 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 Wealth management revenue 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 Operations and support expenses 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.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

NOTE 3 EXPENSES

	2020	2019
Commissions	$ 787,684	$ 824,090
Salaries and employee benefits	556,115	517,796
Restructuring and other	74,460	–
Occupancy	28,608	27,840
Amortization of capital, intangible and other assets	83,498	79,496
Other	340,431	349,844
	1,870,796	1,799,066
Sub-advisory	71,213	68,232
Interest	110,597	108,386
	$ 2,052,606	$ 1,975,684

During 2020, the Company incurred restructuring and other charges of $74.5 million related to the ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management (GLC) and other changes to our investment management teams. As a result of these initiatives, the Company is recording costs relating to restructuring and downsizing certain related party sharing services activities as well as impairment of redundant internally generated software assets.

NOTE 4 OTHER INVESTMENTS

	2020		2019	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 251,417	$ 593,273	$ 244,989	$ 301,196
Fair value through profit or loss (FVTPL)				
Equity securities	1,499	1,513	1,575	1,759
Proprietary investment funds	35,254	37,514	51,304	54,407
	36,753	39,027	52,879	56,166
	$ 288,170	$ 632,300	$ 297,868	$ 357,362

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp. (Wealthsimple) and Portag3 Ventures LP and Portag3 Ventures II LP (Portag3).

In 2020, the Company invested $4.2 million related to Portag3 (2019 – Wealthsimple $51.9 million and Portag3 $14.8 million).

The total fair value of Corporate investments of $593.3 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

INVESTMENT IN WEALTHSIMPLE

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. As at December 31, 2020, the Company had invested a total of $186.9 million in Wealthsimple through a limited partnership controlled by Power Financial Corporation, a subsidiary of Power Corporation of Canada. The investment is classified at Fair Value Through Other Comprehensive Income.

On October 14, 2020, Wealthsimple announced a $114 million equity fundraising led by TCV, a growth equity investor focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. The purchase price associated with this fundraising values the common equity of Wealthsimple at $1.5 billion ($1.4 billion pre-money valuation).

IGM Financial Inc. holds, directly and indirectly, a 36% interest in Wealthsimple (2019 – 42%). As a result of this valuation, the fair value of the Company's investment increased by $298 million and is recorded at $550 million at December 31, 2020.

INVESTMENT IN PORTAG3

Portag3 is an early-stage investment fund dedicated to backing innovating financial services companies. Portag3 is controlled by the Company's parent, Power Financial Corporation.

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, 2020, there were $162.3 billion in investment fund assets under management (2019 – $161.8 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. The Company's maximum exposure to loss is limited to its direct investment in the proprietary investment funds.

Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2020, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of $7.5 million (2019 – $7.1 million), equity securities of $10.9 million (2019 – $21.8 million) and fixed income securities of $5.8 million (2019 – $6.0 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	2020 TOTAL	2019 TOTAL
Amortized cost					
Residential mortgages	$ 1,500,141	$ 4,820,230	$ 8,971	$ 6,329,342	$ 7,198,718
Less: Allowance for expected credit losses				778	675
				6,328,564	7,198,043
Fair value through profit or loss				3,291	–
				$ 6,331,855	$ 7,198,043
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of year				$ 675	$ 801
Write-offs, net of recoveries				(562)	(863)
Expected credit losses				665	737
Balance, end of year				$ 778	$ 675

Total credit impaired loans as at December 31, 2020 were $4,807 (2019 – $2,381).

In 2020, the Company worked with clients that were financially impacted by COVID-19 to defer mortgage payments for up to six months. This program expired for new applicants on September 30, 2020. As at December 31, 2020, there were no mortgages in the deferral program.

At December 31, 2020, the Company's allowance for expected credit losses was $778 compared to $675 at December 31, 2019.

Total interest income on loans was $191.2 million (2019 – $218.3 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $148.5 million (2019 – $171.9 million). Gains realized on the sale of residential mortgages totalled $9.8 million (2019 – $3.2 million). Fair value adjustments related to mortgage banking operations totalled negative $5.1 million (2019 – negative $4.3 million). These amounts were included in Wealth management revenue. Wealth management revenue 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, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a negative fair value of $1.2 million at December 31, 2020 (2019 – negative $5.8 million).

The Government of Canada introduced measures to support Canadians through the COVID-19 crisis where mortgage payments can be deferred for up to six months and repaid over the life of the mortgage. The program expired for new applicants on September 30, 2020. 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.

2020	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	$ 3,216,158	$ 3,307,428	$ (91,270)
Bank sponsored ABCP	2,767,743	2,866,458	(98,715)
Total	$ 5,983,901	$ 6,173,886	$ (189,985)
Fair value	$ 6,186,410	$ 6,345,189	$ (158,779)
2019			
Carrying value			
NHA MBS and CMB Program	$ 3,890,955	$ 3,938,732	$ (47,777)
Bank sponsored ABCP	2,938,910	2,974,904	(35,994)
Total	$ 6,829,865	$ 6,913,636	$ (83,771)
Fair value	$ 6,907,742	$ 6,996,953	$ (89,211)

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

	2020	2019
Deferred and prepaid expenses	$ 48,763	$ 44,673
Other	1,019	1,170
	$ 49,782	$ 45,843

Total other assets of $24.2 million as at December 31, 2020 (2019 – $19.1 million) are expected to be realized within one year.

NOTE 8 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	PERSONAL CAPITAL	NORTHLEAF	TOTAL
2020					
Balance, beginning of year	$ **896,651**	$ **662,694**	$ **194,537**	$ **–**	$ **1,753,882**
Investment	**–**	**–**	**–**	**247,508**	**247,508**
Dividends	**(65,415)**	**(13,686)**	**–**	**–**	**(79,101)**
Proportionate share of:					
Earnings (losses)	**109,148**	**41,531**	**(4,640)**	**990**[1]	**147,029**
Associate's adjustments	**3,400**	**–**	**–**	**–**	**3,400**
Other comprehensive income (loss) and other adjustments	**18,604**	**29,743**	**8,817**	**–**	**57,164**
Disposition	**–**	**–**	**(198,714)**	**–**	**(198,714)**
Balance, end of year	$ **962,388**	$ **720,282**	$ **–**	$ **248,498**	$ **1,931,168**
2019					
Balance, beginning of year	$ 967,829	$ 683,475	$ –	$ –	$ 1,651,304
Transfer from corporate investments (FVTOCI)	–	–	216,952	–	216,952
Proceeds from substantial issuer bid	(80,408)	–	–	–	(80,408)
Dividends received	(62,673)	(10,301)	–	–	(72,974)
Proportionate share of:					
Earnings (losses)	109,088	30,119	(16,782)	–	122,425
Associate's one-time charges	(17,200)	–	–	–	(17,200)
Other comprehensive income (loss) and other adjustments	(19,985)	(40,599)	(5,633)	–	(66,217)
Balance, end of year	$ 896,651	$ 662,694	$ 194,537	$ –	$ 1,753,882

(1) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $0.8 million.

The Company uses the equity method to account for its investments in Great-West Lifeco Inc., China Asset Management Co., Ltd. and Northleaf Capital Group Ltd. as it exercises significant influence. The equity method was used up to June 29, 2020 to account for the Company's 24.8% equity interest in Personal Capital Corporation (Personal Capital), as it exercised significant influence.

GREAT-WEST LIFECO INC. (LIFECO)

Lifeco is a publicly listed company that is incorporated and domiciled in Canada and is controlled by Power Corporation of Canada. 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, 2020, the Company held 37,337,133 (2019 – 37,337,133) shares of Lifeco, which represented an equity interest of 4.0% (2019 – 4.0%). Significant influence arises from several factors, including but not limited to the following: common control of Lifeco by Power Corporation of Canada, directors common to the boards of the Company and Lifeco, certain shared strategic alliances and significant intercompany transactions 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.

