



2013  
annual

# Annual Report

December 31, 2013

**2013**  
annual

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CI Financial Corp. is a diversified wealth management firm and Canada's third-largest investment fund company. Independent and Canadian-owned, CI provides a comprehensive selection of top-quality investment products and services. CI has approximately two million clients and approximately \$125 billion in assets (at March 31, 2014). CI operates primarily through subsidiaries CI Investments Inc. and Assante Wealth Management (Canada) Ltd.

CI Investments offers one of the industry's broadest selection of investment funds under brands that include CI, Black Creek, Cambridge, Harbour, Signature, Synergy, Portfolio Series, Portfolio Select Series, G5|20 Series and SunWise Essential Series 2.

Assante Wealth Management provides financial advisory services through a national network of 750 professional financial advisors. Stonegate Private Counsel provides wealth planning services to high net worth individuals and families.

CI's other businesses include Perimeter Markets Inc., which operates alternative marketplaces for trading Canadian fixed-income products under the CBID brand. CI also owns a majority stake in Marret Asset Management Inc., a Toronto-based fixed-income investment manager, and interests in Altrinsic Global Advisors, LLC, a global asset manager based in Greenwich, Connecticut, and in alternative asset managers Red Sky Capital Management Ltd. and Lawrence Park Capital Partners Ltd., both of Toronto.

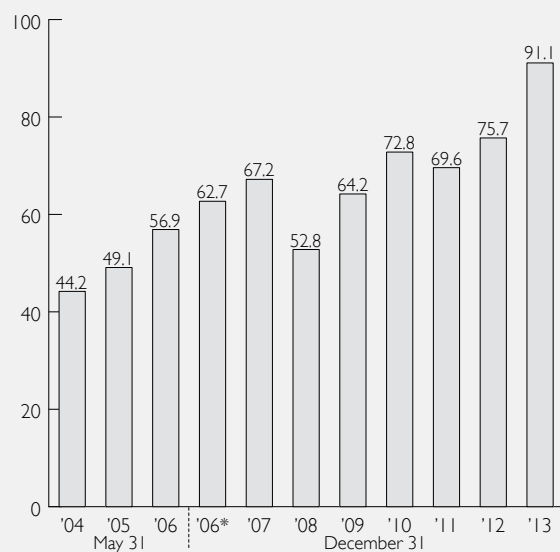
# CI at a Glance

(in millions of dollars,

except per share and share amounts)

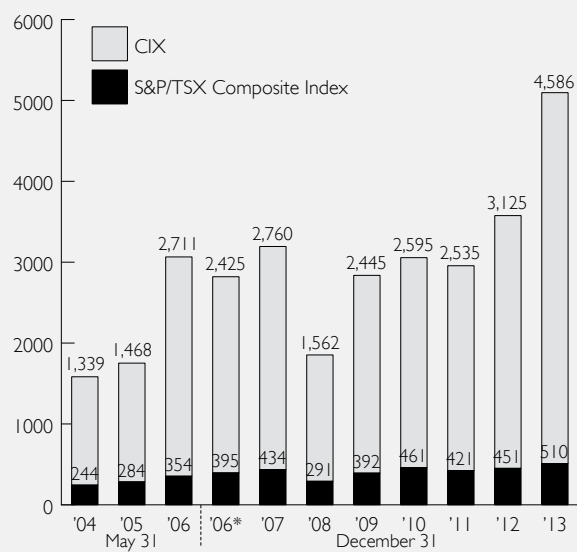
|                              | As at December 31, 2013 | As at December 31, 2012 | % change |
|------------------------------|-------------------------|-------------------------|----------|
| Assets under management      | 91,090                  | 75,723                  | 20%      |
| Net income                   | 426.4                   | 352.2                   | 21%      |
| Share price                  | 35.35                   | 24.93                   | 42%      |
| Dividends recorded per share | 1.065                   | 0.955                   | 12%      |

## ASSETS UNDER MANAGEMENT (AS AT FISCAL YEAR-END IN \$ BILLIONS)

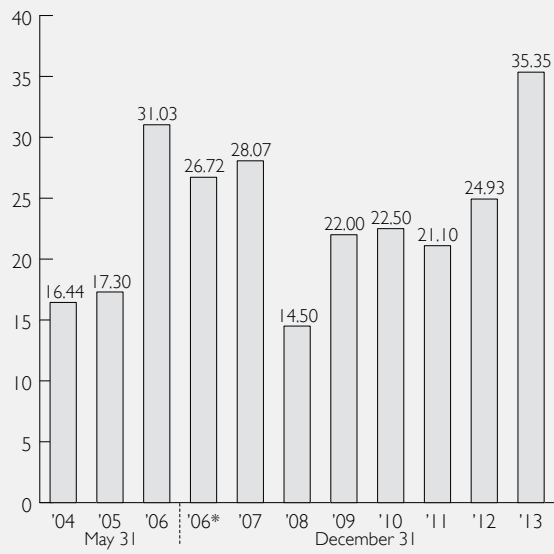


\* Seven-month period ending Dec. 31, 2006.

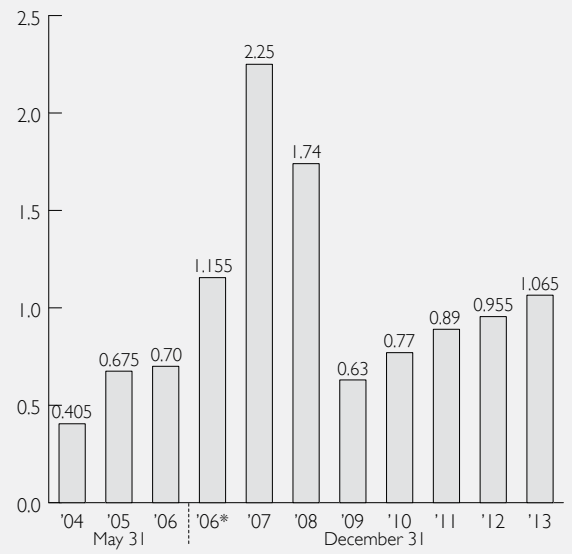
## CIX VS S&P/TSX COMPOSITE INDEX TOTAL RETURN (IPO IN JUNE 1994=100)



**CIX SHARE PRICE**  
(AS AT FISCAL YEAR-END IN \$)



**DIVIDENDS PER SHARE**  
(FOR THE FISCAL YEAR IN \$)



# LETTER to Shareholders

## DEAR SHAREHOLDERS,

Your company had one of the best years in its history in 2013. Assets under management gained 20% to reach record levels, driven by excellent investment performance and our highest sales in more than a decade. Record revenues and growing cash flow supported three increases to the dividend during the year, while our share price climbed \$10.42 to reach \$35.35 – another record.


Global equity markets advanced steadily, extending the bull market that began in March 2009. The benchmark U.S. index, the S&P 500, gained a robust 32.4% for the year, the MSCI World Index rose 27.4% (both in U.S. dollars) and the S&P/TSX Composite Index was up 13.0%.

Continued economic improvement in the developed world, particularly in the United States, provided some of the fuel for rising share prices. The progress in the U.S. was enough for the Federal Reserve to begin “tapering” or reducing the extraordinary measures it had in place to stimulate the economy. The Fed’s announcement led to a brief correction in fixed-income markets, and the Canadian bond market, as represented by the DEX Universe Bond Index, had a negative return of 1.2% for the year.

CI was well positioned to benefit from the continuing resurgence in investor confidence in 2013. Our success stemmed from years of planning and work to enhance our value proposition to our clients and to boost our competitive standing in the industry. Furthermore, we continued to invest in key aspects of our business to drive further growth, as we will explain in the following pages.

## CI’S LONG-TERM STRATEGY

- **Product quality and diversity.** By providing a broad selection of high-quality products and services to Canadian investors, we reduce our dependence on any single market sector or product and ensure we are well positioned to respond to the changing needs of investors. More importantly, this enhances our relationships with advisors by allowing them to meet their clients’ diverse needs through a single supplier.
- **Talented and experienced investment managers.** CI has significant assets under management, and we are able to attract the best investment managers in the industry. We select portfolio managers based on a reputation for skilled investment management, their long-term track records and “fit” with our existing lineup.

- 
- **Multiple channels of distribution.** CI distributes its products through a variety of channels, including Assante and other dealers, as well as the institutional marketplace. Our size and scale allow us to offer a high level of support and service to each channel, helping to strengthen existing relationships and develop new ones.
  - **Operational excellence.** The prudent and efficient operation and administration of our funds and our company enhance our ability to launch new products and offer a profitable, comprehensive product lineup.
  - **Skill and knowledge.** CI's managers and employees possess the specialized knowledge and experience to anticipate client needs, and develop appropriate products to meet these needs. CI enhances the skill and knowledge of its staff through a series of training programs.

## **FINANCIAL RESULTS**

### **Achieving record assets**

CI achieved an impressive 20% growth in assets under management over the year, reaching a record of \$91.1 billion at December 31, 2013, up from \$75.7 billion a year earlier. This compares favourably to the Canadian stock market return of 13.0%. Total assets, which consist of assets under management and assets under administration at Assante Wealth Management, increased at a similar rate to \$118.0 billion at year-end, up from \$98.9 billion. CI's market share of industry assets under management was approximately 9%.

Average assets under management for 2013 was \$83.3 billion, an increase of 15% from the year-earlier level of \$72.6 billion. These numbers reflect the consistent growth in our assets through the year.

The momentum in performance and sales continued into the first quarter of 2014, and assets under management grew to \$96.4 billion at March 31. This represented an increase of \$5.3 billion or 5.8% over our assets under management at December 31, 2013, and an increase of \$13.1 billion or 15.7% over the average assets under management for fiscal 2013. Gross and net sales during the quarter exceeded last year's levels for the same period.

### **Double-digit growth in revenue and profits**

Total revenue for 2013 was up 11% to \$1.6 billion – as mentioned earlier, a record for CI. Net income was \$426.4 million or \$1.50 per share, an increase of 21% over \$352.2 million or \$1.24 a share in 2012. After adjusting for an \$18.8 million non-cash income tax provision made in 2012, the increase in net income was 15%.

The year-over-year increase in CI's profit generally reflects the increase in average assets under management, in combination with the margin we earn on those assets. A key trend in recent years has been the shift in our asset mix whereby products with lower management fees (compared to Class A retail equity funds) are accounting for a larger share of our business. This has led to a gradual reduction in the average management fee earned by CI.

There have been several factors contributing to this development, including investor preference for income and balanced funds over equity funds in the wake of the 2008 financial crisis. This preference began to reverse in 2013, as purchases into equity funds picked up with the continued strength in stock markets. In addition, the growth in CI's fee-based, high net worth and institutional businesses is also affecting the management fee rate. (Please note that these product areas are indeed profitable for CI and we are committed to growing our presence in these segments.)

CI has been successful in maintaining its profitability. One of the measures we use to assess the underlying profitability of CI's business is earnings before interest, taxes, depreciation and amortization, or EBITDA, and it was \$2.71 per share in 2013, up 9.3% from \$2.48. The EBITDA margin, which is EBITDA expressed as a percentage of revenue, was 47.6% in 2013, down slightly from the 48.3% recorded in 2012. However, this result is in line with recent years, in which the EBITDA margin has consistently been in the range of 48%.

This has been accomplished through the prudent management of our spending, a long-time hallmark of CI's corporate culture. Selling, general and administrative (SG&A) expenses increased 10% in 2013, just two-thirds of the rate of increase in average assets under management. Expressed as a percentage of assets under management, SG&A actually decreased to 38 basis points. What makes this especially noteworthy is that at the same time, CI continued to build its business by investing in areas such as portfolio management and sales and marketing.

Free cash flow grew by 7.6% over the year to \$456.2 million and was used primarily to pay dividends and reduce debt. (We did not buy back any shares during the year.) CI's total debt at December 31, 2013 was \$498.9 million, a reduction of \$95.5 million or 16% over the year. Net of excess cash and marketable securities, debt was \$315.3 million and represented less than 40% of EBITDA. This provides CI with a high level of financial flexibility.



### **Stellar long-term returns**

CI pursues a conservative dividend policy, ensuring that the payout is well supported by our assets and cash flow. Our growth was so strong in 2013 that we were able to boost the dividend three times, to an annual rate of \$1.14 per share from \$0.96 – an increase of 19%. As a point of comparison, the annual rate for our dividend was \$0.48 a share at the beginning of 2009, when CI converted back to a corporation from an income trust structure. In total, CI paid dividends of \$297.7 million in 2013.

This exemplifies our well-established commitment to return cash to shareholders that is not required to finance the company's operations and growth. Since our \$25-million initial public offering in 1994, CI has returned \$4.5 billion to shareholders – \$3.3 billion in dividends and distributions and \$1.2 billion in share repurchases.

Our shareholders also benefited from a surging stock price in 2013, as our shares closed the year at \$35.35 for a gain of 42%. Including dividends, the total return was 47%. While it was certainly an exceptional year, it is in keeping with CI's extraordinary long-term record of creating shareholder value. From our June 1994 IPO to December 31, 2013, our shares have produced a cumulative total return of 4,486%, for a compound annual growth rate of 22%. In comparison, the S&P/TSX Composite Index had a total return of 410% over the same period, while its financial services index gained 1,365%. CI was one of the top five best-performing stocks on the entire S&P/TSX Composite over that time.

## **OPERATING RESULTS**

### **Gross sales reach record levels**

In 2013, CI had its best year ever for gross sales, at \$13.9 billion, and its best year since 2000 for net sales, at \$3.7 billion. Gross sales were 31% better than the \$10.6 billion posted in 2012, while net sales were up 279% from \$973 million a year earlier. Net sales for the industry as a whole were \$41.9 billion, as reported by the Investment Funds Institute of Canada, giving CI an 8.8% share.

Our sales were characterized by solid results across distribution channels, asset classes and product lines. Our gross and net sales increased in all retail sales channels over 2012. In looking at sales by asset class, we see investors putting a greater share of their money into equity funds and less into income funds – a trend that's occurring industry wide. At CI, while income funds still accounted for the largest portion of net sales in 2013, the global balanced and global equity categories attracted significant inflows. This shift is favourable because equity and balanced funds typically have higher management fees than income funds.

Meanwhile, our managed solutions have become an increasingly important part of our sales, outpacing individual funds. Managed solutions are fund-of-fund products or “wraps” and CI’s entries in this category include the award-winning Portfolio Series and Portfolio Select Series, as well as Evolution Private Managed Accounts, a program that’s exclusive to Assante clients. Managed solutions offer significant benefits to investors, who receive a diversified portfolio suited to their particular needs, and to advisors, who can rely on experts at CI for constructing portfolios while they focus on other aspects of their business. Our managed solutions now account for more than 20% of our assets under management.

Fund-of-funds products are even more dominant in the broader industry, accounting for a majority of sales over the past two years. CI’s managed solutions are distinguished by their performance, the quality of our portfolio management teams and by the work of CI Investment Consulting, which manages the programs and brings to bear significant expertise not just in asset allocation, but in currency management and risk management. As a result, our managed solutions have earned three Morningstar Awards in the past three years.

Another highlight of our sales is the success of CI Private Investment Management, a program that serves the “mass affluent” or higher net worth market. PIM was introduced in fall 2011 and now has over \$2.5 billion in assets.

These results show how CI benefits from the scale and diversity of its product lineup, which is comprehensive not just in its selection of funds, but in its product platforms and fund-related services.

### **Award-winning performance**

An important driver of our sales continues to be the consistent above-average returns of our funds. This performance is evident across asset classes and our portfolio management teams. In fact, 84% of our assets under management (outside of money market funds) was first or second quartile over the 10 years ending December 31, 2013.

CI was also the recipient of 21 FundGrade® A+ Awards for 2013, more than any other fund company. The awards are presented by data provider Fundata Canada Inc. for investment funds with consistent, outstanding risk-adjusted performance throughout the year.

Other industry recognition of our funds included the Morningstar Awards (formerly the Canadian Investment Awards), with CI winning three trophies in 2013. CI and its portfolio managers have now received 35 Morningstar Awards in the past 10 years, a testament to the consistency and quality of our portfolio managers over time. Our Morningstar Award winners in 2013 were Black Creek International Equity Fund (best international equity fund), CI Global Health Sciences Corporate Class (best specialty equity fund) and Portfolio Select Series (best fund of funds). This was the third year in a row that CI topped the fund-of-funds category, a significant third-party endorsement of the expertise of CI Investment Consulting.

In addition, CI received seven Lipper Fund Awards in 2013, bringing our total to 46 since this program was launched in Canada. And, Signature Global Asset Management was ranked as one of the top five TopGun investment teams in the prestigious 2013 Brendan Wood International Canadian investment rankings. Seven individual portfolio managers and analysts from three different portfolio management teams were named TopGun Investment Minds, which honours investment professionals “who on a competitive basis ranked highest for investment wisdom and professionalism.”

### **Portfolio management teams excel**

CI fosters investment excellence through a unique structure for its portfolio management operations, and by recruiting top-ranked talent. CI has relationships with 17 portfolio management teams, who represent a comprehensive range of investment approaches and expertise in specific areas, and who operate independently of one another. This structure offers our portfolio managers the advantages of working within smaller, more flexible and fast-moving teams, while enjoying the support of a large firm. Our clients, meanwhile, have a wide choice of portfolio managers and investment styles, all within CI.

Our in-house portfolio management teams are Signature Global Asset Management, Harbour Advisors, Cambridge Global Asset Management, CI Investment Consulting and Marret Asset Management Inc. We purchased a 65% interest in Toronto-based Marret in December 2013. Our in-house teams are responsible for approximately 75% of our assets under management. CI also owns minority interests in Altrinsic Global Advisors, LLC of Greenwich, Connecticut, and Toronto-based Red Sky Capital Management Ltd. and Lawrence Park Capital Partners Ltd. All portfolio management teams are monitored by CI Investment Consulting.

Our purchase of Marret was an opportunity to add a team with extensive expertise in income investing. Marret is led by Barry Allan, who has three decades of experience and founded the firm in 2001. With Marret, we have diversified our income lineup, launching three Marret-branded income funds in the first quarter of 2014. We also assigned a portion of four other portfolios to Marret, including the balanced mandates within the Harbour Funds family. Marret is managing the bond investments for those funds, allowing the Harbour team to focus on equity selection and asset allocation.

Our experience with the Cambridge team illustrates the success – and continued potential – of this strategy. Cambridge was formed in 2008 to showcase the expertise of veteran portfolio manager Alan Radlo through three core funds. His former colleagues Robert Swanson and Brandon Snow joined Cambridge in 2011, assisting in building the team and adding new mandates. Today, Cambridge is a team with considerable experience and depth, a track record of exceptional returns, and a diverse lineup of income, balanced and equity funds with over \$10 billion in assets.

In addition to building out Cambridge, we have added to the expertise within our Signature and Harbour teams. Signature is our largest portfolio management group, with more than 30 investment professionals managing over \$45 billion in a wide range of equity, income and balanced funds. The team has retained and developed portfolio managers and analysts who are experts in their asset class or industry sector on a global basis. At Harbour, we hired portfolio manager Roger Mortimer to work with Senior Portfolio Manager Stephen Jenkins and the rest of the team at Harbour. Roger is an experienced and award-winning value manager who is well-known in the Canadian investment community and has a history of market outperformance. He joined the team as veteran manager Gerry Coleman retired after 16 years at Harbour.

Our resources and our culture have made CI an attractive employer for investment professionals and allowed us to retain some of the finest talent in the industry. Our lineup of portfolio management teams is truly one of the best in Canada and a significant competitive advantage for CI.

#### **Innovation and choice drive product lineup**

CI's comprehensive product lineup is another distinct strength for CI, as we can meet the needs and preferences of virtually any investor. We also have the capabilities to develop innovative and competitive new products, such as the new G5|20 Series.