In December 2020, Lifeco recorded a gain in relation to the revaluation of a deferred tax asset less certain restructuring and transaction costs. The Company's after-tax proportionate share of these adjustments was $3.4 million.

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

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

The fair value of the Company's investment in Lifeco totalled $1,133.2 million at December 31, 2020 (2019 – $1,241.8 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*.

GREAT-WEST LIFECO INC. (LIFECO) *(continued)*

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2020 (2019 – 9,200,000).

Lifeco's financial information as at December 31, 2020 can be obtained in its publicly available information.

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

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

As at December 31, 2020, the Company held a 13.9% ownership interest in China AMC (2019 – 13.9%). 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.

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

	2020		2019	
AS AT DECEMBER 31 *(millions)*	CANADIAN DOLLARS	CHINESE YUAN	CANADIAN DOLLARS	CHINESE YUAN
Total assets	**2,672**	**13,695**	2,171	11,645
Total liabilities	**720**	**3,688**	504	2,701
FOR THE YEAR ENDED DECEMBER 31				
Revenue	**1,078**	**5,539**	763	3,977
Net earnings available to common shareholders	**311**	**1,598**	230	1,201
Total comprehensive income	**300**	**1,542**	234	1,219

NORTHLEAF CAPITAL GROUP LTD. (NORTHLEAF)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of $241.0 million and up to an additional $245.0 million in consideration at the end of five years subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participation in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle and therefore recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%. Net of NCI, IGM's investment at December 31, 2020 was $199.6 million, comprised of $192.6 million in cash consideration, $6.2 million in capitalized transaction costs and proportionate share of 2020 earnings of $0.8 million.

The following table sets forth certain summary financial information from Northleaf:

AS AT DECEMBER 31 *(millions)*	2020
Total assets	**115.9**
Total liabilities	**98.5**
FOR THE THREE MONTHS ENDED DECEMBER 31 (1)	
Revenue	**21.7**
Net earnings available to common shareholders	**3.1**
Total comprehensive income	**3.1**

(1) Q4 2020 earnings presented; however, the Company's proportionate share of Northleaf's earnings was effective October 28, 2020.

NOTE 8 INVESTMENT IN ASSOCIATES *(continued)*

PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

During the third quarter of 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of $232.8 million (USD $176.2 million) and up to an additional USD $24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of $37.2 million ($31.4 million net of tax) in Net investment income and other.

As at December 31, 2019, the Company held a 24.8% equity interest in Personal Capital. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net loss adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company.

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

NOTE 9 CAPITAL ASSETS

	FURNITURE AND EQUIPMENT	BUILDING AND COMPONENTS	RIGHT-OF-USE ASSETS	TOTAL
2020				
Cost	**$ 357,351**	**$ 68,009**	**$ 227,872**	**$ 653,232**
Less: accumulated amortization	**(258,315)**	**(16,598)**	**(48,629)**	**(323,542)**
	$ 99,036	**$ 51,411**	**$ 179,243**	**$ 329,690**
Changes in capital assets:				
Balance, beginning of year	**$ 84,299**	**$ 51,801**	**$ 80,856**	**$ 216,956**
Additions	**37,799**	**1,192**	**123,529**	**162,520**
Disposals	**(3,653)**	**–**	**–**	**(3,653)**
Amortization	**(19,409)**	**(1,582)**	**(25,142)**	**(46,133)**
Balance, end of year	**$ 99,036**	**$ 51,411**	**$ 179,243**	**$ 329,690**
2019				
Cost	$ 321,108	$ 66,817	$ 104,343	$ 492,268
Less: accumulated amortization	(236,809)	(15,016)	(23,487)	(275,312)
	$ 84,299	$ 51,801	$ 80,856	$ 216,956
Changes in capital assets:				
Balance, beginning of year	$ 88,185	$ 50,462	$ –	$ 138,647
Adoption of IFRS 16	–	–	96,065	96,065
Additions	16,679	2,841	8,278	27,798
Disposals	(893)	–	–	(893)
Amortization	(19,672)	(1,502)	(23,487)	(44,661)
Balance, end of year	$ 84,299	$ 51,801	$ 80,856	$ 216,956

NOTE 10 CAPITALIZED SALES COMMISSIONS

	2020	2019
Cost	$ 310,127	$ 192,504
Less: accumulated amortization	(79,042)	(42,638)
	$ 231,085	$ 149,866
Changes in capitalized sales commissions		
Balance, beginning of year	$ 149,866	$ 105,044
Changes due to:		
Sales of investment funds	117,652	67,209
Amortization	(36,433)	(22,387)
	81,219	44,822
Balance, end of year	$ 231,085	$ 149,866

NOTE 11 GOODWILL AND INTANGIBLE ASSETS

	FINITE LIFE		INDEFINITE LIFE			
	SOFTWARE	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL INTANGIBLE ASSETS	GOODWILL
2020						
Cost	$ 293,412	$ 228,167	$ 740,559	$ 285,177	$ 1,547,315	$ 2,803,075
Less: accumulated amortization	(137,489)	(88,236)	–	–	(225,725)	–
	$ 155,923	$ 139,931	$ 740,559	$ 285,177	$ 1,321,590	$ 2,803,075
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 138,499	$ 65,892	$ 740,559	$ 285,177	$ 1,230,127	$ 2,660,267
Additions[(1)]	43,606	81,950	–	–	125,556	142,808
Disposals	(1,421)	(490)	–	–	(1,911)	–
Amortization	(24,761)	(7,421)	–	–	(32,182)	–
Balance, end of year	$ 155,923	$ 139,931	$ 740,559	$ 285,177	$ 1,321,590	$ 2,803,075
2019						
Cost	$ 256,365	$ 147,248	$ 740,559	$ 285,177	$ 1,429,349	$ 2,660,267
Less: accumulated amortization	(117,866)	(81,356)	–	–	(199,222)	–
	$ 138,499	$ 65,892	$ 740,559	$ 285,177	$ 1,230,127	$ 2,660,267
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 116,697	$ 48,635	$ 740,559	$ 285,177	$ 1,191,068	$ 2,660,267
Additions	44,421	25,457	–	–	69,878	–
Disposals	–	(1,726)	–	–	(1,726)	–
Amortization	(22,619)	(6,474)	–	–	(29,093)	–
Balance, end of year	$ 138,499	$ 65,892	$ 740,559	$ 285,177	$ 1,230,127	$ 2,660,267

(1) The Company completed its acquisition of GLC on December 31, 2020 and Greenchip on December 22, 2020 (Note 29)

NOTE 11 GOODWILL AND INTANGIBLE ASSETS *(continued)*

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:

	2020		2019	
	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS
Wealth Management	$ 1,491,687	$ 23,055	$ 1,491,687	$ 23,055
Asset Management	1,311,388	1,002,681	1,168,580	1,002,681
Total	$ 2,803,075	$ 1,025,736	$ 2,660,267	$ 1,025,736

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.

In assessing the recoverable amounts, valuation approaches are used that may 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 in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent level 3 fair value inputs. 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 12 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 $1,104.9 million (2019 – $584.3 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2020 TOTAL	2019 TOTAL
Deposits	$ 1,099,365	$ 1,655	$ 1,938	$ 169	$ 1,103,127	$ 582,382
Certificates	–	410	570	782	1,762	1,949
	$ 1,099,365	$ 2,065	$ 2,508	$ 951	$ 1,104,889	$ 584,331

NOTE 13 OTHER LIABILITIES

	2020	2019
Dividends payable	$ 134,048	$ 134,040
Interest payable	27,500	30,127
Accrued benefit liabilities *(Note 14)*	250,079	207,441
Provisions	77,495	20,513
Other	47,019	49,781
	$ 536,141	$ 441,902

NOTE 13 OTHER LIABILITIES *(continued)*

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 2020 consisted of additional estimates of $77.8 million (2019 – $2.2 million), provision reversals of $2.2 million (2019 – $3.3 million) and payments of $18.6 million (2019 – $29.2 million).

Total other liabilities of $276.0 million as at December 31, 2020 (2019 – $221.5 million) are expected to be settled within one year.

NOTE 14 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 the solvency deficit resulted primarily from higher assets due to contribution and investment returns, and is required to be funded over five years. The registered pension plan had a going concern surplus of $46.1 million compared to $24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During 2020, the Company made contributions of $25.6 million (2019 – $26.4 million). The Manitoba Government announced that they will temporarily waive certain contributions businesses are required to make to their defined benefit pension plans including solvency funding payments for the 13 months from December 2020 to December 2021. IGM has elected this special payment moratorium and as a result, the Company expects to only make current service cost contributions of approximately $14.1 million in 2021. 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.

DEFINED BENEFIT PLANS *(continued)*

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.

Plan assets, benefit obligations and funded status:

	2020			2019		
	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	$ 466,547	$ –	$ –	$ 407,428	$ –	$ –
Employee contributions	1,979	–	–	2,316	–	–
Employer contributions	25,468	–	–	26,368	–	–
Benefits paid	(27,792)	–	–	(32,014)	–	–
Interest income	14,935	–	–	16,065	–	–
Additions	11,200	–	–	–	–	–
Remeasurements:						
Return on plan assets	24,608	–	–	46,384	–	–
Balance, end of year	516,945	–	–	466,547	–	–
Accrued benefit obligation						
Balance, beginning of year	565,606	69,236	39,147	496,715	62,084	37,742
Benefits paid	(27,792)	(3,267)	(1,942)	(32,014)	(3,308)	(2,266)
Current service cost	20,728	1,639	587	18,540	1,462	539
Past service costs	–	(1,588)	–	–	–	–
Employee contributions	1,979	–	–	2,316	–	–
Interest expense	17,688	2,072	1,156	19,048	2,265	1,337
Additions	14,700	–	–	–	–	–
Remeasurements:						
Actuarial losses (gains)						
Demographic assumption	–	–	830	–	–	–
Experience adjustments	(33)	1,345	(535)	(970)	1,934	(648)
Financial assumptions	57,188	5,388	2,892	61,971	4,798	2,443
Balance, end of year	650,064	74,825	42,135	565,606	69,235	39,147
Accrued benefit liability	$ 133,119	$ 74,825	$ 42,135	$ 99,059	$ 69,235	$ 39,147

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2020			2019		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Discount rate	2.70%	1.85%-2.50%	2.35%	3.20%	2.95%-3.10%	3.05%
Rate of compensation increase	3.75%	3.75%	N/A	3.90%	3.75%	N/A
Health care cost trend rate(1)	N/A	N/A	5.60%	N/A	N/A	4.00%
Mortality rates at age 65 for current pensioners	23.0 years	23.0 years	23.0 years	23.6 years	23.6 years	23.6 years

(1) Trending to 4.00% in 2040 and remaining at that rate thereafter.

The weighted average duration of the pension plan's defined benefit obligation at the end of the reporting period is 19.3 years (2019 – 19.1 years).

DEFINED BENEFIT PLANS *(continued)*

Benefit expense:

	2020			2019		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Current service cost	$ 20,728	$ 1,639	$ 587	$ 18,540	$ 1,462	$ 539
Past service costs	–	(1,588)	–	–	–	–
Net interest cost	2,753	2,072	1,156	2,983	2,265	1,337
	$ 23,481	$ 2,123	$ 1,743	$ 21,523	$ 3,727	$ 1,876

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:

	2020		2019	
	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	$ (29,334)	$ (2,081)	$ (25,523)	$ (1,782)
Decrease	31,391	2,110	27,313	1,815
Rate of compensation (+ / − 0.25%)				
Increase	11,121	1,075	9,676	812
Decrease	(10,981)	(1,057)	(9,555)	(806)
Mortality				
Increase 1 year	14,339	849	12,476	686
SERPs				
Discount rate (+ / − 0.25%)				
Increase	(1,922)	87	(1,825)	52
Decrease	2,001	(93)	1,908	(56)
Rate of compensation (+ / − 0.25%)				
Increase	41	21	79	23
Decrease	(42)	(15)	(78)	(22)
Mortality				
Increase 1 year	1,645	45	1,681	58
Other post-employment benefits				
Discount rate (+ / − 0.25%)				
Increase	(1,056)	52	(982)	43
Decrease	1,106	(55)	1,028	(46)
Health care cost trend rates (+ / − 1.00%)				
Increase	1,476	35	1,372	39
Decrease	(1,273)	(30)	(1,183)	(35)
Mortality				
Increase 1 year	1,270	42	1,180	44

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:

	2020	2019
Equity securities	60.8 %	59.2 %
Fixed income securities	29.6	30.3
Alternative strategies	8.6	9.4
Cash and cash equivalents	1.0	1.1
	100.0 %	100.0 %

DEFINED BENEFIT PLANS *(continued)*

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 Advisory and business development and Operations and support expenses was $6.2 million (2019 – $5.5 million).

GROUP RETIREMENT SAVINGS PLAN (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $7.6 million (2019 – $6.9 million).

NOTE 15 INCOME TAXES

Income tax expense:

	2020	2019
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	**$ 170,441**	$ 200,736
Adjustments in respect of prior years	**(2,003)**	513
	168,438	201,249
Deferred taxes	**32,332**	18,470
	$ 200,770	$ 219,719

Effective income tax rate:

	2020	2019
Income taxes at Canadian federal and provincial statutory rates	**26.68 %**	26.77 %
Effect of:		
Proportionate share of associates' earnings *(Note 8)*	**(3.71)**	(3.31)
Proportionate share of associate's adjustments *(Note 8)*	**(0.09)**	0.48
Tax loss consolidation *(Note 26)*	**(1.15)**	(1.41)
Disposition of assets and other acquisition costs	**(0.82)**	–
Other items	**(0.11)**	0.15
Effective income tax rate	**20.80 %**	22.68 %

DEFERRED INCOME TAXES

Composition and changes in net deferred taxes are as follows:

	ACCRUED BENEFIT LIABILITIES	LOSS CARRYFORWARDS	CAPITALIZED SALES COMMISSIONS	INTANGIBLE ASSETS	OTHER INVESTMENTS	OTHER	TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2020							
Balance, beginning of year	**$ 55,994**	**$ 33,700**	**$ (40,006)**	**$ (268,734)**	**$ (8,104)**	**$ (1,382)**	**$ (228,532)**
Recognized in statements of:							
Earnings	**(933)**	**(6,096)**	**(21,573)**	**(4,485)**	**708**	**47**	**(32,332)**
Comprehensive income	**11,461**	**–**	**–**	**–**	**(38,565)**	**(1,900)**	**(29,004)**
Equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Business acquisitions	**945**	**–**	**–**	**(15,010)**	**–**	**488**	**(13,577)**
Foreign exchange rate charges and other	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Balance, end of year	**$ 67,467**	**$ 27,604**	**$ (61,579)**	**$ (288,229)**	**$ (45,961)**	**$ (2,757)**	**$ (303,455)**
FOR THE YEAR ENDED DECEMBER 31, 2019							
Balance, beginning of year	$ 51,025	$ 33,165	$ (28,254)	$ (265,343)	$ (7,714)	$ (2,991)	$ (220,112)
Recognized in statements of:							
Earnings	(1,274)	535	(11,752)	(3,391)	(2,091)	(497)	(18,470)
Comprehensive income	6,243	–	–	–	1,701	3,448	11,392
Equity	–	–	–	–	–	(1,341)	(1,341)
Business acquisitions	–	–	–	–	–	–	–
Foreign exchange rate charges and other	–	–	–	–	–	(1)	(1)
Balance, end of year	$ 55,994	$ 33,700	$ (40,006)	$ (268,734)	$ (8,104)	$ (1,382)	$ (228,532)

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

	2020	2019
Deferred income tax assets	**$ 84,624**	$ 76,517
Deferred income tax liabilities	**388,079**	305,049
	$ 303,455	$ 228,532

As at December 31, 2020, the Company had non-capital losses of $12.2 million (2019 – $10.0 million) available to reduce future taxable income, the benefit of which had not been recognized. $11.4 million of the losses can be carried forward indefinitely and the remainder expire on December 31, 2037.