G5|20 Series, which we launched in July 2013, is the first mutual fund of its kind in Canada. It is designed specifically for the retirement market and offers a guaranteed cash flow over 20 years. In addition to the guarantee, which is backed by a major chartered bank, the fund is unique in how it uses asset allocation and sophisticated risk management techniques to maintain the fund's cash flow. Its value, though, is straightforward: it provides retirees with stability and security similar to that of a pension plan. G5|20 Series has been well received and enhancements to the product are scheduled to be introduced in April 2014. We believe the product has exceptional long-term potential given current market conditions, including low interest rates, market volatility, the declining prevalence of pension plans in the private sector, and the retirement of the baby boomer cohort.

Our other product launches in 2013 included Lawrence Park Strategic Income Fund, which offers the expertise of Lawrence Park Capital Partners in a retail mutual fund, and Cambridge Global Dividend Fund, which invests in a globally diversified portfolio of high-quality dividend-paying companies. In addition, Cambridge was named portfolio manager of two existing dividend funds, a U.S. and a Canadian mandate, reflecting our confidence in the team.

### **Developing strong relationships**

The development of multiple channels of distribution for our funds and investment management expertise has been a successful long-term strategy for CI. This approach has been the foundation of our growth and resulted in CI having the most productive distribution relationships of the independent fund companies.

Our distribution strategy has three central pillars: building Assante into the premier wealth planning organization in Canada; growing our retail investment fund business through an intense focus on selected distribution partners; and expanding our presence in the institutional market through CI Institutional Asset Management.

### **Assante**

Our Assante business comprises two primary business lines – our full-service investment and mutual fund dealers, operating as Assante Wealth Management, and our high net worth discretionary investment platform, Stonegate Private Counsel. In 2013, their assets increased by 18% to \$28.7 billion, reflecting strong investment performance, increasing levels of investment from our clients and targeted recruiting of advisors. Growth continued in the first quarter, reaching \$30.2 billion at March 31, 2014, an all-time high for Assante and Stonegate.

The financial advisory business operates in a highly regulated environment in which compliance and technology costs related to increasing regulatory requirements are accelerating the consolidation of industry participants, or even exits from the business. In addition, the Canadian marketplace is maturing and the demand for advisory services is changing. Canadians are increasingly seeking advice on their entire financial situation – wealth preservation and investments, tax planning, retirement and estate planning and risk management. Assante, through its consistent delivery of complete wealth management services to our clients, is particularly well positioned to benefit from this evolving environment.

Operating scale becomes even more important as firms deal with increasing costs and service expectations from clients. At Assante, we benefit from the confidence and security our clients realize through the size and scale of CI and we leverage the operating efficiency of our entire organization through our shared services infrastructure.

Assante has continued to grow through prudent management of clients' accounts, increasing levels of investment from these clients and the attraction of new clients. This has resulted, in part, from the successful execution of these strategies:

- Our continuing investment in support resources – almost 70 experts in communities across Canada to assist our advisors and their clients with their fully integrated, or complete wealth management needs;
- Expanding our training and development programs at all levels of our organization to deliver a superior wealth planning experience for our clients;

- Investing heavily in technology to support the delivery of a consistent value proposition to clients; and
- Elevating the awareness of Assante – who we are and what we stand for – through our advertising and branding programs on the national and local levels.

Assante's commitment to an all-encompassing approach to wealth management, backed by the financial strength and security of CI, has again positioned Assante as one of Canada's pre-eminent financial advisory firms.

### **Other key partners**

In distributing its retail funds, CI maintains close relationships with financial advisors at numerous firms across Canada through one of the largest sales and client services teams in the industry. In conjunction with this, we focus on certain preferred partners. We have gained a better understanding of their unique needs and are providing enhanced support and services tailored to their advisors. Our preferred partners, which include Assante, Sun Life advisors and Edward Jones, have made and continue to make important contributions to our growth. We are currently extending this highly successful approach to other firms.

### **CIIAM**

CI Institutional Asset Management (CIIAM) experienced a healthy 18% growth during 2013 and ended the year with \$13.6 billion in assets under management.

CIIAM operates in two general institutional markets: Alliance, which involves sub-advising mandates or participating in fund-of-fund programs at other financial institutions, and the more traditional area of pensions, foundations and endowments. The Alliance operations won two new mandates in 2013. Our pensions and endowments business experienced strong client growth with nine new clients added during the year.

CIIAM continues to field a multi-manager, multi-product institutional lineup, which includes a balanced mandate, a core Canadian equity mandate, a core bond plus strategy, a global equity mandate and a series of target-risk and target-date funds.

### **Building the brand and supporting sales**

As our industry has become increasingly competitive, CI has responded by committing additional resources to those areas that are critical to our growth, including portfolio management and sales and marketing. Our sales team works closely with advisors who recommend our products to their clients, and we provide a wide range of information and support to those advisors.

Our key initiatives in 2013 included:

- Raising awareness of the CI brand. Through a multifaceted national advertising campaign, we promoted awareness of CI Investments and the new G5|20 Series. The CI corporate ads emphasized CI's strength, experience and expertise as "Canada's Investment Company," while the G5|20 ads explained that it would allow Canadians to take their retirement plans "off pause and hit play." These commercials were aired on television and financial and news websites during the important RRSP season and in the fall after the launch of G5|20, resulting in an estimated 140 million views. We are continuing a national campaign on TV, radio and Internet into 2014.
- A premier educational conference. Our third annual Leadership Forum, a three-day educational event for advisors, was held in Los Angeles and featured presentations by our portfolio managers, our in-house experts in business development and wealth planning, and informative outside speakers. This event, which was attended by 1,000 advisors with nearly \$10 billion in assets, has become one of our industry's leading conferences. Assante's National Wealth Management Conference was held at the same location and immediately before the Leadership Forum, significantly reducing our costs of hosting two events, while making it more convenient for Assante advisors to attend both conferences.
- Valuable events for advisors. During the year, we held two roadshows, in which a portfolio management team and our Professional Development group presented to advisors across Canada, a Digital Roadshow, which involved a series of webcasts featuring our portfolio managers, and over 100 other events in which CI professionals presented to advisors.
- Ongoing communication. CI provides information about its fund portfolios and products to advisors and the public through our CI Monthly Review publication, as well as regular commentaries, podcasts, and videocasts. Two of our investment teams, Cambridge and Signature, now write for their own blogs on [www.ci.com](http://www.ci.com).
- Support for advisor professional development. Our Strategic Business Development and Wealth Planning teams significantly increased the number of presentations and workshops they hosted in 2013, allowing us to provide an enhanced level of service to advisors focused on practical advice to improve their practices.
- Increased efficiency. In 2013, our continued development of a customer relationship management system introduced in fall 2012 has provided us with additional information and analysis, allowing for increased efficiency and highlighting additional sales opportunities.

### **Investing in employees**

For many years, CI has had extensive training programs for entry-level employees and has emphasized promoting from within. In recent years, we have developed company-wide programs to enhance the knowledge and effectiveness of all employees. In 2013, the Learning and Development group was formally established to manage these initiatives, in partnership with our Human Resources department. Examples of these programs include training on our products and our industry, a series of presentations featuring professionals from the company and the industry, internally developed leadership

conferences, and a management development program aimed at front-line managers. In addition, we are proud to report that many employees are committed to furthering their education at their own initiative through courses at university and for professional designations such as Chartered Financial Analyst. We believe that high-performing employees make for a high-performing organization.

### **Adapting to change**

CI and its subsidiaries operate in a heavily regulated industry and the pace of rule-making by regulators has accelerated in the past five years since the financial crisis. We believe that changes currently being implemented and considered by the Canadian Securities Administrators are likely to dramatically reshape our industry, particularly at the dealer level.

We believe that advisors who provide the greatest value to clients and who can articulate and demonstrate this value are most likely to prosper in this changing environment. At CI, our strategy is twofold. Firstly, as explained previously, Assante assists its advisors in delivering complete wealth management services, and they are well positioned to retain and attract clients with their superior value proposition. Secondly, CI Investments is working to educate its advisor partners on the risks and opportunities involved in regulatory change and to assist them in adapting their practices. Our efforts included a series of presentations and a workbook prepared by our Professional Development team. This work has positioned CI as a leader in helping advisors deal with regulatory change and is continuing in 2014.

## **OUTLOOK**

Global markets continued to advance in the first quarter of 2014. The S&P/TSX Composite Index was up 6.1% over the three-month period, while the S&P 500 rose 1.8% and the MSCI World Index 1.4% (5.7% and 5.3% in Canadian dollars, respectively). CI experienced continued growth in assets and sales.

The Canadian investment fund industry broke the \$1 trillion mark in assets under management at the end of 2013 and though financial markets are always uncertain, there are many factors supporting continued growth, including demographics and continuing low interest rates. A January 2014 report by research firm Investor Economics noted that Canadians still hold \$940 billion in liquid deposit balances, earning an estimated effective interest rate of just 1.17%, and that new savings will amount to \$100 billion a year over the next five years. Given the limited shift to equity funds to date, the report suggests there may be room for some of this mountain of money to move to investments with a higher return potential.



As an asset manager with both scale and an entrepreneurial outlook, CI is well positioned to benefit in the current environment. And, we are continuing to invest in our business and build on our competitive advantages, which include:

- An exceptional portfolio management lineup
- Outstanding fund performance
- Economies of scale
- Financial strength and low cost of capital
- Extensive and experienced sales and marketing operations
- Strong and diverse distribution relationships
- Growing awareness of the CI and Assante brands
- Expanded training and services initiatives for staff and advisors
- An entrepreneurial, flexible corporate culture.

This June marks the 20th anniversary of CI becoming a publicly traded company. Over that time, our market capitalization has grown from just over \$100 million to \$10 billion today. We are proud of what the CI family has accomplished over the past two decades and we are laying the foundation for another 20 years of success.

We sincerely thank our employees for their dedication and hard work, our portfolio management teams for their great results, our fund investors and advisors for their business, and our shareholders for their support.



William T. Holland  
Chairman



Stephen A. MacPhail  
President and Chief Executive Officer

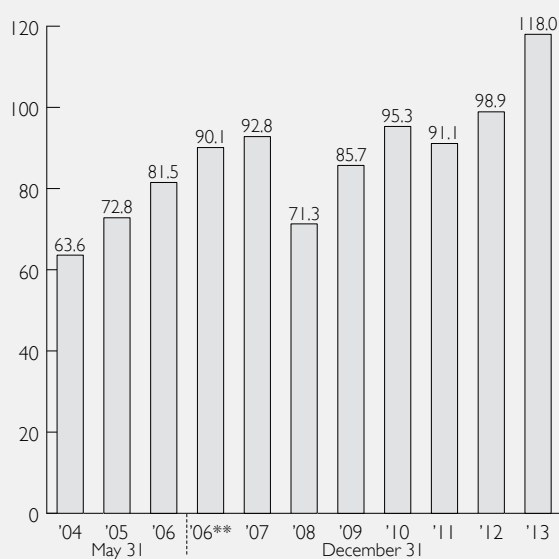
**MARCH 31, 2014**

# Ten-Year Historical Financial Highlights

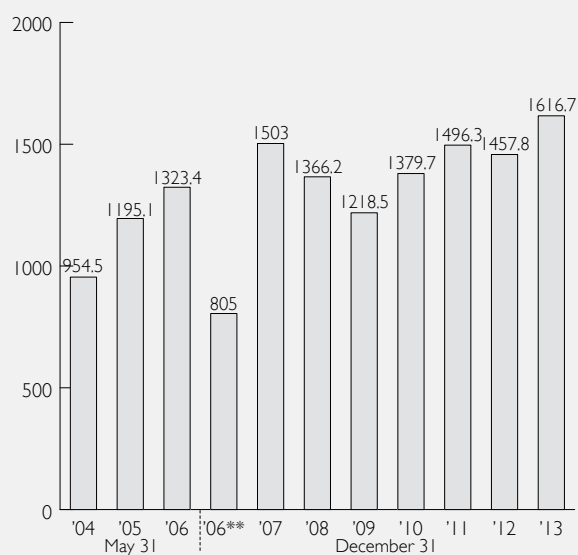
(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

| (from continuing operations)             | Years Ended Dec. 31 |             |             |             |
|--|---------------------|-------------|-------------|-------------|
|  | 2013                | 2012        | 2011        | 2010        |
| Assets under management, end of year     | 91,090              | 75,723      | 69,558      | 72,825      |
| Assets under administration <sup>†</sup> | 26,960              | 23,199      | 21,544      | 22,497      |
| Total assets                             | 118,050             | 98,922      | 91,102      | 95,322      |
| Net sales of funds                       | 3,686               | 973         | 323         | 1,059       |
| Management fees                          | 1,432.6             | 1,277.7     | 1,302.8     | 1,193.0     |
| Other income                             | 184.1               | 180.1       | 193.5       | 186.7       |
| Total revenues                           | 1,616.7             | 1,457.8     | 1,496.3     | 1,379.7     |
| Selling, general and administrative      | 314.5               | 286.0       | 290.8       | 263.6       |
| Trailer fees                             | 429.2               | 374.0       | 379.5       | 346.2       |
| Other expenses                           | 290.7               | 294.0       | 304.9       | 295.4       |
| Total expenses                           | 1,034.4             | 954.0       | 975.2       | 905.2       |
| Income taxes                             | 155.9               | 151.6       | 144.2       | 146.0       |
| Net income                               | 426.4               | 352.2       | 376.9       | 328.6       |
| EBITDA*                                  | 769.6               | 703.6       | 726.2       | 669.7       |
| Earnings per share                       | 1.50                | 1.24        | 1.31        | 1.14        |
| EBITDA* per share                        | 2.71                | 2.48        | 2.53        | 2.32        |
| Dividends per share                      | 1.07                | 0.96        | 0.89        | 0.77        |
| Shareholders' equity, end of year        | 1,819.3             | 1,676.0     | 1,620.2     | 1,566.1     |
| Shares outstanding, end of year          | 284,396,101         | 282,914,642 | 283,567,039 | 287,434,257 |

TOTAL ASSETS (\$ BILLIONS)



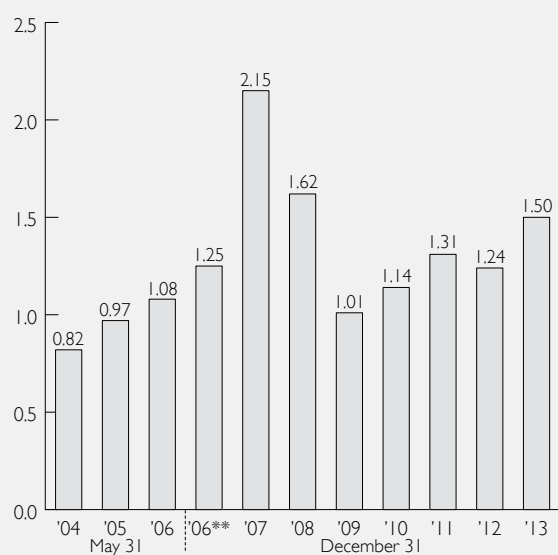
TOTAL REVENUES (\$ MILLIONS)



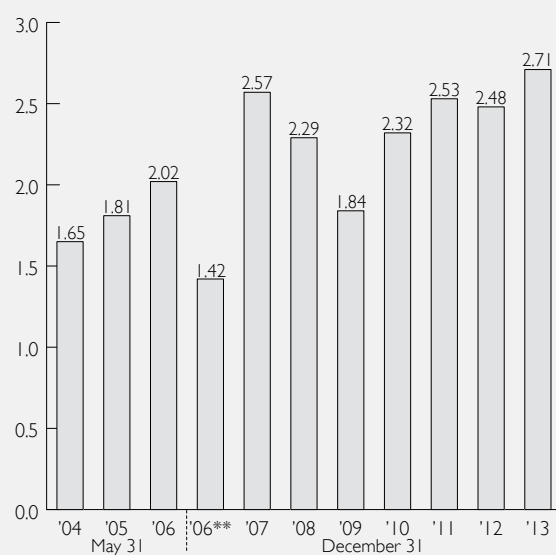
<sup>†</sup>Includes CI and United funds administered by Assante advisors. \*EBITDA (earnings before interest, taxes, depreciation and amortization) is not a standardized earnings measure prescribed by IFRS; however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. CI's method of calculating this measure may not be comparable to similar measures presented by other companies. \*\*Seven-month period.

| 2009        | Years Ended Dec. 31 |             | Seven Months Ended<br>Dec. 31, 2006 | Years Ended May 31 |             |             |
|-------------|---------------------|-------------|-------------------------------------|--------------------|-------------|-------------|
|             | 2008                | 2007        |                                     | 2006               | 2005        | 2004        |
| 64,226      | 52,801              | 67,171      | 62,737                              | 56,905             | 49,055      | 44,223      |
| 21,489      | 18,449              | 25,657      | 27,319                              | 24,563             | 23,751      | 19,349      |
| 85,715      | 71,250              | 92,828      | 90,056                              | 81,468             | 72,806      | 63,572      |
| 1,451       | 1,740               | 1,898       | 437                                 | 3,111              | 1,717       | 898         |
| 1,041.5     | 1,163.8             | 1,292.7     | 693.8                               | 1,110.0            | 994.6       | 820.7       |
| 177.0       | 202.4               | 210.3       | 111.2                               | 213.4              | 200.5       | 133.8       |
| 1,218.5     | 1,366.2             | 1,503.0     | 805.0                               | 1,323.4            | 1,195.1     | 954.5       |
| 278.9       | 256.4               | 291.1       | 147.8                               | 353.6              | 328.1       | 256.8       |
| 299.7       | 336.1               | 369.1       | 193.3                               | 291.0              | 250.7       | 197.8       |
| 298.4       | 340.0               | 291.7       | 140.3                               | 204.2              | 168.3       | 108.1       |
| 877.0       | 932.5               | 951.9       | 481.4                               | 848.8              | 747.1       | 562.7       |
| 45.3        | (17.5)              | (54.4)      | (31.1)                              | 165.6              | 163.2       | 170.7       |
| 296.2       | 451.2               | 605.5       | 354.7                               | 309.0              | 284.7       | 221.0       |
| 539.3       | 638.6               | 724.3       | 403.5                               | 577.4              | 529.5       | 442.2       |
| 1.01        | 1.62                | 2.15        | 1.25                                | 1.08               | 0.97        | 0.82        |
| 1.84        | 2.29                | 2.57        | 1.42                                | 2.02               | 1.81        | 1.65        |
| 0.63        | 1.74                | 2.25        | 1.155                               | 0.70               | 0.675       | 0.405       |
| 1,610.9     | 1,601.7             | 1,450.7     | 1,371.1                             | 1,545.0            | 1,472.8     | 1,533.9     |
| 291,821,114 | 292,492,805         | 281,514,003 | 280,132,687                         | 285,680,519        | 286,643,091 | 295,199,027 |

#### EARNINGS PER SHARE (\$)



#### EBITDA\* PER SHARE (\$)





### CI INVESTMENTS INC.

CI Investments is one of Canada's largest investment management companies, with approximately \$96 billion in assets under management (at March 31, 2014) on behalf of two million Canadians. We are known for our comprehensive and high-quality selection of investment products and services, operational excellence and efficiency, and a broad lineup of leading portfolio management teams. CI Investments has demonstrated a record of innovation and an ability to adapt to meet the changing demands of the marketplace and its clients.

We partner with independent financial advisors and third-party institutions in the distribution of our products and services, which include mutual funds, segregated funds, managed solutions, structured products and alternative investments. Our brands include CI, Black Creek, Cambridge, Harbour, Lawrence Park, Marret, Signature, Synergy, Red Sky, Portfolio Series, Portfolio Select Series, G5|20 Series, CI Private Investment Management, and SunWise Essential Series 2. In addition, we manage the Evolution Private Managed Accounts and Optima Strategy investment programs, which are available through advisors with Assante Wealth Management. We service the institutional marketplace through a dedicated division, CI Institutional Asset Management.