NOTE 16 LONG-TERM DEBT

MATURITY	RATE	2020	2019
January 26, 2027	3.44 %	**400,000**	400,000
December 13, 2027	6.65 %	**125,000**	125,000
May 9, 2031	7.45 %	**150,000**	150,000
December 31, 2032	7.00 %	**175,000**	175,000
March 7, 2033	7.11 %	**150,000**	150,000
December 10, 2040	6.00 %	**200,000**	200,000
January 25, 2047	4.56 %	**200,000**	200,000
December 9, 2047	4.115 %	**250,000**	250,000
July 13, 2048	4.174 %	**200,000**	200,000
March 21, 2050	4.206 %	**250,000**	250,000
		$ 2,100,000	$ 2,100,000

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 $106.7 million (2019 – $104.3 million).

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

NOTE 17 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

	2020		2019	
	SHARES	**STATED VALUE**	SHARES	STATED VALUE
Common shares:				
Balance, beginning of year	**238,294,090**	**$ 1,597,860**	240,885,317	$ 1,611,263
Issued under Stock Option Plan *(Note 19)*	**14,194**	**521**	171,561	5,111
Purchased for cancellation	**–**	**–**	(2,762,788)	(18,514)
Balance, end of year	**238,308,284**	**$ 1,598,381**	238,294,090	$ 1,597,860

The Company redeemed its First preferred shares, Series B for $150.0 million on April 30, 2019.

NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid on March 26, 2019 which was effective until March 25, 2020. Pursuant to this bid, the Company was authorized to purchase up to 4.0 million or 1.7% of its common shares outstanding as at March 14, 2019.

There were no common shares purchased in 2020. In 2019, there were 2,762,788 shares purchased at a cost of $100.0 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

NOTE 18 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 and common shareholders' equity. The Company regularly assesses its capital management practices in response to changing economic conditions.

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

The total outstanding long-term debt was $2,100.0 million at December 31, 2020, unchanged from December 31, 2019. 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.

Other activities in 2020 included the declaration of common share dividends of $536.2 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

NOTE 19 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, 2020, 20,401,157 (2019 – 20,415,351) common shares were reserved for issuance under the Plan.

During 2020, the Company granted 2,104,365 options to employees (2019 – 1,511,540). The weighted-average fair value of options granted during the year ended December 31, 2020 has been estimated at $1.43 per option (2019 – $1.82) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $35.05 (2019 – $34.35). The assumptions used in these valuation models include:

	2020	2019
Exercise price	**$ 36.82**	$ 34.34
Risk-free interest rate	**1.11%**	2.07%
Expected option life	**7 years**	7 years
Expected volatility	**18.62%**	18.00%
Expected dividend yield	**6.45%**	6.55%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Stock options were exercised regularly throughout 2020 and the average share price in 2020 was $32.65 (2019 – $36.22).

The Company recorded compensation expense related to its stock option program of $3.0 million (2019 – $3.4 million).

STOCK OPTION PLAN *(continued)*

	2020		2019	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	10,529,360	$ 41.22	9,701,894	$ 42.27
Granted	2,104,365	36.82	1,511,540	34.34
Exercised	(14,194)	35.08	(171,561)	28.25
Forfeited	(689,307)	42.64	(512,513)	45.20
Balance, end of year	11,930,224	$ 40.37	10,529,360	$ 41.22
Exercisable, end of year	6,326,067	$ 43.00	5,470,178	$ 43.99

OPTIONS OUTSTANDING AT DECEMBER 31, 2020	EXPIRY DATE	EXERCISE PRICE $	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2021	42.49 – 46.72	424,545	424,545
	2022	45.56 – 47.23	655,701	655,701
	2023	44.73 – 47.26	994,895	994,895
	2024	53.81	715,859	669,565
	2025	43.28 – 43.97	1,082,924	917,597
	2026	34.88 – 38.17	1,914,022	1,173,633
	2027	39.71 – 41.74	1,273,796	670,077
	2028	37.58 – 40.10	1,307,536	524,911
	2029	34.29 – 36.91	1,463,846	295,143
	2030	31.85 – 38.65	2,097,100	–
			11,930,224	6,326,067

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 $16.8 million in 2020 (2019 – $17.0 million) and a liability of $31.5 million at December 31, 2020 (2019 – $26.5 million).

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 3 years following the date of purchase. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $3.8 million (2019 – $10.0 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 interests 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 DSUs at that time. At December 31, 2020, the fair value of the DSUs outstanding was $21.2 million (2019 – $18.6 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 Operations and support expense in the period in which the change occurs.

NOTE 20 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

2020	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of year	**$ (165,947)**	**$ 46,363**	**$ (8,118)**	**$ (127,702)**
Other comprehensive income (loss)	**(31,002)**	**247,085**	**47,983**	**264,066**
Balance, end of year	**$ (196,949)**	**$ 293,448**	**$ 39,865**	**$ 136,364**

2019				
Balance, beginning of year	$ (149,052)	$ 57,234	$ 46,020	$ (45,798)
Other comprehensive income (loss)	(16,895)	10,597	(54,138)	(60,436)
Transfer out of FVTOCI	–	(21,468)	–	(21,468)
Balance, end of year	$ (165,947)	$ 46,363	$ (8,118)	$ (127,702)

Amounts are recorded net of tax.

NOTE 21 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 management by the Financial Risk Management Committee, a committee of finance and other business leaders.

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

LIQUIDITY AND FUNDING RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the 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, 2020 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 13.1	$ 21.4	$ –	$ 34.5
Deposits and certificates	1,099.4	2.1	2.5	0.9	1,104.9
Obligations to securitization entities	–	1,543.1	4,610.1	20.7	6,173.9
Leases(1)		27.6	88.2	131.1	246.9
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding(2)	–	14.1	–	–	14.1
Total contractual maturities	$ 1,099.4	$ 1,600.0	$ 4,722.2	$ 2,252.7	$ 9,674.3

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

(2) *The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2021 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, 2020, unchanged from December 31, 2019. The lines of credit at December 31, 2020 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2019. 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, 2020 and December 31, 2019, 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, 2019.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations. The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2020, cash and cash equivalents of $771.6 million (2019 – $720.0 million) consisted of cash balances of $76.6 million (2019 – $68.0 million) on deposit with Canadian chartered banks and cash equivalents of $695.0 million (2019 – $652.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $96.0 million (2019 – $34.5 million), provincial government treasury bills and promissory notes of $148.8 million (2019 – $206.5 million), and bankers' acceptances and other short-term notes issued by Canadian chartered banks of $450.2 million (2019 – $411.0 million).

Client funds on deposit of $1,063.4 million (2019 – $561.3 million) represent cash balances held in client accounts which are deposited at Canadian financial institutions.

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

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

As at December 31, 2020, residential mortgages, recorded on the Company's balance sheet, of $6.3 billion (2019 – $7.2 billion) consisted of $6.0 billion sold to securitization programs (2019 – $6.8 billion), $334.5 million held pending sale or securitization (2019 – $344.5 million) and $14.1 million related to the Company's intermediary operations (2019 – $24.2 million).

The Company manages credit risk related to residential mortgages through:

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

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

- Under the NHA MBS program totalling $3.2 billion (2019 – $3.9 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.8 billion (2019 – $2.9 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $73.0 million (2019 – $71.9 million) and $45.6 million (2019 – $37.9 million), respectively, at December 31, 2020. 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 3.0% of mortgages held in ABCP Trusts insured at December 31, 2020 (2019 – 4.6%).

At December 31, 2020, residential mortgages recorded on balance sheet were 55.3% insured (2019 – 59.1%). As at December 31, 2020, impaired mortgages on these portfolios were $4.8 million, compared to $2.4 million at December 31, 2019. Uninsured non-performing mortgages over 90 days on these portfolios were $2.3 million at December 31, 2020, compared to $1.6 million at December 31, 2019.

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, 2020, compared to $0.7 million at December 31, 2019, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2019.

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.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

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 $35.8 million (2019 – $15.7 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 $3.8 million at December 31, 2020 (2019 – $0.7 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2020. Management of credit risk related to derivatives has not changed materially since December 31, 2019.

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS

This is the risk of loss arising from changes in the values of the Company's 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 negative fair value of $21.1 million (2019 – negative $0.9 million) and an outstanding notional amount of $0.7 billion at December 31, 2020 (2019 – $0.8 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled $19.9 million (2019 – negative $4.9 million), on an outstanding notional amount of $1.3 billion at December 31, 2020 (2019 – $1.6 billion). The net fair value of these swaps of negative $1.2 million at December 31, 2020 (2019 – negative $5.8 million) is recorded on the balance sheet and has an outstanding notional amount of $2.0 billion (2019 – $2.4 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth management revenue over the term of the related Obligations to securitization entities. The negative fair value of these swaps was $0.3 million (2019 – positive $0.6 million) on an outstanding notional amount of $191.3 million at December 31, 2020 (December 31, 2019 – $180.4 million).

As at December 31, 2020, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $1.3 million (2019 – decrease of $2.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2019.

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 or investments in associates. The fair value of the equity investments was $632.3 million at December 31, 2020 (2019 – $357.4 million).

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.

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investment in China AMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $34.0 million ($37.6 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately $2.0 million ($2.1 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 22 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.

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

	NOTIONAL AMOUNT					FAIR VALUE	
2020	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps							
Hedge accounting	$ –	$ 20,831	$ 135,731	$ 156,562	$ –	$ –	$ 214
No hedge accounting	992,444	1,058,001	15,081	2,065,526	35,770	35,770	32,854
Forward contracts							
Hedge accounting	14,890	36,650	–	51,540	1,564	1,564	1,446
	$ 1,007,334	$ 1,115,482	$ 150,812	$ 2,273,628	$ 37,334	$ 37,334	$ 34,514
2019							
Swaps							
Hedge accounting	$ –	$ 59,559	$ 46,504	$ 106,063	$ 373	$ 373	$ 10
No hedge accounting	914,441	1,466,479	76,973	2,457,893	12,049	12,049	17,183
Forward contracts							
Hedge accounting	10,175	33,440	–	43,615	2,782	2,782	–
	$ 924,616	$ 1,559,478	$ 123,477	$ 2,607,571	$ 15,204	$ 15,204	$ 17,193

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was $3.8 million (2019 – $0.7 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 $3.8 million (2019 – $0.7 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 23 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.

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			
2020	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets recorded at fair value					
Other investments					
– FVTOCI	**$ 593,273**	**$ –**	**$ –**	**$ 593,273**	**$ 593,273**
– FVTPL	**39,027**	**38,748**	**–**	**279**	**39,027**
Loans					
– FVTPL	**3,291**	**–**	**3,291**	**–**	**3,291**
Derivative financial instruments	**37,334**	**–**	**35,389**	**1,945**	**37,334**
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	**6,328,564**	**–**	**346,428**	**6,186,410**	**6,532,838**
Financial liabilities recorded at fair value					
Derivative financial instruments	**34,514**	**–**	**11,466**	**23,048**	**34,514**
Financial liabilities recorded at amortized cost					
Deposits and certificates	**1,104,889**	**–**	**1,105,384**	**–**	**1,105,384**
Obligations to securitization entities	**6,173,886**	**–**	**–**	**6,345,189**	**6,345,189**
Long-term debt	**2,100,000**	**–**	**2,653,814**	**–**	**2,653,814**
2019					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 301,196	$ –	$ –	$ 301,196	$ 301,196
– FVTPL	56,166	55,603	–	563	56,166
Loans					
– FVTPL	–	–	–	–	–
Derivative financial instruments	15,204	–	10,762	4,442	15,204
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,198,043	–	366,020	6,907,743	7,273,763
Financial liabilities recorded at fair value					
Derivative financial instruments	17,193	–	11,845	5,348	17,193
Other financial liabilities	–	–	–	–	–
Financial liabilities recorded at amortized cost					
Deposits and certificates	584,331	–	584,662	–	584,662
Obligations to securitization entities	6,913,636	–	–	6,996,953	6,996,953
Long-term debt	2,100,000	–	2,453,564	–	2,453,564

There were no significant transfers between Level 1 and Level 2 in 2020 and 2019.

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

2020	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	**$ 301,196**	**$ –**	**$ 285,650**	**$ 6,427**	**$ –**	**$ –**	**$ 593,273**
– FVTPL	**563**	**(194)**	**–**	**–**	**90**	**–**	**279**
Derivative financial instruments, net	**(906)**	**(27,143)**	**–**	**1,727**	**(5,219)**	**–**	**(21,103)**
2019							
Other investments							
– FVTOCI	$ 372,396	$ –	$ 12,248	$ 66,693	$ –	$ (150,141)[2]	$ 301,196
– FVTPL	552	11	–	–	–	–	563
Derivative financial instruments, net	4,899	(5,207)	–	(1,551)	(953)	–	(906)

(1) Included in Wealth management revenue or Operations and support expenses in the Consolidated Statements of Earnings.

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

NOTE 24 EARNINGS PER COMMON SHARE

	2020	2019
Earnings		
Net earnings	**$ 764,606**	$ 748,947
Non-controlling interest	**(198)**	–
Perpetual preferred share dividends	**–**	(2,213)
Net earnings available to common shareholders	**$ 764,408**	$ 746,734
Number of common shares *(in thousands)*		
Weighted average number of common shares outstanding	**238,307**	239,105
Add: Potential exercise of outstanding stock options[1]	**–**	76
Average number of common shares outstanding – Diluted basis	**238,307**	239,181
Earnings per common share *(in dollars)*		
Basic	**$ 3.21**	$ 3.12
Diluted	**$ 3.21**	$ 3.12

(1) Excludes 2,934 thousand shares in 2020 related to outstanding stock options that were anti-dilutive (2019 – 1,591 thousand).

NOTE 25 CONTINGENT LIABILITIES 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.

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 26 RELATED PARTY TRANSACTIONS

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES

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

- During 2020 and 2019, the Company provided to and received from Canada Life certain administrative services. In 2020, the Company notified Canada Life of its intention to terminate its long-term technology infrastructure related sharing agreement. The Company distributes insurance products under a distribution agreement with Canada Life and received $45.1 million in distribution fees (2019 – $54.8 million). The Company received $18.4 million (2019 – $17.1 million) and paid $29.6 million (2019 – $26.2 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $78.3 million (2019 – $78.8 million) to Canada Life related to the distribution of certain investment funds of the Company.
- During 2020, the Company sold residential mortgage loans to Canada Life for $20.9 million (2019 – $10.8 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 Company recognized the benefit of the tax losses realized throughout the year. On each of December 31, 2020 and December 31, 2019, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired. The benefits from these tax loss consolidation arrangements ended at December 31, 2020.