CI's strength is founded on the expertise and experience of its portfolio managers. Our managers, a mix of in-house teams and sub-advisors, represent the full spectrum of investment disciplines, from value to growth. Our in-house investment managers include: Signature Global Asset Management, led by Eric Bushell; Harbour Advisors, led by Stephen Jenkins and Roger Mortimer; and Cambridge Global Asset Management, led by Alan Radlo, Robert Swanson and Brandon Snow. CI and its managers have been recognized through 35 Morningstar Awards over the past 10 years, including the prestigious Analysts' Choice Investment Fund Company of the Year in 2006, 2007 and 2009, as well as Morningstar Fund Manager of the Decade in 2010 and Morningstar Equity Fund Manager of the Year in 2009 for Mr. Bushell. CI has also been the recipient of 46 Lipper Fund Awards, which recognize funds that have excelled in delivering consistently strong risk-adjusted performance relative to peers.



## **ASSANTE WEALTH MANAGEMENT (CANADA) LIMITED**

Assante Wealth Management is a leading provider of complete wealth management solutions for affluent Canadians. With 750 advisors across Canada, our independent advisory network is one of the largest in the country. We serve over 300,000 clients nationwide, administering \$30 billion in assets (at March 31, 2014) on their behalf.

The success of Assante is closely linked to our advisors and the strong partnership we have developed with them. Backed by a wealth of resources, including investment analysts, portfolio managers, tax lawyers, accountants, estate planning and insurance specialists and wealth planners, Assante advisors provide a comprehensive and integrated approach to wealth management.

We also support our advisors by providing an industry-leading suite of products and solutions. This includes Evolution Private Managed Accounts and Optima Strategy, which are managed by CI Investments Inc. and are available exclusively through Assante advisors. For high net worth clients with more complex wealth planning needs, Assante offers the Private Client Managed Portfolios.

Our services are offered through **Assante Capital Management**, an investment dealer, and **Assante Financial Management**, a mutual fund dealer, which together operate under the brand name Assante Wealth Management. **Stonegate Private Counsel** is a group of experienced professionals who provide wealth planning and intergenerational financial services to high net worth individuals and families.



# **MANAGEMENT'S** Discussion and Analysis

December 31, 2013

CI Financial Corp.

## Financial Highlights

| (in millions of dollars,<br>except per share and share amounts) | As at         | As at         | As at         | % change                 |                |
|---|---------------|---------------|---------------|--------------------------|----------------|
|   | Dec. 31, 2013 | Sep. 30, 2013 | Dec. 31, 2012 | quarter-over-<br>quarter | year-over-year |
| Assets under management   | 91,090        | 85,557        | 75,723        | 6                        | 20             |
| Total assets  | 118,050       | 110,997       | 98,922        | 6                        | 19             |
| Gross debt  | 498.9         | 498.7         | 594.4         | —                        | (16)           |
| Net debt (gross debt less excess cash)                          | 315.3         | 403.7         | 526.5         | (22)                     | (40)           |
| Shares outstanding  | 284,396,101   | 283,915,174   | 282,914,642   | —                        | 1              |
| Share price   | 35.35         | 31.14         | 24.93         | 14                       | 42             |
| Market capitalization   | 10,053        | 8,841         | 7,053         | 14                       | 43             |

|                                 | For the quarters ended |               |               | % change                 |                |
|---------------------------------|------------------------|---------------|---------------|--------------------------|----------------|
|                                 | Dec. 31 2013           | Sep. 30, 2013 | Dec. 31, 2012 | quarter-over-<br>quarter | year-over-year |
| Average assets under management | 88,558                 | 84,125        | 74,323        | 5                        | 19             |
| Gross sales                     | 3,516                  | 3,160         | 3,513         | 11                       | —              |
| Net sales                       | 707                    | 853           | 724           | (17)                     | (2)            |
| Management fees                 | 382.2                  | 363.5         | 325.8         | 5                        | 17             |
| Total revenues                  | 431.6                  | 405.9         | 371.2         | 6                        | 16             |
| SG&A                            | 82.4                   | 78.5          | 73.2          | 5                        | 13             |
| Trailer fees                    | 115.5                  | 109.2         | 95.8          | 6                        | 21             |
| Net income                      | 116.2                  | 107.8         | 95.0          | 8                        | 22             |
| Earnings per share              | 0.41                   | 0.38          | 0.34          | 8                        | 21             |
| EBITDA*                         | 205.2                  | 193.4         | 178.8         | 6                        | 15             |
| EBITDA* per share               | 0.72                   | 0.68          | 0.63          | 6                        | 14             |
| Dividends recorded per share    | 0.280                  | 0.270         | 0.240         | 4                        | 17             |
| Average shares outstanding      | 284,096,992            | 283,821,756   | 282,987,978   | —                        | —              |

|                                 | For the years ended |               | % change year-over-year |
|---------------------------------|---------------------|---------------|-------------------------|
|                                 | Dec. 31 2013        | Dec. 31, 2012 |                         |
| Average assets under management | 83,325              | 72,606        | 15                      |
| Gross sales                     | 13,858              | 10,597        | 31                      |
| Net sales                       | 3,686               | 973           | 279                     |
| Management fees                 | 1,432.6             | 1,277.7       | 12                      |
| Total revenues                  | 1,616.7             | 1,457.7       | 11                      |
| SG&A                            | 314.5               | 286.0         | 10                      |
| Trailer fees                    | 429.2               | 374.0         | 15                      |
| Net income                      | 426.4               | 352.2         | 21                      |
| Earnings per share              | 1.50                | 1.24          | 21                      |
| EBITDA*                         | 769.6               | 703.6         | 9                       |
| EBITDA* per share               | 2.71                | 2.48          | 9                       |
| Dividends recorded per share    | 1.065               | 0.955         | 12                      |
| Average shares outstanding      | 283,640,042         | 283,389,571   | —                       |

\*EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a standardized earnings measure prescribed by IFRS; however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. CI's method of calculating this measure may not be comparable to similar measures presented by other companies. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

This Management's Discussion and Analysis ("MD&A") dated February 13, 2014 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at December 31, 2013, compared with December 31, 2012, and the results of operations for the year ended and quarter ended December 31, 2013, compared with the year ended and quarter ended December 31, 2012 and the quarter ended September 30, 2013.

CI's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and its subsidiaries, including CI Private Counsel LP ("CIPC"). The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM").

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest and foreign exchange rates, global financial markets, changes in government regulations or in tax laws, industry competition, technological developments and other factors described under "Risk Factors" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of this MD&A and to the "Risk Factors" section of CI's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com).

This MD&A includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these financial measures in analyzing CI's results. These non-IFRS measures and reconciliations to IFRS, where necessary, are shown as highlighted footnotes to the discussion throughout the document.



TABLE I: SELECTED ANNUAL INFORMATION

|   | FISCAL YEARS ENDING DECEMBER 31 |           |           |
|---|---------------------------------|-----------|-----------|
| <i>(millions, except per share amounts)</i> | 2013                            | 2012      | 2011      |
| Total revenue                               | \$1,616.7                       | \$1,457.8 | \$1,496.3 |
| Total expenses                              | 1,034.2                         | 954.0     | 975.2     |
| Income before income taxes                  | \$582.5                         | \$503.8   | \$521.1   |
| Income taxes                                | 155.9                           | 151.6     | 144.2     |
| Non-controlling interest                    | 0.2                             | —         | —         |
| Net income attributable to shareholders     | \$426.4                         | \$352.2   | \$376.9   |
| Earnings per share                          | \$1.50                          | \$1.24    | \$1.31    |
| Diluted earnings per share                  | \$1.50                          | \$1.24    | \$1.31    |
| Dividends recorded per share                | \$1.07                          | \$0.96    | \$0.89    |
| EBITDA (see Table 7)                        | \$769.6                         | \$703.6   | \$726.2   |
| Total assets                                | \$3,094.0                       | \$2,971.6 | \$3,085.0 |
| Gross debt                                  | \$498.9                         | \$594.4   | \$780.4   |
| Net debt (gross debt less excess cash)      | \$315.3                         | \$526.5   | \$730.7   |
| Average shares outstanding                  | 283.6                           | 283.4     | 287.0     |
| Shares outstanding                          | 284.4                           | 282.9     | 283.6     |
| Share price                                 | \$35.35                         | \$24.93   | \$21.10   |
| Market capitalization                       | \$10,053                        | \$7,053   | \$5,983   |

**TABLE 2: SUMMARY OF QUARTERLY RESULTS**
*(millions of dollars, except per share amounts)*

|  | 2013  |       |       |       | 2012  |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
|  | Q4    | Q3    | Q2    | Q1    | Q4    | Q3    | Q2    | Q1    |
| <b>INCOME STATEMENT DATA</b>               |       |       |       |       |       |       |       |       |
| Management fees                            | 382.2 | 363.5 | 351.0 | 335.8 | 325.8 | 318.8 | 313.5 | 319.6 |
| Administration fees                        | 33.3  | 31.8  | 33.0  | 33.1  | 31.7  | 30.1  | 31.3  | 32.8  |
| Other revenues                             | 16.1  | 10.6  | 13.2  | 13.0  | 13.8  | 12.6  | 14.0  | 13.8  |
| Total revenues                             | 431.6 | 405.9 | 397.2 | 381.9 | 371.3 | 361.5 | 358.8 | 366.2 |
| Selling, general & administrative          | 82.4  | 78.5  | 77.5  | 76.2  | 73.2  | 69.9  | 70.7  | 72.2  |
| Trailer fees                               | 115.5 | 109.2 | 104.9 | 99.6  | 95.8  | 93.5  | 91.6  | 93.0  |
| Investment dealer fees                     | 26.4  | 25.1  | 25.9  | 26.0  | 24.7  | 23.3  | 24.5  | 25.8  |
| Amortization of deferred sales commissions | 38.6  | 38.5  | 39.0  | 39.7  | 40.4  | 40.4  | 41.0  | 41.4  |
| Interest expense                           | 4.5   | 4.7   | 4.9   | 5.0   | 6.2   | 6.3   | 6.1   | 6.3   |
| Other expenses                             | 5.0   | 2.8   | 2.5   | 1.7   | 1.7   | 2.5   | 1.9   | 1.6   |
| Total expenses                             | 272.4 | 258.8 | 254.7 | 248.2 | 242.0 | 235.9 | 235.8 | 240.3 |
| Income before income taxes                 | 159.2 | 147.1 | 142.5 | 133.7 | 129.3 | 125.6 | 123.0 | 125.9 |
| Income taxes                               | 42.8  | 39.3  | 38.5  | 35.2  | 34.3  | 34.3  | 51.7  | 31.3  |
| Non-controlling interest                   | 0.2   | —     | —     | —     | —     | —     | —     | —     |
| Net income attributable to shareholders    | 116.2 | 107.8 | 104.0 | 98.5  | 95.0  | 91.3  | 71.3  | 94.6  |
| Earnings per share                         | 0.41  | 0.38  | 0.37  | 0.35  | 0.34  | 0.32  | 0.25  | 0.33  |
| Diluted earnings per share                 | 0.41  | 0.38  | 0.37  | 0.35  | 0.34  | 0.32  | 0.25  | 0.33  |
| Dividends recorded per share               | 0.280 | 0.270 | 0.265 | 0.250 | 0.240 | 0.240 | 0.240 | 0.235 |

## **BUSINESS OVERVIEW**

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors. They are distributed primarily through brokers, independent financial planners and insurance advisors, including ACM and AFM financial advisors. CI operates through two business segments, Asset Management and Asset Administration. The Asset Management segment provides the majority of CI's income and derives its revenue principally from the fees earned on the management of several families of mutual, segregated, pooled and closed-end funds, structured products and discretionary accounts. The Asset Administration segment derives its revenue principally from commissions and fees earned on the sale of mutual funds and other financial products and ongoing service to clients.

## **BUSINESS STRATEGY**

CI earns fee revenue on its assets under management and assets under administration and strives to maximize the growth of those assets on which it earns an acceptable margin. Management believes this can be achieved by focusing on the following factors: quality and diversity of products offered by CI; experience and depth of investment managers; performance of the funds; service levels provided to dealers and investors; and the skill and knowledge of its employees.

CI offers investors a wide range of Canadian and international investment products through a network of investment dealers, mutual fund dealers, and insurance agents, which include advisors with AWM and Sun Life Financial. Several acquisitions of fund management companies and years of product innovation and development have allowed CI to offer investors the broadest selection of investment funds in Canada.

CI uses four in-house teams and 13 external investment managers to provide investment advice regarding the portfolios of the funds. These investment managers typically have long careers in the industry as well as extensive track records with CI. This lineup of investment managers provides a wide selection of styles and areas of expertise for CI's funds.

CI selects managers with a reputation for skilled investment management and has the size and scale to attract the top talent in this field. Many of CI's investment managers have provided excellent long-term performance for our funds. However, CI can and will make changes to its investment managers when unsatisfactory investment performance has occurred.

CI is the manager of the funds and provides services that include managing or arranging for the management of investment portfolios, marketing of the funds, maintaining securityholders' records and accounts, reporting to the securityholders and processing transactions relating to securities of the funds. CI has invested in information systems and internal training of staff to an extent which ensures it provides accurate and timely service to dealers and agents selling CI's products and to investors.

Management of CI has the specialized skills and knowledge to focus on several key objectives. These include: meeting the needs of its clients, developing new products, enhancing investor awareness and increasing market share by marketing to investment dealers, mutual fund dealers and life insurance agents.

## KEY PERFORMANCE DRIVERS

CI's results are driven primarily by the level of its assets under management, which are in turn driven by the returns earned by its funds and the net sales of its funds. The margin earned on these assets under management determines, to a large extent, CI's profitability.

The returns of each fund reflect the returns of equities, bonds or other securities held by the fund. These returns will reflect the returns of equity and bond indexes plus the over or under performance of the investment manager of each fund. In years when markets generally decline CI's assets will likely decline. Conversely, CI's assets will likely appreciate in years when markets perform well. For a particular period, the average assets under management will drive CI's results as CI receives the majority of its fees on a daily basis.

Fund sales and acquisitions also affect CI's assets under management. While sales results help increase assets under management, they are also an indicator of the level of demand for CI's products and our success in delivering attractive products, which help determine longer-term trends for CI's market share.

CI uses several performance indicators to assess its results. These indicators, which do not include non-controlling interests, are described throughout the results of operations and the discussion of the two operating segments and include the following: net income, earnings per share, pre-tax operating earnings, EBITDA, EBITDA margin, and dealer gross margin.

## 2013 OVERVIEW

CI's average assets under management for 2013 increased 15% from 2012 as a result of the strong performance of CI's funds and \$3.7 billion in net sales. This was the primary driver of the 21% increase in net income year over year, although there were several other contributing factors as discussed in Results of Operations below. The trend towards lower average management fee rates continued in 2013, as fixed income products were a larger percentage of CI's asset mix and assets within institutional mandates grew compared to retail assets as a percentage of total assets under management. As well, CI continues to sell an increasing amount of high net worth products which typically bear a lower management fee.

The decline in average management fee revenue is mitigated somewhat by a similar impact on trailer fee expense. An offsetting trend is the move towards front end fund purchases, which carry higher trailer fee rates and so trailer fee expense also rose 15% year over year. Management's efforts to control spending resulted in selling, general and administrative ("SG&A") expenses increasing by only 10% in 2013, two-thirds of the increase in average AUM. The decline in sales of deferred load funds over the past several years is being reflected in reduced spend on deferred sales commissions and the amortization of deferred sales commissions was lower in 2013 than in 2012.

Equity markets in 2013 shook off the prospect of tapering of monetary stimulus by the U.S. Federal Reserve and instead focused on strengthening industrial production numbers and employment figures in the developed world. As financial advisors grew increasingly comfortable putting their clients into fund products, CI was well positioned with its wide selection of products and strong fund performance. Industry gross sales of funds picked up in 2013 and CI's gross sales increased 31% year over year and net sales increased 279% year over year.

CI is the third-largest investment fund company in Canada with assets under management of \$91.1 billion at December 31, 2013. CI's market share is approximately 9%.

According to Morningstar, CI led the entire industry with the most four and five-star rated investment funds (including multiple versions) for all of 2013 and has ranked either first or second place for the past 10 years. In addition, CI and its own portfolio managers have won 47 Canadian Investment Awards since 1998 and 39 Lipper Awards since 2007.

## **KEY EVENTS**

CI introduced several new products during the year as it continued its strategy to provide a broad shelf of products to its clients and their financial advisors. In July, CI launched the G5|20 Series – an innovative fund that provides guaranteed cash flows, growth potential and protection from market downturns. This product has a 25-year lifespan and the distributions are guaranteed by the Bank of Montreal. CI supported the roll out of this product with a television advertising campaign. CI also launched several other funds during the year, drawing upon the expertise of Red Sky Capital Management for a new Canadian equity fund and building on the strength of the Cambridge team for the new Cambridge Global Dividend Fund.

In October, CI held its third annual Leadership Forum, a three-day educational conference attended by over 1000 leading investment advisors. This was an opportunity for advisors to watch presentations and participate in discussions covering economic and financial issues, and to learn more about CI's investment products. CI's sales team, senior management and several portfolio managers presented their outlooks, opinions and strategies to these key distributors of CI's funds.

In December, CI completed the acquisition of a majority stake in Marret Asset Management Inc. ("Marret"), a leading alternative asset manager specializing in global and Canadian fixed income. Later that month, CI announced that Marret had been named sub-advisor to four funds and would manage investment-grade and high-yield bond portfolios for these funds.

## **ASSETS AND SALES**

Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, pooled assets and assets under administration were \$118.0 billion at December 31, 2013, an increase of 19% from \$98.9 billion at December 31, 2012. As shown in Table 3, these assets consisted of \$91.1 billion in assets under management ("AUM") and \$26.9 billion in assets under administration at December 31, 2013. The respective increases of 20% and 16% were primarily due to market performance.

**TABLE 3: TOTAL ASSETS**

| <i>(in billions)</i>                     | As at<br>Dec. 31, 2013 | As at<br>Dec. 31, 2012 | % change |
|--|------------------------|------------------------|----------|
| Assets under management <sup>1</sup>     | \$91.1                 | \$75.7                 | 20       |
| Assets under administration <sup>2</sup> | 26.9                   | 23.2                   | 16       |
| Total assets under management            | \$118.0                | \$98.9                 | 19       |

<sup>1</sup> Does not include assets under management of Marret

<sup>2</sup> Includes \$13.9 billion and \$10.9 billion of managed assets in CI and United funds in 2013 and 2012, respectively.

Assets under management form the majority of CI's total assets and provide most of its revenue and net income. The change in AUM during each of the past two years is detailed in Table 4. Gross sales were up 31% as strong fund performance led to higher retail sales.

**TABLE 4: CHANGE IN ASSETS UNDER MANAGEMENT**

| <i>(in billions)</i>                         | 2013   | 2012   |
|--|--------|--------|
| Assets under management at January 1         | \$75.7 | \$69.6 |
| Gross sales                                  | 13.9   | 10.6   |
| Redemptions                                  | 10.2   | 9.6    |
| Net sales                                    | 3.7    | 1.0    |
| Market performance                           | 11.7   | 5.1    |
| Assets under management at December 31       | \$91.1 | \$75.7 |
| Average assets under management for the year | \$83.3 | \$72.6 |

Table 5 sets out the levels and changes in CI's average assets under management and the gross and net sales for the relevant periods. As most of CI's revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results.

**TABLE 5: CHANGE IN AVERAGE ASSETS UNDER MANAGEMENT**

| <i>(in billions)</i>                            | Quarter ended<br>Dec. 31, 2013 | Quarter ended<br>Sept. 30, 2013 | Quarter ended<br>Dec. 31, 2012 |
|---|--------------------------------|---------------------------------|--------------------------------|
| Average assets under management for the quarter | \$88.558                       | \$84.125                        | \$74.323                       |
| Change to December 31, 2013                     |                                | 5.3%                            | 19.2%                          |
| Gross sales                                     | \$3.5                          | \$3.2                           | \$3.5                          |
| Net sales                                       | \$0.7                          | \$0.9                           | \$0.7                          |

## RESULTS OF OPERATIONS

### YEAR ENDED DECEMBER 31, 2013

For the year ended December 31, 2013, CI reported net income of \$426.4 million (\$1.50 per share) versus \$352.2 million (\$1.24 per share) for the year ended December 31, 2012. Included in 2012 was an \$18.8 million non-cash future tax provision. Adjusting for this item, the year-over-year increase in net income was \$55.4 million, or 15%.

The increase in net income has been primarily driven by and is generally in line with the increase in average AUM for the year. However, to the extent that certain revenues or expenses do not vary with the level of AUM, CI's net income will experience positive or negative operating leverage. The most significant of these types of revenue are redemption fees, the sales commissions earned and reported within administration fees, and other income. These revenue items have generally not increased over the past year at the same rate as AUM and therefore reduced the growth rate of CI's net income relative to asset growth. The most significant expenses that do not vary with the level of average AUM are the fixed components within SG&A, amortization of deferred sales commissions, and interest expense. These expense items have remained relatively flat or decreased over the past year and therefore increased the rate of growth of CI's net income relative to AUM growth.

CI's pre-tax operating earnings, as set out in Table 6, adjust for the impact of gains and losses on marketable securities, performance fees and non-recurring items. Redemption fee revenue and the amortization of deferred sales commissions and fund contracts are netted out to remove the impact of financing back-end assets under management. Pre-tax operating earnings were \$715.9 million in 2013, an increase of 12% from 2012, reflecting the higher average assets under management less the decline in average margin earned on those assets, as discussed below in the Asset Management Segment.

In 2013, CI recorded \$155.9 million in income tax expense for an effective tax rate of 26.8% compared to an effective tax rate of 30.1% in 2012. In the second quarter of 2012, CI recorded a non-cash future income tax provision of \$18.8 million. Adjusting for this, CI's effective tax rate for 2012 was 26.4%. CI's statutory rate for 2013 was 26.5%, unchanged from 2012.

For the year ended December 31, 2013, redemption fee revenue was \$22.5 million compared with \$27.4 million for the year ended December 31, 2012. The decrease is a result of a decline in redemptions of deferred load funds that are subject to redemption fees.

Other income for the year ended December 31, 2013 was \$30.4 million compared to \$26.7 million in the prior year. The largest component of the increase was the inclusion of Marret's revenues.

Amortization of deferred sales commissions and fund contracts was \$158.2 million in 2013, a decrease from \$165.4 million in 2012. This represents the average amount of deferred sales commissions paid in the last seven years plus a small amount of accelerated amortization as deferred load units are redeemed ahead of their three or seven-year scheduled term. The level of spending on deferred sales commissions increased slightly from 2012 along with the increase in overall gross sales. However, the trend over the past several years has been a decline in commissions paid.

Interest expense of \$19.1 million was recorded for the year ended December 31, 2013 compared with \$24.9 million for the year ended December 31, 2012. The decrease in interest expense reflects lower average debt levels during 2013, as discussed under "Liquidity and Capital Resources."

Other expenses for the year ended December 31, 2013 were \$8.9 million compared to \$5.3 million in the prior year. The increase from the prior year is primarily a result of an increase in legal provisions as well as the inclusion of Marret's expenses.

As illustrated in Table 7, EBITDA for the year ended December 31, 2013 was \$769.6 million (\$2.71 per share) compared with \$703.6 million (\$2.48 per share) for the year ended December 31, 2012. The 9% increase is consistent with the level of average AUM and the margin earned thereon, offset by the additional impact of a decline in redemption fee revenue. EBITDA as a percentage of total revenues (EBITDA margin) for 2013 was 47.6%, down slightly from 48.3% in 2012.

#### TABLE 6: PRE-TAX OPERATING EARNINGS

CI uses pre-tax operating earnings to assess its underlying profitability. CI defines pre-tax operating earnings as income before income taxes less redemption fee revenue, non-recurring items, performance fees and investment gains, plus amortization of deferred sales commissions (DSC) and fund contracts.

| <i>(in millions, except per share amounts)</i> | Quarter ended<br>Dec. 31, 2013 | Quarter ended<br>Sept. 30, 2013 | Quarter ended<br>Dec. 31, 2012 | Year ended<br>Dec. 31, 2013 | Year ended<br>Dec. 31, 2012 |
|--|--------------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Income before income taxes                     | \$159.2                        | \$147.1                         | \$129.3                        | \$582.5                     | \$503.8                     |
| Add:   |                                |                                 |                                |                             |                             |
| Amortization of DSC and fund contracts         | 39.3                           | 39.1                            | 40.9                           | 158.2                       | 165.4                       |
| Less:  |                                |                                 |                                |                             |                             |
| Redemption fees                                | 5.3                            | 5.1                             | 6.1                            | 22.5                        | 27.4                        |
| Gain (loss) on marketable securities           | 0.9                            | —                               | 0.1                            | 2.0                         | 0.3                         |
| Non-controlling interest                       | 0.3                            | —                               | —                              | 0.3                         | —                           |
| Pre-tax operating earnings                     | \$192.0                        | \$181.1                         | \$164.0                        | \$715.9                     | \$641.5                     |
| per share                                      | \$0.68                         | \$0.64                          | \$0.58                         | \$2.52                      | \$2.26                      |



### QUARTER ENDED DECEMBER 31, 2013

For the quarter ended December 31, 2013, CI reported net income of \$116.2 million (\$0.41 per share) versus \$95.0 million (\$0.34 per share) for the quarter ended December 31, 2012 and \$107.8 million (\$0.38 per share) for the quarter ended September 30, 2013. Average assets under management for the fourth quarter of 2013 were up 5.3% from the level of the third quarter of 2013 and up 19.2% from the fourth quarter of 2012.

Pre-tax operating earnings were \$192.0 million in the fourth quarter of 2013, an increase of 17% from \$164.0 million in the fourth quarter of 2012 and 6% higher than the \$181.1 million in the prior quarter. These increases primarily reflect the change in assets under management and the slight decline in the margin earned thereon as well as the increase in other income during the fourth quarter of 2013.

For the fourth quarter of 2013, CI recorded \$42.8 million in income tax expense for an effective tax rate of 26.9%, compared to \$34.3 million in the fourth quarter of 2012 for an effective tax rate of 26.5%. The third quarter of 2013 included \$39.4 million in income tax expense, for an effective tax rate of 26.8%. The increase in the year over year effective tax rates reflects a slight change in the level of non-deductible items and in the mix of taxable revenues, on which differing tax rates apply.

For the quarter ended December 31, 2013, redemption fee revenue was \$5.3 million compared with \$6.1 million for the quarter ended December 31, 2012 and \$5.1 million for the quarter ended September 30, 2013. The decrease from the prior year relates to a decrease in redemptions from deferred load funds, whereas redemptions in the fourth quarter of 2013 were up from those of the third quarter.

### TABLE 7: EBITDA AND EBITDA MARGIN

CI uses EBITDA (earnings before interest, taxes, depreciation and amortization) to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of deferred sales commissions, fund contracts and capital assets. This also permits comparisons of companies within the industry, before any distortion caused by different financing methods, levels of taxation and mix of business between front-end and back-end sales commission assets under management. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

| <i>(in millions, except per share amounts)</i> | Quarter ended<br>Dec. 31, 2013 | Quarter ended<br>Sept. 30, 2013 | Quarter ended<br>Dec. 31, 2012 | Year ended<br>Dec. 31, 2013 | Year ended<br>Dec. 31, 2012 |
|--|--------------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Net income                                     | \$116.4                        | \$107.8                         | \$95.0                         | \$426.6                     | \$352.2                     |
| Add (deduct):                                  |                                |                                 |                                |                             |                             |
| Interest expense                               | 4.5                            | 4.7                             | 6.2                            | 19.1                        | 24.9                        |
| Income tax expense                             | 42.8                           | 39.4                            | 34.3                           | 155.9                       | 151.6                       |
| Amortization of DSC and fund contracts         | 39.3                           | 39.1                            | 40.9                           | 158.2                       | 165.4                       |
| Amortization of other items                    | 2.5                            | 2.4                             | 2.4                            | 10.1                        | 9.5                         |
| Non-controlling interest                       | (0.3)                          | —                               | —                              | (0.3)                       | —                           |
| EBITDA   | \$205.2                        | \$193.4                         | \$178.8                        | \$769.6                     | \$703.6                     |
| per share                                      | \$0.72                         | \$0.68                          | \$0.63                         | \$2.71                      | \$2.48                      |
| EBITDA margin (as a % of revenue)              | 47.6%                          | 47.6%                           | 48.2%                          | 47.6%                       | 48.3%                       |

Amortization of deferred sales commissions and fund contracts was \$39.3 million in the fourth quarter of 2013, a decrease from \$40.9 million in the fourth quarter of 2012 and a slight increase from \$39.1 in the third quarter of 2013. The trend of lower amortization expense is consistent with the trend in lower spending on deferred sales commissions in recent years. However, as noted above, redemptions were slightly higher in the fourth quarter of 2013 compared to the third quarter and the slightly higher amortization in the fourth quarter is due to the accelerated amortization of commissions related to redeemed funds.

Interest expense of \$4.5 million was recorded for the quarter ended December 31, 2013 compared with \$6.2 million for the quarter ended December 31, 2012 and \$4.7 million for the quarter ended September 30, 2013. As mentioned earlier, the decrease in interest expense reflects lower average debt levels, as discussed under “Liquidity and Capital Resources.”

As illustrated in Table 7, EBITDA for the quarter ended December 31, 2013 was \$205.2 million (\$0.72 per share) up 14.8% from \$178.8 million (\$0.63 per share) for the quarter ended December 31, 2012 and up 6.1% from \$193.4 million (\$0.68 per share) for the quarter ended September 30, 2013. The increases in quarterly EBITDA generally reflect the increases in average assets under management, with the effect of the change in asset mix offset by slightly more other income in the fourth quarter of 2013. EBITDA as a percentage of total revenues (EBITDA margin) for the fourth quarter of 2013 was 47.6%, down slightly from 48.2% in the last quarter of 2012 and unchanged from the prior quarter.

## ASSET MANAGEMENT SEGMENT

The Asset Management segment is CI's principal business segment and includes the operating results and financial position of CI Investments and CIPC.

**TABLE 8: RESULTS OF OPERATIONS – ASSET MANAGEMENT SEGMENT**

The following table presents the operating results for the Asset Management segment:

| <i>(in millions)</i>  | Quarter ended<br>Dec. 31, 2013 | Quarter ended<br>Sept. 30, 2013 | Quarter ended<br>Dec. 31, 2012 | Year ended<br>Dec. 31, 2013 | Year ended<br>Dec. 31, 2012 |
|---|--------------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Management fees   | \$382.2                        | \$363.5                         | \$325.8                        | \$1,432.6                   | \$1,277.7                   |
| Other revenue   | 11.8                           | 6.4                             | 10.1                           | 36.5                        | 39.0                        |
| Total revenue   | \$394.0                        | \$369.9                         | \$335.9                        | \$1,469.1                   | \$1,316.7                   |
| Selling, general and administrative                           | \$67.6                         | \$64.3                          | \$59.6                         | \$256.2                     | \$233.3                     |
| Trailer fees  | 120.3                          | 113.7                           | 99.7                           | 447.0                       | 389.1                       |
| Amortization of deferred sales commissions<br>and intangibles | 40.0                           | 39.7                            | 41.6                           | 160.8                       | 168.1                       |
| Other expenses  | 3.5                            | 0.7                             | 0.3                            | 5.0                         | 2.0                         |
| Total expenses  | \$231.4                        | \$218.4                         | \$201.2                        | \$869.0                     | \$792.5                     |
| Less:   |                                |                                 |                                |                             |                             |
| Non-controlling interest                                      | 0.3                            | —                               | —                              | 0.3                         | —                           |
| Income before taxes<br>and non-segmented items                | \$162.3                        | \$151.5                         | \$134.7                        | \$599.8                     | \$524.2                     |

## **YEAR ENDED DECEMBER 31, 2013**

### **Revenues**

Revenues from management fees were \$1,433 million for the year ended December 31, 2013, an increase of 12% from \$1,278 million for the year ended December 31, 2012. While average assets under management were up 15% year over year, the change in asset mix toward fixed-income products, institutional mandates and higher net worth products reduced the average management fee rate in 2013 to 1.719% from 1.760% in 2012.

CI has experienced three trends that have lowered its average management fee rate. First, the weighting of equity funds has declined over the past several years in favour of balanced and bond funds, which generally have lower management fees. This trend has slowed and indeed was reversed in the fourth quarter of 2013 as equity markets outperformed fixed-income markets and equity and balanced funds accounted for a greater proportion of sales. Second, a greater percentage of AUM is in Class F, Class I and separately managed accounts, which have lower management fees than Class A funds. This trend is expected to continue as CI expands its institutional business and as more advisors transition into fee-based operating models and move their clients into products that have lower management fees or do not pay a trailer fee. Third, as CI and its distribution partners attract mass affluent and high net worth clients and as existing clients' assets increase beyond certain key thresholds, they are able to move away from typical retail funds into affluent and high net worth products that also generally pay a lower management fee. This trend is also expected to continue as this area of CI's business grows.

For the year ended December 31, 2013, other revenue was \$36.5 million versus \$39.0 million for the year ended December 31, 2012. The largest component of other revenue is redemption fees. Redemption fees were \$22.5 million for 2013 compared with \$27.4 million for 2012 as the level of deferred load business done with CI continues to decline and there are fewer deferred load redemptions. Other revenue also includes revenue from Marret in the fourth quarter of 2013.

### **Expenses**

SG&A expenses for the Asset Management segment were \$256.2 million for the year ended December 31, 2013, an increase from \$233.3 million for the year ended December 31, 2012. As a percentage of average assets under management, SG&A expenses declined to 0.307% in 2013 and 0.321% in 2012, as spending increased 9.8% and average assets were up 14.8%. Certain expenses are fixed in nature and CI benefits from scale as its AUM grows. A portion of the cost savings on the administration side of the business was used to fund increased spending on product initiatives and on increasing staff in portfolio management.

Trailer fees were \$447.0 million for 2013 up 14.9% from \$389.1 million for 2012. Net of inter-segment amounts, this expense was \$429.2 million for the year ended December 31, 2013 versus \$374.0 million for the year ended December 31, 2012. The change in trailer fee expense matched the change in average AUM as two trends offset each other. The change in asset mix, where lower trailer fees are paid on fixed-income products compared to equity products and where trailers are typically not paid on institutional funds, pushed trailer fee expense lower as a percentage of average AUM. However, the trend towards more front-end retail business, where trailer fees are typically higher, increased trailer fee expense as a percentage of average AUM.

Amortization of deferred sales commissions and fund contracts was \$160.8 million for 2013, down from \$168.1 million for the prior year. This change is consistent with the decline in deferred sales commissions paid over the past several years and the amount of accelerated amortization related to redemptions of deferred load funds.

Other expenses were \$5.0 million for the year ended December 31, 2013 compared to \$2.0 million in the year ended December 31, 2012. The increase in these expenses is primarily due to an increase in legal provisions as well as the inclusion of Marret's expenses .

Income before income taxes and interest expense for CI's principal segment was \$599.8 million for 2013, compared with \$524.2 million in 2012. The 14.4% increase from the prior year almost matches the change in average AUM because the impact of lower average management fee revenue, lower other revenue and higher other expense was offset by the declines in the amortization of deferred sales commissions and SG&A as a percentage of average AUM.

### **QUARTER ENDED DECEMBER 31, 2013**

#### **Revenues**

Revenues from management fees were \$382.2 million for the quarter ended December 31, 2013, an increase of 17.3% from \$325.8 million for the quarter ended December 31, 2012 and 5.1% from \$363.5 million for the quarter ended September 30, 2013. The changes were mainly attributable to increases in average assets under management, which were up 19.2% and up 5.3% from the quarters ended December 31, 2012 and September 30, 2013, respectively. The average management fee rate declined from 1.744% in the fourth quarter of 2012 to 1.714% in the third quarter of 2013 and to 1.712% in the fourth quarter of 2013, again as a result of the change in asset mix.

For the quarter ended December 31, 2013, other revenue was \$11.8 million versus \$10.1 million and \$6.4 million for the quarters ended December 31, 2012 and September 30, 2013, respectively. The largest component of other revenue is redemption fees, which were \$5.3 million for the quarter ended December 31, 2013 compared with \$6.1 million and \$5.1 million for the quarters ended December 31, 2012 and September 30, 2013, respectively. The fourth quarter of 2013 also includes revenue from Marret.

#### **Expenses**

SG&A expenses for the Asset Management segment were \$67.6 million for the quarter ended December 31, 2013, an increase from \$59.6 million for the fourth quarter in 2012 and from \$64.3 million for the quarter ended September 30, 2013. As a percentage of average assets under management, SG&A expenses declined to 0.303% for the quarter ended December 31, 2013, from 0.319% for the quarter ended December 31, 2012 and unchanged from the quarter ended September 30, 2013. The decrease in this rate over the past year resulted from economies of scale in CI's fixed costs and operating efficiencies within the back office and support functions which offset increased spending on sales and marketing initiatives and portfolio management.

Trailer fees were \$120.3 million for the quarter ended December 31, 2013 up 20.7% from \$99.7 million for the quarter ended December 31, 2012 and up 5.8% from \$113.7 million for the quarter ended September 30, 2013. Net of inter-segment amounts, this expense was \$115.5 million for the quarter ended December 31, 2013 versus \$95.8 million for the fourth quarter of 2012 and \$109.2 million for the third quarter of 2013. The increase from the comparable periods primarily reflect the respective increases in average assets under management, as well as a slightly larger impact from the trend towards front-end products versus the trend towards fixed-income products, which resulted in higher trailer fees as a percentage of AUM.

Amortization of deferred sales commissions and fund contracts before intersegment eliminations was \$40.0 million for the quarter ended December 31, 2013, down from \$41.6 million in the same quarter a year ago and up slightly from \$39.7 million in the previous quarter. The decline in amortization expense year over year is consistent with the decline in lower deferred sales commissions paid in recent years. On a quarter over quarter basis, redemptions were slightly higher in the fourth quarter of 2013 compared to the third quarter and the slightly higher amortization in the fourth quarter is due to the accelerated amortization of commissions related to redeemed funds.

Income before income taxes and interest expense for CI's principal segment was \$162.3 million for the quarter ended December 31, 2013 up 20.5% from \$134.7 million in the same period in 2012 and up 7.1% from \$151.5 million in the previous quarter. This segment's income has increased slightly more than the increase in average assets under management for the comparable periods, largely because the increases in SG&A expenses have been kept at or below the increase in average AUM and the amortization of deferred sales commissions has declined year over year and increased minimally over the previous quarter.

## ASSET ADMINISTRATION SEGMENT

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries.