Additional transactions with related parties included the sale of Personal Capital (Note 8), the investment in Northleaf (Note 8), the acquisition of GLC Asset Management Group Ltd. and the sale of Quadrus Group of Funds (Note 29).

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:

	2020	2019
Compensation and employee benefits	**$ 3,848**	$ 4,260
Post-employment benefits	**13,522**	3,988
Share-based payments	**1,431**	2,023
	$ 18,801	$ 10,271

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 19).

NOTE 27 COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving substantially all employees and consultants to work from home and further supporting the Company's information technology infrastructure.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

NOTE 28 SEGMENTED INFORMATION

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

2020

	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS[(1)]	TOTAL
Revenues							
Wealth management	$ 2,275,955	$ –	$ –	$ (16,379)	$ 2,259,576	$ –	$ 2,259,576
Asset management	–	913,579	–	(100,648)	812,931	–	812,931
Dealer compensation	–	(299,530)	–	16,367	(283,163)	–	(283,163)
Net asset management	–	614,049	–	(84,281)	529,768	–	529,768
Net investment income and other	2,299	2,900	5,960	(182)	10,977	67,232	78,209
Proportionate share of associates' earnings *(Note 8)*	–	–	147,029	–	147,029	3,400	150,429
	2,278,254	616,949	152,989	(100,842)	2,947,350	70,632	3,017,982
Expenses							
Advisory and business development	959,946	80,212	–	(12)	1,040,146	–	1,040,146
Operations and support	453,738	293,755	4,063	(182)	751,374	79,276	830,650
Sub-advisory	163,197	8,664	–	(100,648)	71,213	–	71,213
	1,576,881	382,631	4,063	(100,842)	1,862,733	79,276	1,942,009
Earnings before undernoted	$ 701,373	$ 234,318	$ 148,926	$ –	1,084,617	(8,644)	1,075,973
Interest expense[(2)]					(110,597)	–	(110,597)
Gain on sale of Personal Capital					37,232	(37,232)	–
Gain on sale of QGOF net of acquisition costs					25,184	(25,184)	–
Proportionate share of associate's adjustments					3,400	(3,400)	–
Restructuring and other charges					(74,460)	74,460	–
Earnings before income taxes					965,376	–	965,376
Income taxes					200,770	–	200,770
Net earnings					764,606	–	764,606
Non-controlling interest					(198)	–	(198)
Net earnings available to common shareholders					$ 764,408	$ –	$ 764,408
Identifiable assets	$ 8,984,472	$ 1,507,729	$ 2,767,078	$ –	$ 13,259,279		
Goodwill	1,491,687	1,311,388	–	–	2,803,075		
Total assets	$ 10,476,159	$ 2,819,117	$ 2,767,078	$ –	$ 16,062,354		

(1) *Gain on sale of Personal Capital, Gain on sale of Quadrus Group of Funds (QGOF) net of acquisition costs, Proportionate share of associate's adjustments, and Restructuring and other changes 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.*

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

2019

	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS(1)	TOTAL
Revenues							
Wealth management	$ 2,315,254	$ –	$ –	$ (16,206)	$ 2,299,048	$ –	$ 2,299,048
Asset management	–	896,498	–	(104,171)	792,327	–	792,327
Dealer compensation	–	(292,896)	–	15,821	(277,075)	–	(277,075)
Net asset management	–	603,602	–	(88,350)	515,252	–	515,252
Net investment income and other	13,601	4,238	7,273	(287)	24,825	–	24,825
Proportionate share of associates' earnings *(Note 8)*	–	–	122,425	–	122,425	(17,200)	105,225
	2,328,855	607,840	129,698	(104,843)	2,961,550	(17,200)	2,944,350
Expenses							
Advisory and business development	986,479	79,869	–	(327)	1,066,021	–	1,066,021
Operations and support	435,944	295,209	2,239	(347)	733,045	–	733,045
Sub-advisory	161,546	10,855	–	(104,169)	68,232	–	68,232
	1,583,969	385,933	2,239	(104,843)	1,867,298	–	1,867,298
Earnings before undernoted	$ 744,886	$ 221,907	$ 127,459	$ –	1,094,252	(17,200)	1,077,052
Interest expense(2)					(108,386)	–	(108,386)
Proportionate share of associate's one-time charges					(17,200)	17,200	–
Earnings before income taxes					968,666	–	968,666
Income taxes					219,719	–	219,719
Net earnings					748,947	–	748,947
Perpetual preferred share dividends					(2,213)	–	(2,213)
Net earnings available to common shareholders					$ 746,734	$ –	$ 746,734
Identifiable assets	$ 9,021,978	$ 1,332,705	$ 2,376,526	$ –	$ 12,731,209		
Goodwill	1,491,687	1,168,580	–	–	2,660,267		
Total assets	$ 10,513,665	$ 2,501,285	$ 2,376,526	$ –	$ 15,391,476		

(1) Proportionate share of Associate's one-time charges is 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.

(2) Interest expense includes interest on long-term debt and, beginning January 1, 2019, includes interest on leases of $4.1 million as a result of the Company's adoption of IFRS 16, Leases.

NOTE 29 ACQUISITIONS

GLC ASSET MANAGEMENT GROUP LTD. (GLC)

On December 31, 2020, the Company's subsidiary, Mackenzie, acquired all of the common shares of GLC, a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco), for cash consideration of $185.0 million. Net cash outflow related to the transaction was $175.8 million, including acquisition costs of $3.8 million and $13.0 million in cash acquired.

In a separate transaction, Lifeco's subsidiary, Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of $30.0 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

The purchase price allocation is preliminary and subject to change during the measurement period, which will not exceed one year from the transaction date.

Purchase price allocation		
Cash and cash equivalents	$	13,003
Other current assets		2,528
Deferred tax asset		945
Intangible assets		56,763
Goodwill[1]		134,799
Accounts payable and accrued liabilities		(8,482)
Deferred tax liability		(14,522)
	$	185,034

(1) Nil deductible for tax purposes

Goodwill is attributable to synergies including expansion of Mackenzie's distribution reach into the fast-growing group retirement business. Identified intangible assets are comprised of finite life management contracts valued at $56.8 million.

The acquisition had no impact to the Company's revenues and expenses for the year ended December 31, 2020.

GREENCHIP FINANCIAL CORP. (GREENCHIP)

On December 22, 2020 Mackenzie acquired 100% of Greenchip, a Canadian firm focused exclusively on the environmental economy since 2007.