**TABLE 9: RESULTS OF OPERATIONS – ASSET ADMINISTRATION SEGMENT**

The following table presents the operating results for the Asset Administration segment:

| <i>(in millions)</i>                | Quarter ended<br>Dec. 31, 2013 | Quarter ended<br>Sept. 30, 2013 | Quarter ended<br>Dec. 31, 2012 | Year ended<br>Dec. 31, 2013 | Year ended<br>Dec. 31, 2012 |
|-------------------------------------|--------------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Administration fees                 | \$63.1                         | \$60.2                          | \$55.2                         | \$243.5                     | \$220.7                     |
| Other revenue                       | 4.3                            | 4.2                             | 3.7                            | 16.4                        | 15.0                        |
| <b>Total revenue</b>                | <b>\$67.4</b>                  | <b>\$64.4</b>                   | <b>\$58.9</b>                  | <b>\$259.9</b>              | <b>\$235.7</b>              |
| Selling, general and administrative | \$14.8                         | \$14.2                          | \$13.6                         | \$58.3                      | \$52.7                      |
| Investment dealer fees              | 50.6                           | 48.1                            | 43.6                           | 194.2                       | 174.5                       |
| Amortization of intangibles         | 0.6                            | 0.6                             | 0.4                            | 2.2                         | 1.6                         |
| Other expenses                      | 0.4                            | 1.4                             | 0.8                            | 3.9                         | 3.2                         |
| <b>Total expenses</b>               | <b>\$66.4</b>                  | <b>\$64.3</b>                   | <b>\$58.4</b>                  | <b>\$258.6</b>              | <b>\$232.0</b>              |
| Income before taxes                 |                                |                                 |                                |                             |                             |
| and non-segmented items             | \$1.0                          | \$0.1                           | \$0.5                          | \$1.3                       | \$3.7                       |

## YEAR ENDED DECEMBER 31, 2013

### Revenues

Administration fees are earned on assets under administration in the AWM business and from the administration of third-party business. These fees were \$243.5 million for the year ended December 31, 2013, an increase of 10.3% from \$220.7 million in 2012. Net of inter-segment amounts, administration fee revenue was \$131.2 million for the year ended December 31, 2013, up from \$126.0 million for the year ended December 31, 2012. The increase from the prior year is a result of higher trailer fee revenue due to a higher base of administered assets. Administration fees should be considered in conjunction with investment dealer fees, an expense that represents the payout to financial advisors.

Other revenues earned by the Asset Administration segment are generally derived from non-advisor related activities. For 2013, other revenues were \$16.4 million, increasing from \$15.0 million for 2012.

### Expenses

Investment dealer fees represent the payout to advisors on revenues they generate and were \$194.2 million for the year ended December 31, 2013, compared to \$174.5 million for the year ended December 31, 2012. The increase in these fees relates directly to the increase in administration fee revenues discussed above.

As detailed in Table 10, dealer gross margin was \$49.3 million or 20.2% of administration fee revenue for 2013, compared to \$46.2 million or 21.0% for 2012. The change in gross margin from the prior period relates to the change in average investment dealer fees paid out to financial advisors on their administration fees. Generally, as an advisor's assets under administration and administration fee revenues grow, the payout rates to the respective advisor will correspondingly increase up to a maximum payout rate.

SG&A expenses for the segment were \$58.3 million for the year ended December 31, 2013 compared to \$52.7 million in the year ended December 31, 2012. The 10.6% increase was largely due to an increase in the level of discretionary spending during 2013 compared to 2012.

**TABLE 10: DEALER GROSS MARGIN**

CI monitors its operating profitability on the revenues earned within its Asset Administration segment by measuring the dealer gross margin, which is calculated as administration fee revenue less investment dealer fees, divided by administration fee revenue. CI uses this measure to assess the margin remaining after the payout to advisors.

| <i>(in millions)</i>   | Quarter ended<br>Dec. 31, 2013 | Quarter ended<br>Sept. 30, 2013 | Quarter ended<br>Dec. 31, 2012 | Year ended<br>Dec. 31, 2013 | Year ended<br>Dec. 31, 2012 |
|------------------------|--------------------------------|---------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Administration fees    | \$63.1                         | \$60.2                          | \$55.2                         | \$243.5                     | \$220.7                     |
| Less:                  |                                |                                 |                                |                             |                             |
| Investment dealer fees | 50.6                           | 48.1                            | 43.6                           | 194.2                       | 174.5                       |
|                        | \$12.5                         | \$12.1                          | \$11.6                         | \$49.3                      | \$46.2                      |
| Dealer gross margin    | 19.8%                          | 20.1%                           | 21.1%                          | 20.2%                       | 21.0%                       |

The Asset Administration segment had income before income taxes and non-segmented items of \$1.3 million for 2013, down from \$3.7 million in 2012. This decline is a result of the increased SG&A spend and the slight drop in dealer gross margin.

#### **QUARTER ENDED DECEMBER 31, 2013**

##### **Revenues**

Administration fees were \$63.1 million for the quarter ended December 31, 2013, an increase of 14.3% from \$55.2 million for the same period a year ago and an increase of 4.8% from the prior quarter. Net of inter-segment amounts, administration fee revenue was \$33.3 million for the quarter ended December 31, 2013, up from \$31.7 million for the quarter ended December 31, 2012 and from \$31.8 million in the previous quarter. The increase from the prior periods was primarily attributable to an increase in assets under administration leading to higher trailer fee revenues.

As mentioned above, other revenues earned by the Asset Administration segment are mainly comprised of non-advisor related activities. For the quarter ended December 31, 2013, other revenues were \$4.3 million, up from \$3.7 million for the fourth quarter of 2012 and up slightly from \$4.2 million in the third quarter of 2013.

##### **Expenses**

Investment dealer fees were \$50.6 million for the quarter ended December 31, 2013, compared to \$43.6 million for the fourth quarter of 2012 and \$48.1 million for the quarter ended September 30, 2013.

As detailed in Table 10, dealer gross margin was \$12.5 million or 19.8% of administration fee revenue for the quarter ended December 31, 2013 compared to \$11.6 million or 21.1% for the fourth quarter of 2012 and \$12.1 million or 20.1% for the previous quarter. The changes in gross margin from the comparable quarters correspond to the level of payout to financial advisors on their 12-month rolling administration fee revenues.

SG&A expenses for the segment were \$14.8 million for the quarter ended December 31, 2013 compared to \$13.6 million in the fourth quarter of 2012 and \$14.2 million in the third quarter of 2013, however, the rate of increased spend was below the rate of increase in administration fee revenues.

The Asset Administration segment had income before income taxes and non-segmented items of \$1.0 million for the quarter ended December 31, 2013, up from \$0.5 million for the fourth quarter of 2012 and from \$0.1 million for the prior quarter. The improved results in the fourth quarter of 2013 were due to a reduction in legal provisions within other expenses.



## LIQUIDITY AND CAPITAL RESOURCES

As detailed in Table 11, CI generated \$593.1 million of operating cash flow in the year ended December 31, 2013 up \$45.0 million from \$548.1 million in 2012. CI measures its operating cash flow before the change in working capital and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Working capital is affected by seasonality, interest is primarily paid semi-annually, and tax instalments paid may differ materially from the cash tax accrual. CI's main uses of capital are the financing of deferred sales commissions, the payment of dividends on its shares, the funding of capital expenditures and the repurchase of shares through its normal course issuer bid program. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and pay down debt.

TABLE 11: SUMMARY OF CASH FLOWS

| <i>(in millions)</i>           | Year ended<br>Dec. 31, 2013 | Year ended<br>Dec. 31, 2012 |
|--------------------------------|-----------------------------|-----------------------------|
| Operating Cash Flow            | \$593.1                     | \$548.1                     |
| Less:                          |                             |                             |
| Deferred sales commission paid | 136.8                       | 124.2                       |
| Marketable securities, net     | (1.2)                       | 21.5                        |
| Capital expenditures, net      | 4.5                         | 5.6                         |
| Share repurchases              | —                           | 30.5                        |
| Dividends paid                 | 297.7                       | 269.2                       |
| Debt repaid                    | 96.0                        | 187.0                       |
| Working capital and other      | (35.4)                      | 8.6                         |
|                                | 498.4                       | 646.6                       |
| Net change in cash             | 94.7                        | (98.5)                      |
| Cash at January 1              | 24.1                        | 122.6                       |
| Cash at December 31            | \$118.8                     | \$24.1                      |

CI paid sales commissions of \$136.8 million in 2013 compared to \$124.2 million in 2012. The increase in sales commissions from the prior year is a result of higher gross sales of funds during 2013, although the trend towards lower sales of deferred load funds as a percentage of total sales continued.

CI invested \$25.8 million in marketable securities in 2013. During the same period, CI received proceeds of \$27.0 million from the disposition of marketable securities, resulting in a gain of \$2.0 million. The fair value of marketable securities at December 31, 2013 was \$74.4 million. Marketable securities are comprised of seed capital investments in its funds and strategic investments.

During the year ended December 31, 2013, CI incurred capital expenditures of \$4.5 million down from \$5.6 million in 2012. These primarily related to leasehold improvements and investments in technology.

During the year, CI did not repurchase any shares under its normal course issuer bid. CI declared dividends of \$306.6 million (\$297.7 million paid), which was \$120.0 million less than net income for the year. At year end, CI's dividend payments were \$0.095 per share per month, or approximately \$324 million per fiscal year.

The statement of financial position for CI at December 31, 2013 reflects total assets of \$3.094 billion, an increase of \$122.4 million from \$2.972 billion at December 31, 2012. This change can be attributed to an increase in current assets of \$116.9 million and an increase in long-term assets of \$5.5 million.

CI's cash and cash equivalents increased by \$94.7 million in 2013 as operating cash flow was significantly greater than the outlays for new investments in deferred sales commissions and capital assets, dividends paid and the repayment of outstanding debt. Marketable securities increased by \$8.2 million as the market value increased by \$9.4 million and net dispositions were \$1.2 million. Accounts receivable and prepaid expenses increased by \$11.5 million to \$82.1 million, primarily with the addition of these items at Marret as well as increases in accounts receivable at CI Investments and AWM in conjunction with the growth in fee revenues.

Deferred sales commissions decreased \$19.0 million to \$433.3 million as a result of the \$155.8 million in amortization expense offset by the \$136.8 million in sales commissions paid. Capital assets decreased \$4.2 million during the year as a result of \$8.7 million amortized during the year offset by \$5.1 million in capital additions and \$0.6 million in capital disposals.

Total liabilities decreased by \$25.3 million during the year to \$1.270 billion at December 31, 2013. The primary contributors to this change were a \$271.3 million decrease in long-term liabilities offset by a \$232.8 million increase in current liabilities. Current liabilities increased with the addition of Marret's liabilities as well as increases in accounts payable at CI Investments and AWM in conjunction with the growth in expense levels. Also included in current liabilities were \$200 million in debentures coming due in 2014.

At December 31, 2013, CI had \$500 million in outstanding debentures at an average interest rate of 3.50% with a carrying value of \$498.9 million. At December 31, 2012, CI had \$594.4 million of debt outstanding at an average rate of 3.26%. Net of cash and marketable securities, debt was \$305.7 million at December 31, 2013, down from \$504.1 million at December 31, 2012. The average debt level for the year ended December 31, 2013 was approximately \$551 million, compared to \$749 million for 2012.

At December 31, 2013 CI was undrawn against its \$250 million credit facility. Principal repayments on any drawn amounts are only required should the bank decide not to renew the facility on its anniversary, in which case 6.25% of the principal would be repaid at each calendar quarter-end, with the balance payable at the end of the credit facility term (March 14, 2016). These payments would be payable beginning March 31, 2014 should the bank not renew the facility.

CI's current ratio of debt (net of excess cash) to EBITDA is at 0.4 to 1, giving CI significant financial flexibility for debt financing. CI expects that, absent acquisitions in which debt is increased, excess cash flow will be used to pay down debt and the ratio of debt to EBITDA will trend lower. CI is within its financial covenants with respect to its credit facility, which requires that the debt-to-EBITDA ratio remain below 2.5 to 1, and assets under management not fall below \$40 billion, based on a rolling 30-day average.

Shareholders' equity was \$1.819 billion at December 31, 2013, an increase of \$143.3 million for the year, which approximates net income less dividends.

## **RISK MANAGEMENT**

There is risk inherent in the conduct of a wealth management business. Some factors which introduce or exacerbate risk are within the control of management and others are by their nature outside of direct control but must still be managed. Effective risk management is a key component to achieving CI's business objectives. It requires management to identify and anticipate risks in order to develop strategies and procedures which minimize or avoid negative consequences. Management has developed an approach to risk management that involves executives in each core business unit and operating area of CI. These executives identify and evaluate risks, applying both a quantitative and a qualitative analysis and then assess the likelihood of occurrence of a particular risk. The final step in the process is to identify mitigating factors or strategies and a course for implementing mitigation procedures.

The disclosures below provide a summary of the key risks and uncertainties that affect CI's financial performance. For a more complete discussion of the risk factors which may adversely impact CI's business, please refer to the "Risk Factors" section of CI's Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com).

### **MARKET RISK**

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity and commodity prices. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in prices and volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect CI's assets under management, management fees and revenues, which would reduce cash flow to CI and ultimately impact CI's ability to pay dividends.

### **Asset Management Segment**

CI is subject to market risk throughout its Asset Management business segment. The following is a description of how CI mitigates the impact this risk has on its financial position and operating earnings.

Management of market risk within CI's assets under management is the responsibility of the Chief Operating Officer, with the assistance of the Chief Compliance Officer. CI has a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's compliance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure.

At December 31, 2013, approximately 24% of CI's assets under management were held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 50 basis point change in interest rates would cause a change of about \$3 million in annual pre-tax earnings in the Asset Management segment.

At December 31, 2013, about 57% of CI's assets under management were based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, at the same time, approximately 22% of CI's assets under management were based in U.S. currency. Any change in the value of the Canadian dollar relative to U.S. currency will cause fluctuations in CI's assets under management upon which CI's management fees are calculated. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of about \$20 million in the Asset Management segment's annual pre-tax earnings.

About 64% of CI's assets under management were held in equity securities at December 31, 2013, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the prices of equity indexes would cause a change of about \$58 million in annual pre-tax earnings.

### **Asset Administration Segment**

CI's Asset Administration business is exposed to market risk. The following is a description of how CI mitigates the impact this risk has on its financial position and results of operations.

Risk management for administered assets is the responsibility of the Chief Compliance Officer and senior management. Responsibilities include ensuring policies, processes and internal controls are in place and in accordance with regulatory requirements. CI's internal audit department reviews CI's adherence to these policies and procedures.

CI's operating results are not materially exposed to market risk impacting the asset administration segment given that this segment usually generates less than 1% of the total income before non-segmented items (this segment had income of \$1.3 million before income taxes and non-segmented items for the year ended December 31, 2013). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of less than \$2 million to the Asset Administration segment's pre-tax earnings.

### **CREDIT RISK**

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. CI is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries, as well as issuers whose securities are held by CI. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and holding collateral where appropriate.

One of the primary sources of credit risk arises when CI extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. CI faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if CI is unable to recover sufficient value from the collateral held. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties. CI has concluded that current economic and credit conditions have not significantly impacted its financial assets.

### **LIQUIDITY RISK**

Liquidity risk is the risk that CI may not be able to generate sufficient funds and within the time required in order to meet its obligations as they come due. While CI currently has access to financing, unfavourable market conditions may affect the ability of CI to obtain loans or make other arrangements on terms acceptable to CI.

### **STRATEGIC RISKS**

Strategic risks are risks that directly impact the overall direction of CI and the ability of CI to successfully implement proposed strategies. The key strategic risk is the risk that management fails to anticipate, and respond to changes in the business environment including demographic and competitive changes. CI's performance is directly affected by financial market and business conditions, including the legislation and policies of the governments and regulatory authorities having jurisdiction over CI's operations. These are beyond the control of CI; however, an important part of the risk management process is the on-going review and assessment of industry and economic trends and changes. Strategies are then designed to mitigate the impact of any anticipated changes, including the introduction of new products and cost control strategies.

## **DISTRIBUTION RISK**

CI distributes its investment products through a number of distribution channels including brokers, independent financial planners and insurance advisors. CI's access to these distribution channels is impacted by the strength of the relationship with certain business partners and the level of competition faced from the financial institutions that own those channels. While CI continues to develop and enhance existing relationships, there can be no assurance that CI will continue to enjoy the level of access that it has in the past, which would adversely affect its sales of investment products.

## **OPERATIONAL RISKS**

Operational risks are risks related to the actions, or failure in the processes, that support the business including administration, information technology, product development and marketing. The administrative services provided by CI depend on software supplied by third-party suppliers. Failure of a key supplier, the loss of these suppliers' products, or problems or errors related to such products would have a material adverse effect on the ability of CI to provide these administrative services. Changes to the pricing arrangement with such third-party suppliers because of upgrades or other circumstances could have an adverse effect upon the profitability of CI. There can be no assurances that CI's systems will operate or that CI will be able to prevent an extended systems failure in the event of a subsystem component or software failure or in the event of an earthquake, fire or any other natural disaster, or a power or telecommunications failure. Any systems failure that causes interruptions in the operations of CI could have a material adverse effect on its business, financial condition and operating results. CI may also experience losses in connection with employee errors. Although expenses incurred by CI in connection with employee errors have not been significant in the past, there can be no assurances that these expenses will not increase in the future.

## **TAXATION RISK**

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency, and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment.

## **COMPETITION**

CI operates in a highly competitive environment, with competition based on a variety of factors, including the range of products offered, brand recognition, investment performance, business reputation, financing strength, the strength and continuity of institutional, management and sales relationships, quality of service, level of fees charged and level of commissions and other compensation paid. CI competes with a large number of mutual fund companies and other providers of investment products, investment management firms, broker-dealers, banks, insurance companies and other financial institutions. Some of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than CI. The trend toward greater consolidation within the investment management industry has increased the strength of a number of CI's competitors. Additionally, there are few barriers to entry by new investment management firms, and the successful efforts of new entrants have resulted in increased competition. CI's competitors seek to expand market share by offering different products and services than those offered by CI. While CI continues to develop and market new products and services, there can be no assurance that CI will maintain its current standing or market share, and that may adversely affect the business, financial condition or operating results of CI.

## **REGULATORY AND LEGAL RISK**

Certain subsidiaries of CI are heavily regulated in all jurisdictions where they carry on business. Laws and regulations applied at the national and provincial level generally grant governmental agencies and self-regulatory bodies broad administrative discretion over the activities of CI, including the power to limit or restrict business activities as well as impose additional disclosure requirements on CI products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of CI's business segments or its key personnel or financial advisors, and the imposition of fines and censures. It is also possible that the laws and regulations governing a subsidiary's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to CI. To the extent that existing or future regulations affecting the sale or offering of CI's product or services or CI's investment strategies cause or contribute to reduced sales of CI's products or lower margins or impair the investment performance of CI's products, CI's aggregate assets under management and its revenues may be adversely affected.

Certain subsidiaries of CI are subject to minimum regulatory capital requirements. This may require CI to keep sufficient cash and other liquid assets on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may subject it to fines, suspension or revocation of registration by the relevant securities regulator. A significant operating loss by a registrant subsidiary or an unusually large charge against regulatory capital could adversely affect the ability of CI to expand or even maintain its present level of business, which could have a material adverse effect on CI's business, results of operations, financial condition and prospects.

Given the nature of CI's business, CI may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing CI, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's subsidiaries' right to carry on their existing business. CI may incur significant costs in connection with such potential liabilities.

## COMMITMENT OF FINANCIAL ADVISORS AND OTHER KEY PERSONNEL

The success of CI is also dependent upon, among other things, the skills and expertise of its human resources including the management and investment personnel and its personnel with skills related to, among other things, marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These individuals play an important role in developing, implementing, operating, managing and distributing CI's products and services. Accordingly, the recruitment of competent personnel, continuous training and transfer of knowledge are key activities that are essential to CI's performance. In addition, the growth in total assets under management in the industry and the reliance on investment performance to sell financial products have increased the demand for experienced and high-performing portfolio managers. Compensation packages for these managers may increase at a rate well in excess of inflation and well above the rates of increase observed in other industries and the rest of the labour market. CI believes that it has the resources necessary for the operation of CI's business. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could adversely affect CI's business.

The market for financial advisors is extremely competitive and is increasingly characterized by frequent movement by financial advisors among different firms. Individual financial advisors of AWM have regular direct contact with clients, which can lead to a strong and personal client relationship based on the client's trust in the individual financial advisor. The loss of a significant number of financial advisors could lead to the loss of client accounts which could have a material adverse effect on the results of operations and prospects of AWM, and, in turn, CI. Although AWM uses or has used a combination of competitive compensation structures and equity with vesting provisions as a means of seeking to retain financial advisors, there can be no assurance that financial advisors will remain with AWM.