Quarterly Review

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31				2020				2019
($ millions, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues								
Wealth management	$ 594.2	$ 571.6	$ 531.1	$ 562.7	$ 587.1	$ 581.1	$ 577.5	$ 553.3
Asset management	216.3	207.4	190.7	198.5	203.4	201.2	198.5	189.2
Dealer compensation expense	(74.3)	(71.3)	(66.1)	(71.4)	(69.8)	(68.9)	(69.6)	(68.7)
Net asset management	142.0	136.1	124.6	127.1	133.6	132.3	128.9	120.5
Net investment income and other	33.2	39.4	7.6	(2.0)	6.7	2.0	4.9	11.2
Proportionate share of associates' earnings	43.5	43.5	43.3	20.1	23.4	28.9	20.2	32.7
	812.9	790.6	706.6	707.9	750.8	744.3	731.5	717.7
Expenses								
Advisory and business development	283.1	252.6	245.4	259.1	270.9	257.1	267.7	270.3
Operations and support	193.8	256.4	185.4	195.1	182.6	180.3	178.5	191.7
Sub-advisory	18.3	18.5	16.9	17.5	18.1	17.4	17.0	15.7
Interest	27.9	27.9	27.5	27.3	27.8	27.8	27.6	25.2
	523.1	555.4	475.2	499.0	499.4	482.6	490.8	502.9
Earnings before income taxes	289.8	235.2	231.4	208.9	251.4	261.7	240.7	214.8
Income taxes	60.5	44.3	47.9	48.0	59.8	59.2	55.6	45.1
Net earnings	229.3	190.9	183.5	160.9	191.6	202.5	185.1	169.7
Non-controlling interest	(0.2)	–	–	–	–	–	–	–
Perpetual preferred share dividends	–	–	–	–	–	–	–	(2.2)
Net earnings available to common shareholders	$ 229.1	$ 190.9	$ 183.5	$ 160.9	$ 191.6	$ 202.5	$ 185.1	$ 167.5
Reconciliation of Non-IFRS financial measures(1) *($ millions)*								
Adjusted net earnings available to common shareholders – non-IFRS measure	$ 204.3	$ 214.2	$ 183.5	$ 160.9	$ 200.8	$ 202.5	$ 193.1	$ 167.5
Other items:								
Gain on sale of Personal Capital, net of tax	–	31.4	–	–	–	–	–	–
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	21.4	–	–	–	–	–	–	–
Proportionate share of associate's adjustments	3.4	–	–	–	–	–	–	–
Restructuring and other, net of tax	–	(54.7)	–	–	–	–	–	–
Proportionate share of associate's one-time charges	–	–	–	–	(9.2)	–	(8.0)	–
Net earnings available to common shareholders – IFRS	$ 229.1	$ 190.9	$ 183.5	$ 160.9	$ 191.6	$ 202.5	$ 185.1	$ 167.5
Diluted Earnings per Share *(¢)*								
Adjusted net earnings available to common shareholders(1)	86	90	77	68	84	85	81	70
Net earnings available to common shareholders	96	80	77	68	80	85	77	70
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				2020				2019
($ millions)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Mutual fund gross sales								
Wealth management[1]								
IG Wealth Management	$ 2,572	$ 1,949	$ 1,780	$ 2,686	$ 2,251	$ 2,077	$ 2,045	$ 2,350
IPC	177	97	110	193	147	154	174	219
	2,749	2,046	1,890	2,879	2,398	2,231	2,219	2,569
Asset management								
Mackenzie Investments	4,501	2,903	2,505	3,656	2,587	2,253	2,541	2,505
IGM Consolidated	7,250	4,949	4,395	6,535	4,985	4,484	4,760	5,074
Dealer gross inflows								
IG Wealth Management	2,938	2,132	1,901	3,006	2,467	2,189	2,184	2,467
IPC	1,487	892	1,063	1,318	1,150	947	942	1,306
Wealth management[1]	4,425	3,024	2,964	4,324	3,617	3,136	3,126	3,773
Net flows – by segment								
IG Wealth Management net flows	485	(9)	(62)	381	(109)	(233)	(500)	62
IPC net flows	249	(146)	154	116	(23)	(179)	(189)	(198)
Wealth management net flows[1]	737	(155)	93	498	(131)	(410)	(688)	(135)
Asset Management net sales[2]	1,673	627	3,599	351	147	(678)	75	183
Eliminations[3]	(189)	(64)	(43)	(28)	(23)	(28)	7	17
IGM Consolidated	2,221	408	3,649	821	(7)	(1,116)	(606)	65
Net flows – by product								
Mutual fund gross sales	7,250	4,949	4,395	6,535	4,985	4,484	4,760	5,074
Mutual fund redemptions	5,972	4,436	4,212	6,311	5,328	4,696	5,172	4,956
Mutual fund net sales	1,278	513	183	224	(343)	(212)	(412)	118
ETFs[4]	372	97	681	82	202	315	48	142
Investment funds	1,650	610	864	306	(141)	103	(364)	260
Institutional SMA	(75)	(319)	2,542	(86)	(73)	(1,132)	(180)	(107)
Consolidated AUM	1,575	291	3,406	220	(214)	(1,029)	(544)	153
Other AUA	646	117	243	601	207	(87)	(62)	(88)
Consolidated net flows	2,221	408	3,649	821	(7)	(1,116)	(606)	65
Redemption rate – long-term funds (%)								
IG Wealth Management	9.8	9.8	10.0	10.7	10.3	10.2	9.9	9.5
IPC	20.1	19.0	19.3	20.7	19.3	20.9	20.7	20.1
Mackenzie Investments	16.6	16.2	16.5	17.0	15.6	15.7	16.2	17.0
Assets under management and advisement – by segment								
IG Wealth AUA	103,273	97,538	93,836	85,834	97,100	94,529	93,858	93,013
IPC AUA	29,318	27,484	26,637	24,372	27,728	27,176	27,181	27,064
Wealth Management AUA[1]	132,583	125,015	120,467	110,199	124,820	121,697	121,031	120,069
Asset Management AUM (ex sub-advisory to Wealth Management)[5]	110,938	74,600	70,821	60,898	68,257	66,392	66,756	65,630
Sub-advisory to Wealth Management	75,821	72,660	70,135	65,103	73,575	72,565	73,261	73,577
Asset Management AUM	186,759	147,260	140,956	126,001	141,832	138,957	140,017	139,207
Asset Management through Wealth Management	(79,392)	(75,855)	(73,163)	(67,844)	(76,617)	(75,505)	(76,169)	(76,462)
Consolidated assets under management & advisement	239,950	196,420	188,260	168,356	190,035	185,149	184,879	182,814
Assets under management and advisement – by product								
Mutual fund AUM[5]	158,495	161,612	154,706	140,887	159,391	155,419	154,436	152,531
ETF AUM[4]	3,788	3,330	3,132	2,335	2,372	2,159	1,865	1,804
Investment Fund AUM	162,283	164,942	157,838	143,222	161,763	157,578	156,301	154,335
Institutional SMA[5]	51,688	7,671	7,557	4,275	5,046	4,958	6,027	6,132
Consolidated AUM	213,971	172,613	165,395	147,497	166,809	162,536	162,328	160,467
Other AUA	25,979	23,807	22,865	20,859	23,226	22,613	22,551	22,347
Consolidated assets under management & advisement	239,950	196,420	188,260	168,356	190,035	185,149	184,879	182,814
Consolidated AUM, excluding Asset Management segment AUM	27,212	25,353	24,439	21,496	24,977	23,579	22,311	21,260
Corporate assets	$ 16,062	$ 15,863	$ 15,449	$ 15,553	$ 15,391	$ 15,574	$ 15,706	$ 15,970

(1) *Assets under management recorded within both operating companies' results are eliminated on consolidation.*

(2) *Does not include net sales relating to sub-advisory mandates to Wealth Management segment.*

(3) *Mackenzie mutual funds distributed through Wealth Management.*

(4) *Excludes IGM investment fund investments in ETFs.*

(5) *The fourth quarter of 2020 reflects the impact of net business acquisitions of $30.3 billion, which included the acquisitions of GLC Asset Management Group Ltd. (GLC) and Greenchip Financial Corporation (Greenchip), and the divestiture of the fund management contracts relating to private label Quadrus Group of Funds (QGOF). As a result, mutual fund AUM decreased by $13.2 billion and institutional SMA increased by $43.5 billion.*