## INFORMATION REGARDING GUARANTORS

The following tables provide unaudited consolidated financial information for CI, CI Investments and non-guarantor subsidiaries for the periods identified below, presented with a separate column for: (i) CI; (ii) CI Investments, (iii) the non-guarantor subsidiaries of CI on a combined basis [the "Other Subsidiaries"]; (iv) consolidating adjustments; and (v) the total consolidated amounts.

### CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012 (unaudited)

| <i>(in millions of dollars)</i>         | CI Financial |       | CI Investments |         | Other Subsidiaries |       | Consolidating Adjustments |         | Total Consolidated Amounts |         |
|---|--------------|-------|----------------|---------|--------------------|-------|---------------------------|---------|----------------------------|---------|
|   | 2013         | 2012  | 2013           | 2012    | 2013               | 2012  | 2013                      | 2012    | 2013                       | 2012    |
|   | Revenue      | 395.3 | 225.3          | 1,435.5 | 1,289.5            | 442.1 | 389.0                     | (656.2) | (446.1)                    | 1,616.7 |
| Net income                              | 387.6        | 211.0 | 386.6          | 312.8   | 56.2               | 39.3  | (403.8)                   | (210.9) | 426.6                      | 352.2   |
| Net income attributable to shareholders | 387.6        | 211.0 | 386.6          | 312.8   | 56.2               | 39.3  | (403.8)                   | (210.9) | 426.6                      | 352.2   |



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA AS AT DECEMBER 31, 2013 and 2012 (unaudited)

| <i>(in millions of dollars)</i> | CI Financial   |         | CI Investments |         | Other Subsidiaries |       | Consolidating Adjustments |           | Total Consolidated Amounts |         |
|---------------------------------|----------------|---------|----------------|---------|--------------------|-------|---------------------------|-----------|----------------------------|---------|
|                                 | 2013           | 2012    | 2013           | 2012    | 2013               | 2012  | 2013                      | 2012      | 2013                       | 2012    |
|                                 | Current assets | 214.2   | 215.6          | 277.0   | 206.2              | 209.7 | 196.4                     | (295.4)   | (329.6)                    | 405.5   |
| Non-current assets              | 1,902.4        | 1,836.2 | 2,882.9        | 2,875.6 | 248.7              | 176.3 | (2,345.5)                 | (2,205.1) | 2,688.5                    | 2,683.0 |
| Current liabilities             | 254.6          | 70.0    | 163.3          | 116.1   | 169.1              | 152.9 | (31.8)                    | (16.5)    | 555.2                      | 322.5   |
| Non-current liabilities         | 11.5           | 270.7   | 1,119.6        | 1,129.8 | 4.5                | 0.5   | (420.5)                   | (427.9)   | 715.1                      | 973.1   |

## RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia (“Scotiabank”) owns approximately 37% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the three and 12 months ended December 31, 2013, CI incurred charges for deferred sales commissions of \$1.2 million and \$5.0 million, respectively [three and 12 months ended December 31, 2012 – \$1.0 million and \$4.9 million, respectively] and trailer fees of \$6.0 million and \$22.6 million, respectively [three and 12 months ended December 31, 2012 – \$5.1 million and \$20.3 million, respectively] which were paid or payable to Scotiabank. The balance payable to Scotiabank as at December 31, 2013 of \$2.1 million [December 31, 2012 – \$1.7 million] is included in accounts payable and accrued liabilities.

## SHARE CAPITAL

As at December 31, 2013, CI had 284,396,101 shares outstanding.

At December 31, 2013, 4.8 million options to purchase shares were outstanding, of which 0.8 million options were exercisable.

## CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI’s contractual obligations at December 31, 2013.

### PAYMENTS DUE BY YEAR

| <i>(millions)</i> | Total | 1 year or less | 2   | 3     | 4   | 5   | More than 5 years |
|-------------------|-------|----------------|-----|-------|-----|-----|-------------------|
| Debentures        | 500.0 | 200.0          | —   | 300.0 | —   | —   | —                 |
| Operating leases  | 96.2  | 10.2           | 9.7 | 9.6   | 8.9 | 8.3 | 49.5              |
| Total             | 596.2 | 210.2          | 9.7 | 309.6 | 8.9 | 8.3 | 49.5              |

## **SIGNIFICANT ACCOUNTING ESTIMATES**

The December 31, 2013 Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Consolidated Financial Statements. Included in the Notes to the Consolidated Financial Statements is Note 5 which provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

CI carries significant goodwill and intangible assets on its balance sheet. CI uses valuation models that use estimates of future market returns and sales and redemptions of investment products as the primary determinants of fair value. CI also uses a valuation approach based on a multiple of assets under management and assets under administration for each of CI's operating segments. The multiple used by CI reflects recent transactions and research reports by independent equity research analysts. CI has renewed these key variables in light of the current economic climate. Estimates of sales and redemptions are very likely to change as economic conditions either improve or deteriorate, whereas estimates of future market returns are less likely to do so. The models are most sensitive to current levels of assets under management and administration as well as estimates of future market returns. While these balances are not currently impaired, a decline of 20% in the fair value of certain models may result in an impairment of goodwill or other intangibles recorded on the statement of financial position.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with management, are responsible for the design of CI's disclosure controls and procedures. Management has evaluated, with participation of the CEO and CFO, the effectiveness of the disclosure controls and procedures as at December 31, 2013. Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these Disclosure Controls and Procedures were effective and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

Management, under the supervision of the CEO and CFO, is responsible for the design and maintenance of adequate internal controls over financial reporting for the purposes of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to its inherent limitations, internal controls over financial reporting can only provide reasonable, not absolute, assurance that the financial statements are free of misstatements. The COSO framework was used to assist management, along with the CEO and CFO, in the evaluation of these internal control systems. Management, under the direction of the CEO and CFO, have concluded that the internal controls over financial reporting are effective. Management used various tools to evaluate internal controls over financial reporting which included interaction with key control systems, review of policy and procedure documentation, observation or reperformance of control procedures to evaluate the effectiveness of controls and concluded that these controls are effective. For the year ended December 31, 2013, there have been no changes to the internal controls over financial reporting that have materially affected, or are reasonably likely to affect, internal controls over financial reporting.

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*Additional information relating to CI, including the most recent audited financial statements, management information circular and annual information form are available on SEDAR at [www.sedar.com](http://www.sedar.com).*



# **CONSOLIDATED** Financial Statements

December 31, 2013

CI Financial Corp.

# Independent Auditors' Report

## TO THE SHAREHOLDERS OF CI FINANCIAL CORP.

We have audited the accompanying consolidated financial statements of **CI Financial Corp.** ["CI"], which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CI as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada  
February 13, 2014

*Ernst + Young LLP*  
Chartered Accountants  
Licensed Public Accountants

# Consolidated Statements

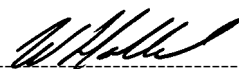
## OF FINANCIAL POSITION

As at December 31


|  | 2013             | 2012             |
|--|------------------|------------------|
|  | \$               | \$               |
| <i>[in thousands of Canadian dollars]</i>  |                  |                  |
| <b>ASSETS</b>  |                  |                  |
| <b>Current</b>   |                  |                  |
| Cash and cash equivalents  | 118,812          | 24,137           |
| Client and trust funds on deposit  | 130,194          | 127,712          |
| Marketable securities  | 74,403           | 66,155           |
| Accounts receivable and prepaid expenses   | 82,065           | 70,597           |
| <b>Total current assets</b>  | <b>405,474</b>   | <b>288,601</b>   |
| Capital assets, net <i>[note 4]</i>  | 42,717           | 46,879           |
| Deferred sales commissions, net of accumulated<br>amortization of \$484,142 <i>[December 31, 2012 – \$492,856]</i> | 433,314          | 452,319          |
| Intangibles <i>[note 5]</i>  | 2,191,248        | 2,161,403        |
| Other assets <i>[note 6]</i>   | 21,216           | 22,413           |
| <b>Total assets</b>  | <b>3,093,969</b> | <b>2,971,615</b> |
| <b>LIABILITIES AND EQUITY</b>  |                  |                  |
| <b>Current</b>   |                  |                  |
| Accounts payable and accrued liabilities   | 150,546          | 119,721          |
| Provision for other liabilities <i>[note 8]</i>  | 2,334            | 1,097            |
| Dividends payable <i>[note 10]</i>   | 54,143           | 45,254           |
| Client and trust funds payable   | 128,274          | 125,773          |
| Income taxes payable <i>[note 11]</i>  | 20,209           | 6,608            |
| Current portion of long-term debt <i>[note 7]</i>  | 199,765          | 24,000           |
| <b>Total current liabilities</b>   | <b>555,271</b>   | <b>322,453</b>   |
| Deferred lease inducement  | 15,816           | 17,165           |
| Long-term debt <i>[note 7]</i>   | 299,107          | 570,368          |
| Provision for other liabilities <i>[note 8]</i>  | 20,302           | 6,611            |
| Deferred income taxes <i>[note 11]</i>   | 379,851          | 379,030          |
| <b>Total liabilities</b>   | <b>1,270,347</b> | <b>1,295,627</b> |
| <b>Equity</b>  |                  |                  |
| Share capital <i>[note 9(a)]</i>   | 1,987,642        | 1,964,433        |
| Contributed surplus  | 8,350            | 14,511           |
| Deficit  | (183,349)        | (303,126)        |
| Accumulated other comprehensive income   | 6,684            | 170              |
| <b>Shareholders' equity</b>  | <b>1,819,327</b> | <b>1,675,988</b> |
| <b>Non-controlling interests</b>   | <b>4,295</b>     | <b>—</b>         |
| <b>Total equity</b>  | <b>1,823,622</b> | <b>1,675,988</b> |
| <b>Total liabilities and equity</b>  | <b>3,093,969</b> | <b>2,971,615</b> |

*(see accompanying notes)*

On behalf of the Board of Directors:



William T. Holland  
Director



G. Raymond Chang  
Director

# Consolidated Statements

## OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31

|  | 2013             | 2012             |
|--|------------------|------------------|
|  | \$               | \$               |
| <i>[in thousands of Canadian dollars, except per share amounts]</i>  |                  |                  |
| <b>REVENUE</b>   |                  |                  |
| Management fees  | 1,432,559        | 1,277,698        |
| Administration fees  | 131,227          | 125,985          |
| Redemption fees  | 22,459           | 27,388           |
| Gain on sale of marketable securities  | 1,970            | 303              |
| Other income <i>[note 6]</i>   | 28,438           | 26,368           |
|  | <b>1,616,653</b> | <b>1,457,742</b> |
| <b>EXPENSES</b>  |                  |                  |
| Selling, general and administrative  | 3,144,457        | 286,009          |
| Trailer fees <i>[note 16]</i>  | 429,161          | 373,954          |
| Investment dealer fees   | 103,420          | 98,263           |
| Amortization of deferred sales commissions   | 155,834          | 163,100          |
| Amortization of intangibles  | 3,351            | 2,437            |
| Interest <i>[note 7]</i>   | 19,058           | 24,937           |
| Other <i>[note 6]</i>  | 8,881            | 5,265            |
|  | <b>1,034,162</b> | <b>953,965</b>   |
| <b>Income before income taxes</b>  | <b>582,491</b>   | <b>503,777</b>   |
| <b>Provision for income taxes <i>[note 11]</i></b>   |                  |                  |
| Current  | 160,207          | 134,092          |
| Deferred   | (4,304)          | 17,522           |
|  | <b>155,903</b>   | <b>151,614</b>   |
| <b>Net income for the year</b>   | <b>426,588</b>   | <b>352,163</b>   |
| Net income attributable to non-controlling interests   | (193)            | —                |
| Net income attributable to shareholders  | <b>426,395</b>   | <b>352,163</b>   |
| <b>Other comprehensive income, net of tax</b>  |                  |                  |
| Unrealized gain on available-for-sale financial assets,<br>net of income taxes of \$823 [2012 – \$287]                 | 5,385            | 1,899            |
| Reversal of losses to net income on available-for-sale<br>financial assets, net of income taxes of \$172 [2012 – \$19] | 1,129            | 102              |
| Total other comprehensive income, net of tax   | <b>6,514</b>     | <b>2,001</b>     |
| <b>Comprehensive income for the year</b>   | <b>433,102</b>   | <b>354,164</b>   |
| Comprehensive income attributable to non-controlling interests   | (193)            | —                |
| Comprehensive income attributable to shareholders  | <b>432,909</b>   | <b>354,164</b>   |
| <b>Basic and diluted earnings per share attributable to shareholders <i>[note 9(c)]</i></b>                            | <b>\$1.50</b>    | <b>\$1.24</b>    |

(see accompanying notes)

# Consolidated Statements

## OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31

|   | Share capital<br>[note 9(a)] | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>Deficit<br>income | Total<br>shareholders'<br>equity | Non-controlling<br>interests<br>[note 3] | Total<br>equity |                  |
|---|------------------------------|------------------------|--|----------------------------------|--|-----------------|------------------|
| <i>[in thousands of Canadian dollars]</i> | \$                           | \$                     | \$   | \$                               | \$                                       | \$              |                  |
| <b>Balance, January 1, 2013</b>           | 1,964,433                    | 14,511                 | (303,126)  | 170                              | 1,675,988                                | —               | 1,675,988        |
| Comprehensive income                      | —                            | —                      | 426,395  | 6,514                            | 432,909                                  | 193             | 433,102          |
| Business combination [note 3]             | 12,500                       | —                      | —  | —                                | 12,500                                   | 4,102           | 16,602           |
| Dividends declared [note 10]              | —                            | —                      | (306,618)  | —                                | (306,618)                                | —               | (306,618)        |
| Issuance of share capital                 |                              |                        |  |                                  |  |                 |                  |
| on exercise of options                    | 10,709                       | (10,570)               | —  | —                                | 139                                      | —               | 139              |
| Compensation expense for                  |                              |                        |  |                                  |  |                 |                  |
| equity-based plans                        | —                            | 4,409                  | —  | —                                | 4,409                                    | —               | 4,409            |
| <b>Change during the year</b>             | <b>23,209</b>                | <b>(6,161)</b>         | <b>119,777</b>   | <b>6,514</b>                     | <b>143,339</b>                           | <b>4,295</b>    | <b>147,634</b>   |
| <b>Balance, December 31, 2013</b>         | <b>1,987,642</b>             | <b>8,350</b>           | <b>(183,349)</b>   | <b>6,684</b>                     | <b>1,819,327</b>                         | <b>4,295</b>    | <b>1,823,622</b> |
| <b>Balance, January 1, 2012</b>           | 1,964,334                    | 20,059                 | (362,377)  | (1,831)                          | 1,620,185                                | —               | 1,620,185        |
| Comprehensive income                      | —                            | —                      | 352,163  | 2,001                            | 354,164                                  | —               | 354,164          |
| Dividends declared [note 10]<br>(271,912) | —                            | —                      | (271,912)  | —                                | (271,912)                                | —               |                  |
| Shares repurchased<br>(30,534)            | (9,534)                      | —                      | (21,000)   | —                                | (30,534)                                 | —               |                  |
| Issuance of share capital                 |                              |                        |  |                                  |  |                 |                  |
| on exercise of options                    | 9,633                        | (9,434)                | —  | —                                | 199                                      | —               | 199              |
| Compensation expense for                  |                              |                        |  |                                  |  |                 |                  |
| equity-based plans                        | —                            | 3,886                  | —  | —                                | 3,886                                    | —               | 3,886            |
| <b>Change during the year</b>             | <b>99</b>                    | <b>(5,548)</b>         | <b>59,251</b>  | <b>2,001</b>                     | <b>55,803</b>                            | <b>—</b>        | <b>55,803</b>    |
| <b>Balance, December 31, 2012</b>         | <b>1,964,433</b>             | <b>14,511</b>          | <b>(303,126)</b>   | <b>170</b>                       | <b>1,675,988</b>                         | <b>—</b>        | <b>1,675,988</b> |

(see accompanying notes)

# Consolidated Statements

## OF CASH FLOWS

For the years ended December 31

|   | 2013             | 2012             |
|---|------------------|------------------|
|   | \$               | \$               |
| <i>[in thousands of Canadian dollars, except per share amounts]</i>                         |                  |                  |
| <b>OPERATING ACTIVITIES (*)</b>   |                  |                  |
| Net income  | 426,588          | 352,163          |
| Add (deduct) items not involving cash   |                  |                  |
| Gain on sale of marketable securities   | (1,970)          | (303)            |
| Equity-based compensation   | 4,409            | 3,886            |
| Amortization of deferred sales commissions  | 155,834          | 163,100          |
| Amortization of intangibles   | 3,351            | 2,437            |
| Amortization and depreciation of other  | 9,157            | 9,328            |
| Deferred income taxes   | (4,304)          | 17,522           |
| Cash provided by operating activities before changes<br>in operating assets and liabilities | 593,065          | 548,133          |
| Net change in non-cash working capital balances   | 28,369           | (6,700)          |
| <b>Cash provided by operating activities</b>  | <b>621,434</b>   | <b>541,433</b>   |
| <b>INVESTING ACTIVITIES</b>   |                  |                  |
| Purchase of marketable securities   | (25,758)         | (26,761)         |
| Proceeds on sale of marketable securities   | 26,988           | 5,315            |
| Additions to capital assets   | (5,100)          | (5,560)          |
| Dispositions of capital assets  | 609              | —                |
| Deferred sales commissions paid   | (136,829)        | (124,203)        |
| Decrease (increase) in other assets   | 1,233            | (400)            |
| Cash and cash equivalents acquired  | 6,012            | —                |
| Additions to intangibles  | (304)            | (1,718)          |
| <b>Cash used in investing activities</b>  | <b>(133,149)</b> | <b>(153,327)</b> |
| <b>FINANCING ACTIVITIES</b>   |                  |                  |
| Increase (decrease) in long-term debt   | (96,000)         | 63,000           |
| Repayment of debentures   | —                | (250,000)        |
| Repurchase of share capital   | —                | (30,534)         |
| Issuance of share capital   | 119              | 199              |
| Dividends paid to shareholders  | (297,729)        | (269,184)        |
| <b>Cash used in financing activities</b>  | <b>(393,610)</b> | <b>(486,519)</b> |
| <b>Net increase (decrease) in cash and cash equivalents during the year</b>                 | <b>94,675</b>    | <b>(98,413)</b>  |
| Cash and cash equivalents, beginning of year  | 24,137           | 122,550          |
| <b>Cash and cash equivalents, end of year</b>   | <b>118,812</b>   | <b>24,137</b>    |
| <b>(*) Included in operating activities are the following:</b>                              |                  |                  |
| Interest paid   | 19,112           | 25,101           |
| Income taxes paid   | 146,553          | 136,165          |

(see accompanying notes)



# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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CI Financial Corp. ["CI"] is incorporated under the laws of the Province of Ontario. CI's primary business is the management and distribution of a broad range of financial products and services, including mutual funds, segregated funds, financial planning, insurance, investment advice, wealth management and estate and succession planning.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of CI have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

These consolidated financial statements were authorized for issuance by the Board of Directors of CI on February 13, 2014.

### **Basis of presentation**

The consolidated financial statements of CI have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements have been prepared on a going concern basis. CI's presentation currency is the Canadian dollar. The functional currency of CI and its subsidiaries is also the Canadian dollar.

### **Basis of consolidation**

The consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"] and Assante Wealth Management (Canada) Ltd. ["AWM"] and their subsidiaries, which are entities over which CI has control. Control exists when CI has the power, directly or indirectly, to govern the financial and operating policies of an entity, is exposed to variable returns from its activities, and is able to use its power to affect such variable returns to which it is exposed. Hereinafter, CI and its subsidiaries are referred to as CI.