Ten Year Review

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31

($ millions, except per share amounts)	**2020**	2019	2018	2017	2016	CAGR[1] 5 YEAR %	2015	2014	2013	2012	2011	CAGR[1] 10 YEAR %
Revenues[2]										RESTATED		
Wealth and Asset Management revenues	**2,789.4**	2,814.3	2,792.1	2,749.1	2,642.9	1.4	2,607.2	2,520.1	2,307.4	2,231.6	2,361.7	2.2
Net investment income and other	**78.2**	24.8	20.0	13.8	11.8	48.0	11.0	16.5	21.6	18.6	10.7	20.0
Proportionate share of associate's earnings	**150.4**	105.2	150.0	95.6	104.2	6.3	111.0	96.5	93.8	72.0	79.5	9.2
	3,018.0	2,944.3	2,962.1	2,858.5	2,758.9	2.0	2,729.2	2,633.1	2,422.8	2,322.2	2,451.9	2.7
Expenses[2]	**2,052.7**	1,975.7	1,976.0	2,073.9	1,812.0	3.4	1,738.4	1,668.2	1,441.4	1,364.1	1,354.6	4.6
Earnings before undernoted	**965.3**	968.6	986.1	784.6	946.9	(0.5)	990.8	964.9	981.4	958.1	1,097.3	(0.4)
Income taxes	**200.7**	219.7	210.0	173.9	167.6	(0.9)	210.3	202.8	210.7	190.5	250.5	(2.9)
	764.6	748.9	776.1	610.7	779.3	(0.4)	780.5	762.1	770.7	767.6	846.8	0.3
Discontinued operations	**–**	–	–	–	–		–	–	–	–	62.6	
Net earnings	**764.6**	748.9	776.1	610.7	779.3	(0.4)	780.5	762.1	770.7	767.6	909.4	0.3
Non-controlling interest	**(0.2)**	–	–	–	–		–	–	–	–	–	
Perpetual preferred share dividends	**–**	(2.2)	(8.8)	(8.8)	(8.8)		(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	
Net earnings available to common shareholders	**764.4**	746.7	767.3	601.9	770.5	(0.2)	771.7	753.3	761.9	758.8	900.6	0.5
Adjusted net earnings available to common shareholders[3]	**762.9**	763.9	791.8	727.8	736.5	(0.8)	796.0	826.1	763.5	746.4	833.0	0.1
Diluted earnings per share *($)*												
Net earnings	**3.21**	3.12	3.18	2.50	3.19	0.6	3.11	2.98	3.02	2.97	3.48	1.4
Adjusted net earnings[3]	**3.20**	3.19	3.29	3.02	3.05	(0.1)	3.21	3.27	3.02	2.92	3.22	1.0
Dividends per share *($)*	**2.25**	2.25	2.25	2.25	2.25	–	2.25	2.18	2.15	2.15	2.10	0.9
Return on average common equity (ROE) *(%)*												
Net earnings	**16.1**	16.9	17.7	12.9	17.1		16.9	16.2	17.3	17.6	21.3	
Adjusted net earnings[3]	**16.1**	17.2	18.2	15.6	16.3		17.4	17.8	17.3	17.3	19.7	
Average shares outstanding *(thousands)*												
– Basic	**238,307**	239,105	240,815	240,585	241,300		248,173	252,108	252,013	254,853	258,151	
– Diluted	**238,307**	239,181	240,940	240,921	241,402		248,299	252,778	252,474	255,277	259,075	
Share price *(closing $)*	**34.51**	37.28	31.03	44.15	38.20	(0.5)	35.34	46.31	56.09	41.60	44.23	(2.3)

(1) Compound annual growth rate.

(2) Revenues and expense have been restated to retroactively reflect the disclosure enhancements introduced in 2020, as disclosed in Note 2 to the audited Consolidated Financial Statements.

(3) Non-IFRS Financial Measures – Excludes other items as follows:

2020 – After-tax gain of $31.4 million on sale of Personal Capital Corporation, after-tax gain on sale of Quadrus Group of Funds net of acquisition costs of $21.4 million, the Company's proportionate share in Great-West Lifeco Inc.'s (Lifeco) after-tax adjustments of $3.4 million, and restructuring and other charges of $54.7 million after-tax.

2019 – After-tax charge of $17.2 million representing the Company's proportionate share in Lifeco's one-time charges.

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, respectively.

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 Lifeco's 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.

Ten Year Review

STATISTICAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31

($ millions)	**2020**	2019	2018	2017	2016	CAGR[1] 5 YEAR %	2015	2014	2013	2012	2011	CAGR[1] 10 YEAR %
Wealth Management												
IG Wealth Management[2]												
Assets under management												
Mutual fund gross sales	**8,987**	8,723	9,075	9,693	7,760	2.6	7,890	7,461	6,668	5,778	6,021	4.6
Mutual fund redemption rate – long-term funds (%)	**9.8**	10.3	9.2	8.4	8.8		8.7	8.7	9.4	10.0	8.8	
Net sales (redemptions)	**(451)**	(1,089)	485	1,944	366	N/M	754	651	159	(724)	39	N/M
Ending assets	**97,713**	93,161	83,137	88,008	81,242	5.5	74,897	73,459	68,255	60,595	57,735	4.7
Assets under advisement[3]												
Net flows	**795**	(780)	739									
Ending assets	**103,273**	97,100	86,422									
Investment Planning Counsel[2]												
Assets under management												
Mutual fund gross sales	**577**	694	960	889	955	(4.9)	741	682	485	401	543	1.5
Mutual fund redemption rate – long-term funds (%)	**20.1**	19.3	19.2	16.7	15.7		13.6	12.6	13.2	14.3	10.9	
Net sales (redemptions)	**(307)**	(272)	(18)	79	293	N/M	177	207	52	(24)	225	N/M
Assets under management	**5,320**	5,391	5,125	5,377	4,908	3.6	4,452	3,850	3,406	2,950	2,811	7.1
Assets under advisement[3]												
Net flows	**373**	(589)	(148)									
Ending assets	**29,318**	27,728	25,706									
Asset Management (Mackenzie Investments)												
Mutual fund gross sales	**13,565**	9,886	9,951	9,124	6,939	14.3	6,965	7,070	6,700	5,490	5,645	8.8
Mutual fund redemption rate – long-term funds (%)	**16.6**	15.6	17.1	14.8	15.0		16.2	14.6	16.0	17.9	15.8	
Investment fund net sales (redemptions)	**4,188**	1,219	973	1,780	(555)	N/M	(1,258)	(209)	(487)	(1,974)	(1,548)	N/M
Assets under management												
Mutual fund	**55,462**	60,839	53,407	55,615	51,314	2.7	48,445	48,782	46,024	40,394	39,141	2.5
ETF	**8,451**	4,748	2,949	1,296	113							
ETFs excluding those held by IGM investment funds	**3,788**	2,372	1,613	928	113							
Investment fund[4]	**59,250**	63,211	55,020	56,543	51,427	4.1	48,445	48,782	46,024	40,394	39,141	3.1
Total assets under management excluding subadvisory to Wealth Management[3]	**110,938**	68,257	60,804									
Total assets under management[3]	**186,759**	141,832	130,733									
Consolidated assets under management[5]												
Investment fund assets under management	**162,283**	161,763	143,282	149,818	137,575	4.9	127,791	126,039	117,649	103,915	99,685	4.2
Assets under management	**213,971**	166,809	149,066	156,513	142,688	9.7	134,398	141,919	131,777	120,694	118,713	5.2
Assets under management and advisement	**239,950**	190,035	170,216									
Corporate assets	**16,062**	15,391	15,609	16,499	15,625	1.6	14,831	14,417	12,880	11,962	11,144	2.8

(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) *As a result of revised segment reporting introduced in 2020, as discussed in the MD&A included in this Annual Report, these metrics were not reported on this basis prior to 2018.*

(4) *Excludes IGM investment fund investments in ETFs.*

(5) *Adjusted for inter-segment assets.*

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

SHAREHOLDER INFORMATION
For additional financial information about the Company, please contact:
Investor Relations
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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 as a virtual only meeting via webcast online at https://web.lumiagm.com/262817145 on Friday, May 7, 2021 at 12:00 p.m., Eastern Time.

WEBSITES
Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenzieinvestments.com
www.ipcc.ca

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