CI holds a controlling 65% interest in Marret Asset Management Inc. ["Marret"]. A non-controlling interest is recorded in the consolidated statement of income and comprehensive income to reflect the non-controlling interest's share of the net income and comprehensive income, and a non-controlling interest is recorded within equity in the consolidated statement of financial position to reflect the non-controlling interest's share of the net assets of Marret.

### **Revenue recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to CI and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, CI applies the following specific revenue recognition policies:

Management fees are based upon the net asset value of the funds managed by CI and are recognized on an accrual basis.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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Administration fees and other income are recognized as services are provided under contractual arrangements. Administration fees include commission revenue, which is recorded on a trade date basis and advisory fees, which are recorded when the services related to the underlying engagements are completed.

Redemption fees payable by securityholders of deferred sales charge mutual funds, the sales commission of which was financed by CI, are recognized as revenue on the trade date of the redemption of the applicable mutual fund securities.

## **Financial instruments**

Financial assets are classified at fair value through profit or loss ["FVPL"], available-for-sale ["AFS"] or loans and receivables. Financial liabilities are classified as FVPL or other.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability. Financial instruments classified as FVPL are carried at fair value in the statement of financial position and any gains or losses are recorded in net income in the period in which they arise. Financial instruments classified as FVPL include cash and cash equivalents as well as contingent consideration included in provision for other liabilities.

Financial assets classified as AFS are carried at fair value in the statement of financial position. Movements in the fair value are recorded in other comprehensive income until disposed, at which time the cumulative amount recorded in comprehensive income is recognized in net income. Where there is objective evidence that an AFS asset is impaired, the cumulative impairment loss is reclassified from other comprehensive income to net income with subsequent movements also recognized in net income. Financial assets classified as AFS include marketable securities.

Loans and receivables and other financial liabilities are recognized at amortized cost using the effective interest rate method. Such accounts include client and trust funds on deposits, accounts receivable, accounts payable and accrued liabilities, dividends payable, client and trust funds payable, provision for other liabilities and long-term debt.

## *Derivatives and hedging*

CI may enter into interest rate swap agreements to reduce its exposure to interest rate risk on its long-term debt. CI does not enter into derivative financial instruments for trading or speculative purposes. At the inception of the swap agreement, CI formally documents the hedging relationship, detailing the risk management objective and the hedging strategy of the hedge. The documentation specifies the asset, liability or cash flows being hedged, the related hedging item, the nature of the specific risk exposure or exposures being hedged, the intended term of the hedging relationship, the method for assessing the effectiveness of the hedging relationship, and the method for measuring the ineffectiveness of the hedging relationship. Derivative financial instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

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Changes in the fair value of the interest rate swaps are recognized in the consolidated statement of income and comprehensive income as other income. Similarly, changes in the fair value of the hedged item attributable to the hedged risk are also recognized in the consolidated statement of income and comprehensive income as other income, with a corresponding adjustment to the long-term debt in the consolidated statement of financial position. Hedge accounting is discontinued prospectively if the hedging relationship no longer qualifies as an effective hedge or if the hedging item is settled. The hedged item is no longer adjusted to reflect changes in fair value. Amounts previously recorded as cumulative adjustments to the effective portion of gains and losses attributable to the hedged risk are amortized using the effective interest rate method and recognized in the consolidated statement of income and comprehensive income over the remaining useful life of the hedged item. Hedge accounting is also discontinued if the hedged item is sold or terminated before maturity. In such a situation, the cumulative adjustments with respect to the effective portion of gains and losses attributable to the hedged risk are immediately recorded in the consolidated statement of income and comprehensive income.

## *Cash and cash equivalents*

Cash and cash equivalents include cash on deposit, highly liquid investments and interest bearing deposits with original maturities of 90 days or less.

## *Client and trust funds*

Client and trust funds on deposit include amounts representing cash held in trust with Canadian financial institutions for clients in respect of self-administered Registered Retirement Savings Plans and Registered Retirement Income Funds, and amounts received from clients for which the settlement date on the purchase of securities has not occurred or accounts in which the clients maintain a cash balance. Client and trust funds on deposit also include amounts for client transactions that are entered into on either a cash or margin basis and recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. For margin accounts, CI extends credit to a client for the purchase of securities, collateralized by the financial instruments in the client's account. Amounts loaned are limited by margin regulations of the Investment Industry Regulatory Organization of Canada ["IIROC"] and other regulatory authorities, and are subject to CI's credit review and daily monitoring procedures. The corresponding liabilities related to the above accounts and transactions are included in client and trust funds payable.

## *Marketable securities*

Marketable securities consist of investments in mutual fund securities and publicly traded companies. Marketable securities are measured at fair value and recognized on trade date. Mutual fund securities are valued using the net asset value per unit of each fund. The fair value of publicly traded companies is determined using quoted market prices. Realized and unrealized gains and losses are recognized using average cost. Except for impairment losses, gains and losses in the fair value of marketable securities are recorded as other comprehensive income until disposed of, at which time any gain or loss is recorded in net income. When a decline in fair value is other than temporary and there is objective evidence of impairment, the cumulative loss that had been recognized directly in other comprehensive income is removed and recognized in net income, even though the financial asset has not been derecognized. Distributions from mutual fund securities are recorded as other income. Distributions that are reinvested increase the cost base of the marketable securities.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## Fair value measurement

CI uses valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. CI bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuation techniques with significant unobservable market inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, CI determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

## Capital assets

Capital assets are recorded at cost less accumulated amortization. These assets are amortized over their estimated useful lives as follows:

|                        |  |
|------------------------|--|
| Computer hardware      | Straight-line over three years           |
| Office equipment       | Straight-line over five years            |
| Leasehold improvements | Straight-line over the term of the lease |

## Deferred sales commissions

Commissions paid on sales of deferred sales charge mutual funds represent commissions paid by CI to brokers and dealers, and are recorded on the trade date of the sale of the applicable mutual fund product. Deferred sales commissions are amortized over the expected investment period of 24 to 84 months on a straight-line basis from the date recorded. When redemptions occur, the actual investment period is shorter than expected, and the unamortized deferred sales commission related to the original investment in the mutual funds is charged to net income and included in the amortization of deferred sales commissions.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

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## **Business combinations**

The acquisition method of accounting is used to account for the acquisition of subsidiaries by CI, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date, with retroactive restatement of the impact of adjustments to those provisional fair values effective as at the acquisition date.

CI elects on a transaction-by-transaction basis whether to measure any non-controlling interest at fair value, or at the proportionate share of the recognized amount of the identifiable net assets of the acquired subsidiary, at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred and equity interests issued by CI. Consideration also includes the fair value of any contingent consideration. Subsequent to the acquisition, contingent consideration that is based on an earnings target and classified as a liability is measured at fair value with any resulting gain or loss recognized in net income. Acquisition-related costs are expensed as incurred.

## **Intangible assets**

### *Fund contracts*

Fund administration contracts and fund management contracts [collectively, “fund contracts”] are recorded net of any write-down for impairment. CI evaluates the carrying amounts of fund contracts for potential impairment by comparing the recoverable amount with their carrying amounts. These evaluations are performed on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

Fund administration contracts are amortized on a straight-line basis over 25 years. Fund management contracts with a finite life are amortized on a straight-line basis over a period of up to 20 years, depending on the contractual terms of such agreements and management’s best estimate of their useful lives. Fund management contracts with an indefinite life are not amortized.

### *Goodwill*

Goodwill is recorded as the excess of purchase price over identifiable assets acquired. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is evaluated for impairment at least annually and any impairment is recognized immediately in income and not subsequently reversed. Goodwill is allocated to the appropriate cash-generating unit for the purpose of impairment testing.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## *Other intangibles*

Other intangibles include the costs of trademarks and computer software, capitalized where it is probable that future economic benefits that are attributable to the assets will flow to CI and the cost of the assets can be measured reliably. Computer software is recorded initially at cost and amortized over its expected useful life of two to ten years on a straight-line basis. Trademarks have an indefinite life and are not amortized.

## **Equity-based compensation**

CI uses the fair value method to account for equity-settled employee incentive share options. The value of the equity-based compensation, as at the date of grant, is recognized over the applicable vesting period as compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received, together with the amount in contributed surplus, are credited to share capital.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

## **Deferred lease inducements**

Lease inducements are deferred and amortized on a straight-line basis over the term of the lease.

## **Income taxes**

Current income tax liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the statement of financial position date.

The liability method of tax allocation is used in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying amount and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising in investments in subsidiaries and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognized on temporary differences that arise from the initial recognition of goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## **Provisions for other liabilities**

A provision for other liabilities is recognized if, as a result of a past event, CI has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and the risks specific to the liability.

## **Foreign currency translation**

Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated into Canadian dollars using historical exchange rates. Revenue and expenses are translated at average rates prevailing during the month. Other foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date. Translation exchange gains and losses are included in other income in the month in which they occur.

## **Critical accounting estimates and judgements**

In the process of applying CI's accounting policies, management has made significant judgements involving estimates and assumptions which are summarized as follows:

### **(i) Impairment of intangible assets**

Indefinite life intangible assets, including goodwill, are tested for impairment annually or more frequently if changes in circumstances indicate that the carrying amount may be impaired. The values associated with intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates require significant judgement regarding market growth rates, fund flow assumptions, expected margins and costs which could affect CI's future results if the current estimates of future performance and fair values change. These determinations also affect the amount of amortization expense on fund contracts with finite lives recognized in future periods.

### **(ii) Deferred tax assets**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## (iii) Provisions for other liabilities

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgements, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions. Further details are provided in Note 8.

## (iv) Share-based payments

The cost of employee services received (compensation expense) in exchange for awards of equity instruments recognized is estimated using a Black-Scholes option valuation model which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in Note 9 [b].

## 2. CHANGES IN ACCOUNTING POLICIES

On January 1, 2013, CI adopted IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*. Several other new standards and amendments apply for the first time in 2013 however, they do not impact the annual consolidated financial statements of CI.

The nature and the impact of each new standard is described below:

IFRS 10 *Consolidated Financial Statements* ["IFRS 10"] replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The application of IFRS 10 had no impact on the consolidation of investments held by CI.

IFRS 12 *Disclosure of Interests in Other Entities* ["IFRS 12"] establishes disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. CI does not have any material subsidiaries outside of those disclosed in Note 1 that required additional disclosures. CI manages a range of mutual funds, segregated funds, structured products and other funds that meet the definition of structured entities under IFRS. CI earns fees for providing management and administrative services to these investment funds. Fees are calculated on assets under management in these funds which was \$91.1 billion as at December 31, 2013 [2012 – \$75.7 billion]. CI does not consolidate these investment funds because the form of fees and ownership interest are not significant enough to meet the definition of control under IFRS. CI provides no guarantees against the risk of financial loss to the investors of these investment funds.



# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

IFRS 13 *Fair Value Measurement* ["IFRS 13"] establishes the definition of fair value and sets out a single IFRS framework for measuring fair value and the required disclosures. The application of IFRS 13 has not impacted the fair value measurements carried out by CI. Additional disclosures where required are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12.

### 3. BUSINESS ACQUISITION

On November 29, 2013, CI acquired 65% of the issued capital and control of Marret Asset Management Inc. and its subsidiaries, an investment management company, for equity consideration of \$12,500 and contingent consideration payable in common shares with an estimated fair value of \$12,500. CI accounted for the acquisition using the acquisition method of accounting and the results of operations have been consolidated from the date of the transaction.

Details of the net assets acquired, at fair value, are as follows:

|   | \$            |
|---|---------------|
| Cash and cash equivalents                                 | 6,012         |
| Accounts receivable and prepaid expenses                  | 1,920         |
| Management contracts                                      | 15,510        |
| Other non-current assets                                  | 35            |
| Accounts payable and accrued liabilities                  | (7,627)       |
| Deferred tax liability                                    | (4,130)       |
| <b>Fair value of identifiable net assets</b>              | <b>11,720</b> |
| Non-controlling interest (35% of identifiable net assets) | (4,102)       |
| Goodwill on acquisition                                   | 17,382        |
| <b>Total acquired cost</b>                                | <b>25,000</b> |

The acquired fund management contracts with a fair value of \$15,510 have a finite life ranging between 8 months to 20 years. The goodwill on acquisition is not deductible for income tax purposes. Goodwill of \$17,382 relates to the Asset Management segment.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

Details of consideration is as follows:

|                                     | \$            |
|-------------------------------------|---------------|
| Common shares issued, at fair value | 12,500        |
| Contingent consideration liability  | 12,500        |
| <b>Total consideration</b>          | <b>25,000</b> |

CI issued 358,061 common shares in total as consideration for the 65% interest in Marret with a fair value of \$12,500. The common shares issued were valued at \$34.91 per common share.

The acquisition agreement provided for contingent consideration payable in common shares of CI, three years from the date of acquisition, if certain financial targets are met based on earnings before interest, tax, depreciation and amortization ["EBITDA"] generated during that period. The contingent consideration could range between nil and \$20,000 depending on EBITDA generated. While it is not possible to determine the exact amount of contingent consideration, CI has estimated the fair value of the contingent consideration to be \$12,500. The fair value of the contingent consideration is based on management's best estimate of Marret's EBITDA over the next three years. The contingent consideration has been included in provisions for other liabilities on the statement of financial position as at December 31, 2013.

Cash inflow on acquisition is as follows:

|  | \$           |
|--|--------------|
| Net cash acquired (included in cash flows from investing activities) | 6,012        |
| Transaction costs (included in cash flows from operating activities) | (202)        |
| <b>Net cash inflow on acquisition</b>                                | <b>5,810</b> |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 4. CAPITAL ASSETS

Capital assets consist of the following:

|                                   | Computer<br>hardware<br>\$ | Office<br>equipment<br>\$ | Leasehold<br>improvements<br>\$ | Total<br>\$   |
|-----------------------------------|----------------------------|---------------------------|---------------------------------|---------------|
| <b>Cost</b>                       |                            |                           |                                 |               |
| <b>Balance, December 31, 2011</b> | <b>11,799</b>              | <b>9,393</b>              | <b>53,462</b>                   | <b>74,654</b> |
| Additions                         | 607                        | 791                       | 4,162                           | 5,560         |
| Retired                           | (751)                      | (6)                       | —                               | (757)         |
| <b>Balance, December 31, 2012</b> | <b>11,655</b>              | <b>10,178</b>             | <b>57,624</b>                   | <b>79,457</b> |
| Additions                         | 2,272                      | 430                       | 2,398                           | 5,100         |
| Disposed                          | —                          | —                         | (679)                           | (679)         |
| Retired                           | (2,360)                    | (83)                      | —                               | (2,443)       |
| <b>Balance, December 31, 2013</b> | <b>11,567</b>              | <b>10,525</b>             | <b>59,343</b>                   | <b>81,435</b> |
| <b>Accumulated depreciation</b>   |                            |                           |                                 |               |
| <b>Balance, December 31, 2011</b> | <b>7,254</b>               | <b>5,105</b>              | <b>12,661</b>                   | <b>25,020</b> |
| Depreciation                      | 2,500                      | 1,239                     | 4,576                           | 8,315         |
| Retired                           | (751)                      | (6)                       | —                               | (757)         |
| <b>Balance, December 31, 2012</b> | <b>9,003</b>               | <b>6,338</b>              | <b>17,237</b>                   | <b>32,578</b> |
| Depreciation                      | 2,623                      | 1,252                     | 4,778                           | 8,653         |
| Disposed                          | —                          | —                         | (70)                            | (70)          |
| Retired                           | (2,360)                    | (83)                      | —                               | (2,443)       |
| <b>Balance, December 31, 2013</b> | <b>9,266</b>               | <b>7,507</b>              | <b>21,945</b>                   | <b>38,718</b> |
| <b>Carrying amounts</b>           |                            |                           |                                 |               |
| <b>At December 31, 2011</b>       | <b>4,545</b>               | <b>4,288</b>              | <b>40,801</b>                   | <b>49,634</b> |
| <b>At December 31, 2012</b>       | <b>2,652</b>               | <b>3,840</b>              | <b>40,387</b>                   | <b>46,879</b> |
| <b>At December 31, 2013</b>       | <b>2,301</b>               | <b>3,018</b>              | <b>37,398</b>                   | <b>42,717</b> |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 5. INTANGIBLES

Intangible assets consist of the following:

|                                 | Goodwill  | Fund<br>administration<br>contracts | Fund<br>management<br>contracts<br>finite life | Fund<br>management<br>contracts<br>indefinite life | Other<br>intangibles | Total     |
|---------------------------------|-----------|-------------------------------------|--|--|----------------------|-----------|
|                                 | \$        | \$                                  | \$   | \$   | \$                   | \$        |
| <b>Cost</b>                     |           |                                     |  |  |                      |           |
| Balance, December 31, 2011      | 1,119,926 | 37,600                              | 27,500   | 999,082  | 22,346               | 2,206,454 |
| Additions                       | —         | —                                   | —  | —  | 1,718                | 1,718     |
| Balance, December 31, 2012      | 1,119,926 | 37,600                              | 27,500   | 999,082  | 24,064               | 2,208,172 |
| Additions                       | 17,382    | —                                   | 15,510   | —  | 304                  | 33,196    |
| Balance, December 31, 2013      | 1,137,308 | 37,600                              | 43,010   | 999,082  | 24,368               | 2,241,368 |
| <b>Accumulated amortization</b> |           |                                     |  |  |                      |           |
| Balance, December 31, 2011      | —         | 12,056                              | 15,681   | —  | 16,595               | 44,332    |
| Amortization                    | —         | 1,504                               | 775  | —  | 158                  | 2,437     |
| Balance, December 31, 2012      | —         | 13,560                              | 16,456   | —  | 16,753               | 46,769    |
| Amortization                    | —         | 1,504                               | 902  | —  | 945                  | 3,351     |
| Balance, December 31, 2013      | —         | 15,064                              | 17,358   | —  | 17,698               | 50,120    |
| <b>Carrying amounts</b>         |           |                                     |  |  |                      |           |
| At December 31, 2011            | 1,119,926 | 25,544                              | 11,819   | 999,082  | 5,751                | 2,162,122 |
| At December 31, 2012            | 1,119,926 | 24,040                              | 11,044   | 999,082  | 7,311                | 2,161,403 |
| At December 31, 2013            | 1,137,308 | 22,536                              | 25,652   | 999,082  | 6,670                | 2,191,248 |
| Remaining term                  | N/A       | 14.9 – 15.4 yrs                     | 0.6 – 19.9 yrs                                 | N/A  | N/A                  |           |

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## **(a) Cash-generating units**

CI has two cash-generating units ["CGU"] for the purpose of assessing the carrying amount of the allocated goodwill and intangible assets, being the asset management and asset administration operating segments as described in Note 17.

## **(b) Impairment testing of goodwill**

As at December 31, 2013, CI has allocated goodwill of \$944,726 [2012 – \$927,344] to the asset management segment and \$192,582 [2012 – \$192,582] to the asset administration operating segment. The recoverable amount of goodwill for the asset management and asset administration operating segments as at December 31, 2013 and 2012 has been determined based on a fair value less costs to sell calculation, using a valuation multiple applied to assets under management and assets under administration, respectively. This methodology is commonly used in the marketplace by independent equity research analysts.

The calculation of the recoverable amounts exceeds the carrying amounts of both the asset management and the asset administration operating segments, including goodwill. Recent equity market performance, recent market transactions and CI's current market capitalization provide additional evidence that the recoverable amount of these operating segments is in excess of the carrying amounts.

## **(c) Impairment testing of fund contracts**

As at December 31, 2013 and 2012, CI had indefinite life fund management contracts within the asset management CGU of \$999,082. These are contracts for the management of open end funds which have no expiry or termination provisions. The fair value of indefinite life intangibles within the asset management operating segment as at December 31, 2013 and 2012 has been determined based on a value in use calculation, using 10 year forecasts and a terminal value for the period thereafter. The key assumptions used in the forecast calculation include assumptions on market appreciation, net sales of funds and operating margins. The terminal value has been calculated assuming a long-term growth rate of 2% per annum in perpetuity based on a long-term real GDP growth rate as at December 31, 2013 and 2012. A discount rate of 7.25% per annum has been applied to the recoverable calculation as at December 31, 2013 and 2012.

The calculation of the recoverable amount exceeds the carrying amount of indefinite life management contracts as at December 31, 2013 and 2012. Recent equity market performance provides additional evidence that the recoverable amount of indefinite life intangibles is in excess of the carrying amount.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## 6. OTHER ASSETS, INCOME AND EXPENSE

Other assets consists mainly of long-term investments, long-term accounts receivable, deferred charges and loans advanced to employees, shareholders and investment advisors.

CI has an employee share purchase loan program for key employees. These loans are renewable yearly and bear interest at prescribed rates. As at December 31, 2013, the carrying amount of employee share purchase loans is \$6,952 [December 31, 2012 – \$9,162] and is included in other assets. These loans become due immediately upon termination of employment or sale of the shares that are held as collateral. As at December 31, 2013, the shares held as collateral have a market value of approximately \$16,158 [December 31, 2012 – \$16,651].

Other assets include shareholder loans in the amount of \$2,464 as at December 31, 2013 [December 31, 2012 – \$3,054] issued primarily to investment advisors. These amounts are secured primarily by common shares of CI that are held as collateral. These loans become due immediately either on termination of the advisor relationship or upon the sale of CI shares that are held as collateral. As at December 31, 2013, the shares held as collateral have a market value of approximately \$4,708 [December 31, 2012 – \$3,769].

CI has a hiring and retention incentive program whereby loans are extended to current investment advisors. These loans are initially recorded at their fair value, may bear interest at prescribed rates and are contractually forgiven on a straight-line basis over the applicable contractual period, which varies in length from three to seven years. CI utilizes the effective interest rate method to amortize the forgiven amount. The forgiven amount is included in selling, general and administrative expenses. As at December 31, 2013, loans to investment advisors of \$5,151 [December 31, 2012 – \$3,670] are included in other assets. These loans become due on demand upon termination or breach in the terms of the agreements.

Other income consists mainly of fees received for the administration of third party mutual funds, custody fees, investment income, foreign exchange gains (losses), interest income and the revenue earned by Marret. Other expenses consist mainly of distribution fees to limited partnerships, legal settlements, amortization of debenture transaction costs and the expenses incurred by Marret.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 7. LONG-TERM DEBT

Long-term debt consists of the following:

|   | As at<br>December 31, 2013 | As at<br>December 31, 2012 |
|---|----------------------------|----------------------------|
|   | \$                         | \$                         |
| <b>Credit facility</b>  |                            |                            |
| Bankers' acceptances  | —                          | 88,000                     |
| Prime rate loan   | —                          | 8,000                      |
|   | —                          | 96,000                     |
| <b>Debentures</b>   |                            |                            |
| \$200 million, 4.19%, due December 16, 2014   | 199,765                    | 199,536                    |
| \$300 million, 3.94% until December 13, 2015 and<br>floating rate until December 14, 2016 | 299,107                    | 298,832                    |
|   | 498,872                    | 498,368                    |
| Long-term debt  | 498,872                    | 594,368                    |
| <b>Current portion of long-term debt</b>  | <b>199,765</b>             | <b>24,000</b>              |

### Credit facility

Effective February 28, 2013, CI renewed its revolving credit facility with two chartered banks. Amounts may be borrowed under the facility in Canadian dollars through prime rate loans, which bear interest at the greater of the bank's prime rate and the Canadian Deposit Offering Rate plus 1.00%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.75%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 0.75%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.75% on any undrawn portion. As at December 31, 2013 and 2012, CI had not accessed the facility by way of letters of credit.

Loans are made by the bank under a 364-day revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, 50% of the outstanding principal amount shall be repaid in equal quarterly installments over the following two years, with the remaining 50% of the outstanding principal balance due two years following the first quarter-end payment.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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The credit facility is fully and unconditionally guaranteed by CI Investments, a wholly owned subsidiary of CI, and may be guaranteed by certain other subsidiaries of CI. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. CI is within its financial covenants with respect to its credit facility, which require that the funded debt to annualized earnings before interest, taxes, depreciation and amortization ratio remain below 2.5:1 and that CI's assets under management not fall below \$40 billion, calculated based on a rolling 30-day average. There can be no assurance that future borrowings or equity financing will be available to CI or available on acceptable terms.

## Debentures

On December 17, 2012, CI repaid \$250 million of debentures which matured ["2012 Debentures"]. On December 16, 2014, \$200 million in outstanding debentures will mature [the "2014 Debentures"]. CI intends to use available cash on hand and a portion of its credit facility to repay this amount. To the extent that these sources of funds are insufficient at that time, CI will be required to issue equity or public debt, or increase the size of its credit facility.

On December 16, 2009, CI entered into an interest rate swap agreement with a Canadian chartered bank to swap the semi-annual fixed rate payments of the 2014 Debentures for floating rate payments. Based on the terms of the agreement, CI pays a rate equivalent to the three-month Canadian bankers' acceptance rate plus a spread of 157.6 basis points on the 2014 Debentures. The rate is reset quarterly and paid semi-annually to match the fixed payment obligations of the Debentures. The swap agreement terminates on the maturity date of the 2014 Debentures unless terminated by CI at an earlier date. As at December 31, 2013, the fair value of the interest rate swap agreement was an unrealized gain of \$2,672 [December 31, 2012 – unrealized gain of \$4,787] and is included in long-term debt in the consolidated statements of financial position.

For the year ended December 31, 2013, interest expense attributable to the 2014 Debentures and the debentures due December 14, 2016 ["2016 Debentures"] was \$5,758 and \$11,820, respectively [2012 – \$6,553, \$5,722 and \$11,820, for the 2012 Debentures, the 2014 Debentures and the 2016 Debentures, respectively].

Issuance costs and the issuance discount are amortized over the term of the Debentures using the effective interest rate method. The amortization expense related to the discount and transaction costs for CI's issued Debentures for the year ended December 31, 2013 were \$504 [2012 – \$1,013] which is included in other expenses.

CI may, at its option, redeem the 2014 Debentures, and CI Investments may, at its option, redeem the 2016 Debentures, in whole or in part, from time to time, on not less than 30 nor more than 60 days' prior notice to the registered holder, at a redemption price which is equal to the greater of par or the Government of Canada Yield, plus 41 basis points in the case of the 2014 Debentures and 37.5 basis points in the case of the 2016 Debentures. CI considers this embedded prepayment option to be closely related to the Debentures and, as such, does not account for it separately as a derivative.



# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

In the event that both a change of control occurs and the rating of the Debentures is lowered to below investment grade, defined as below BBB- by Standard and Poors and BBB (low) by DBRS Limited, CI will be required to make an offer to repurchase all or, at the option of each holder, any part of each holder's Debentures at a purchase price payable in cash equivalent to 101% of the outstanding principal amount of the Debentures together with accrued and unpaid interest, to the date of purchase.

The 2014 Debentures are fully and unconditionally guaranteed by CI Investments and may be guaranteed by certain other subsidiaries of CI. The 2016 Debentures are fully and unconditionally guaranteed by CI.

## 8. PROVISION FOR OTHER LIABILITIES AND CONTINGENCIES

CI is a party to a number of claims, proceedings and investigations, including legal, regulatory and tax, in the ordinary course of its business. In addition, CI has provided for contingent consideration payable as discussed in Note 3. Due to the inherent uncertainty involved in these matters, it is difficult to predict the final outcome or the amount and timing of any outflow related to such matters. Based on current information and consultations with advisors, CI does not expect the outcome of these matters, individually or in aggregate, to have a material adverse effect on its financial position or on its ability to continue normal business operations.

CI has made provisions based on current information and the probable resolution of any such contingent consideration, claims, proceedings and investigations. The movement in amounts provided for contingent liabilities and related expenses during the years ended December 31, are as follows:

|  | 2013    | 2012    |
|--|---------|---------|
|  | \$      | \$      |
| Provision for other liabilities, beginning of year | 7,708   | 8,947   |
| Additions (*)                                      | 17,323  | 1,659   |
| Amounts used                                       | (2,062) | (2,319) |
| Unused amounts reversed                            | (333)   | (579)   |
| Provision for other liabilities, end of year       | 22,636  | 7,708   |
| Current portion of provision for other liabilities | 2,334   | 1,097   |

(\*) 2013 includes contingent consideration of \$12,500 [Note 3]

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

**December 31, 2013 and 2012**

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CI maintains insurance policies that may provide coverage against certain claims. Amounts receivable under these policies are not accrued for unless the realization of income is virtually certain. During the year ended December 31, 2013, CI received insurance proceeds of \$501 related to the settlement of legal claims [2012 – nil]. As at December 31, 2013, CI has accrued \$792 for amounts to be received under insurance policies [2012 – \$475], which is included in accounts receivable.

## **Litigation**

CI is a defendant to certain lawsuits of which two are class action lawsuits related to events and transactions that gave rise to a settlement agreement with the Ontario Securities Commission in 2004. Although CI continues to believe that this settlement fully compensated investors affected by frequent trading activity, a provision has been made based on the probable resolution of these claims and related expenses.

## **Taxation**

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency, and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment.

## **Contingent consideration**

CI entered into an acquisition agreement with the shareholders of Marret that provides for contingent consideration to be paid. Details of this agreement and the basis of calculation of the fair value of the contingent consideration are summarized in Note 3.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 9. SHARE CAPITAL

A summary of the changes to CI's share capital for the period is as follows:

### [A] AUTHORIZED AND ISSUED

| Common Shares  | Number of shares<br>[in thousands] | Stated value<br>\$ |
|--|------------------------------------|--------------------|
| <b>Authorized</b>                                      |                                    |                    |
| An unlimited number of common shares of CI             |                                    |                    |
| <b>Issued</b>  |                                    |                    |
| Common shares, balance, December 31, 2011              | 283,567                            | 1,964,334          |
| Issuance of share capital on exercise of share options | 722                                | 9,633              |
| Share repurchase                                       | (1,374)                            | (9,534)            |
| <b>Common shares, balance, December 31, 2012</b>       | <b>282,915</b>                     | <b>1,964,433</b>   |
| Issuance of share capital on exercise of share options | 1,123                              | 10,709             |
| Issued for acquisition                                 | 358                                | 12,500             |
| <b>Common shares, balance, December 31, 2013</b>       | <b>284,396</b>                     | <b>1,987,642</b>   |

CI did not repurchase any shares under a normal course issuer bid during the year 2013. During the year ended December 31, 2012, 1,374,300 shares were repurchased under a normal course issuer bid at an average cost of \$22.22 per share for total consideration 2012 – \$30,534. Deficit was increased by \$21,000 during the year 2012 for the cost of the shares repurchased in excess of their stated value.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## [B] EMPLOYEE INCENTIVE SHARE OPTION PLAN

CI has an employee incentive share option plan [the “Share Option Plan”], as amended and restated, for the executives and key employees of CI.

During the year, CI granted 2,119,850 options [2012 – 2,232,412 options] to employees. The fair value method of accounting is used for the valuation of the 2013 and 2012 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate of 0% and 1.3%, [options issued 2012 – 0% and 1.4%], with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to share capital. The fair value of the 2013 and 2012 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| Year of grant                      | 2013                 | 2013                    | 2012                    | 2012                    |
|------------------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| # of options grants [in thousands] | 125                  | 1,995                   | 243                     | 1,989                   |
| Vesting terms                      | 1/3 end of each year | 1/3 at end of each year | 1/3 at end of each year | 1/3 at end of each year |
| Dividend yield                     | 4.013% – 4.308%      | 4.265% – 4.550%         | 4.892% – 5.257%         | 4.837% – 5.197%         |
| Expected volatility (*)            | 16%                  | 16%                     | 18%                     | 18%                     |
| Risk-free interest rate            | 1.536% – 1.739%      | 1.509% – 1.692%         | 1.335% – 1.439%         | 1.374% – 1.528%         |
| Expected life [years]              | 2.7 – 4.0            | 2.7 – 4.0               | 2.7 – 4.0               | 2.7 – 4.0               |
| Forfeiture rate                    | 0%                   | 1.3%                    | 0%                      | 1.4%                    |
| Fair value per stock option        | \$2.38 – \$2.68      | \$2.07 – \$2.33         | \$1.81 – \$2.01         | \$1.84 – \$2.06         |
| Exercise price                     | \$30.27              | \$27.03                 | \$21.73                 | \$21.98                 |

(\*) Based on the historical volatility of CI's share price

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

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The maximum number of shares that may be issued under the Share Option Plan is 14,000,000 shares. As at December 31, 2013, there are 4,770,801 shares [2012 – 6,363,963 shares] reserved for issuance on exercise of share options. These options vest over periods of up to five years, may be exercised at prices ranging from \$11.60 to \$30.27 per share and expire at dates up to 2018.

A summary of the changes in the Share Option Plan is as follows:

|   | Number of options<br>[in thousands] | Weighted average<br>exercise price<br>\$ |
|---|-------------------------------------|--|
| Options outstanding, December 31, 2011        | 6,018                               | 17.80                                    |
| Options exercisable, December 31, 2011        | 1,585                               | 15.96                                    |
| Options granted                               | 2,232                               | 21.95                                    |
| Options exercised (*)                         | (1,777)                             | 13.32                                    |
| Options cancelled                             | (109)                               | 21.05                                    |
| <b>Options outstanding, December 31, 2012</b> | <b>6,364</b>                        | <b>20.45</b>                             |
| <b>Options exercisable, December 31, 2012</b> | <b>2,418</b>                        | <b>18.34</b>                             |
| Options granted                               | 2,120                               | 27.22                                    |
| Options exercised (*)                         | (3,629)                             | 19.70                                    |
| Options cancelled                             | (84)                                | 22.35                                    |
| <b>Options outstanding, December 31, 2013</b> | <b>4,771</b>                        | <b>24.00</b>                             |
| <b>Options exercisable, December 31, 2013</b> | <b>807</b>                          | <b>20.47</b>                             |

(\*) Weighted-average share price of options exercised was \$28.79 during the year 2013 [2012 – \$22.15]

## Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

The equity-based compensation expense under the Share Option Plan for the year ended December 31, 2013 of \$4,409 [2012 – \$3,886] has been included in selling, general and administrative expenses.

Options outstanding and exercisable as at December 31, 2013 are as follows:

| Exercise price<br>\$  | Number of<br>options outstanding<br><i>[in thousands]</i> | Weighted average<br>remaining contractual life<br><i>[years]</i> | Number of<br>options exercisable<br><i>[in thousands]</i> |
|-----------------------|---|--|---|
| 11.60                 | 54  | 0.2  | 54  |
| 15.59                 | 36  | 0.3  | 36  |
| 18.20                 | 22  | 0.4  | 22  |
| 19.48                 | 23  | 1.4  | 23  |
| 21.27                 | 273   | 1.2  | 273   |
| 21.55                 | 571   | 2.1  | 210   |
| 21.73                 | 170   | 3.4  | 8   |
| 21.98                 | 1,421   | 3.1  | 181   |
| 22.45                 | 107   | 2.2  | —   |
| 27.03                 | 1,969   | 4.1  | —   |
| 30.27                 | 125   | 4.4  | —   |
| <b>11.60 to 30.27</b> | <b>4,771</b>  | <b>3.2</b>   | <b>807</b>  |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## [C] BASIC AND DILUTED EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share for the years ended December 31:

| <i>[in thousands]</i>  | 2013             | 2012      |
|--|------------------|-----------|
| <b>Numerator:</b>  |                  |           |
| Net income attributable to shareholders of the Company – basic and diluted       | <b>\$426,395</b> | \$352,163 |
| <b>Denominator:</b>  |                  |           |
| Weighted average number of common shares – basic                                 | <b>283,640</b>   | 283,390   |
| Weighted average effect of dilutive stock options (*)                            | <b>1,251</b>     | 640       |
| <b>Weighted average number of common shares – diluted</b>                        | <b>284,891</b>   | 284,030   |
| <b>Net earnings per common share attributable to shareholders of the Company</b> |                  |           |
| <b>Basic</b>   | <b>\$1.50</b>    | \$1.24    |
| <b>Diluted</b>   | <b>\$1.50</b>    | \$1.24    |

(\*) The determination of the weighted average number of common shares – diluted excludes 125 thousand shares related to stock options that were anti-dilutive for the year ended December 31, 2013 [2012 – 2,569 thousand shares].

## [D] MAXIMUM SHARE DILUTION

The following table presents the maximum number of shares that would be outstanding if all the outstanding options as at January 31, 2014 were exercised and outstanding:

| <i>[in thousands]</i>                  |                |
|--|----------------|
| Shares outstanding at January 31, 2014 | 284,680        |
| Options to purchase shares             | 3,798          |
|  | <b>288,478</b> |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 10. DIVIDENDS

The following dividends were paid by CI during the year ended December 31, 2013:

| Record date                                  | Payment date       | Cash dividend<br>per share<br>\$ | Total dividend<br>amount<br>\$ |
|--|--------------------|----------------------------------|--------------------------------|
| December 31, 2012                            | January 15, 2013   | 0.08                             | 22,627                         |
| January 31, 2013                             | February 15, 2013  | 0.08                             | 22,655                         |
| February 28, 2013                            | March 15, 2013     | 0.085                            | 24,067                         |
| March 31, 2013                               | April 15, 2013     | 0.085                            | 24,076                         |
| April 30, 2013                               | May 15, 2013       | 0.085                            | 24,083                         |
| May 31, 2013                                 | June 14, 2013      | 0.09                             | 25,523                         |
| June 30, 2013                                | July 15, 2013      | 0.09                             | 25,528                         |
| July 31, 2013                                | August 15, 2013    | 0.09                             | 25,539                         |
| August 31, 2013                              | September 13, 2013 | 0.09                             | 25,551                         |
| September 30, 2013                           | October 15, 2013   | 0.09                             | 25,547                         |
| October 31, 2013                             | November 15, 2013  | 0.09                             | 25,556                         |
| November 30, 2013                            | December 13, 2013  | 0.095                            | 26,977                         |
| Paid during the year ended December 31, 2013 |                    |                                  | 297,729                        |

The following dividends were declared but not paid by CI during the year ended December 31, 2013:

| Record date                                  | Payment date      | Cash dividend<br>per share<br>\$ | Total dividend<br>amount<br>\$ |
|--|-------------------|----------------------------------|--------------------------------|
| December 31, 2013                            | January 15, 2014  | 0.095                            | 27,072                         |
| January 31, 2014                             | February 14, 2014 | 0.095                            | 27,071                         |
| Declared and accrued as at December 31, 2013 |                   |                                  | 54,143                         |



# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

The following dividends were paid by CI during the year ended December 31, 2012:

| Record date                                  | Payment date       | Cash dividend<br>per share<br>\$ | Total dividend<br>amount<br>\$ |
|--|--------------------|----------------------------------|--------------------------------|
| December 31, 2011                            | January 13, 2012   | 0.075                            | 21,220                         |
| January 31, 2012                             | February 15, 2012  | 0.075                            | 21,274                         |
| February 29, 2012                            | March 15, 2012     | 0.08                             | 22,703                         |
| March 31, 2012                               | April 13, 2012     | 0.08                             | 22,698                         |
| April 30, 2012                               | May 15, 2012       | 0.08                             | 22,705                         |
| May 31, 2012                                 | June 15, 2012      | 0.08                             | 22,666                         |
| June 30, 2012                                | July 13, 2012      | 0.08                             | 22,667                         |
| July 31, 2012                                | August 15, 2012    | 0.08                             | 22,668                         |
| August 31, 2012                              | September 14, 2012 | 0.08                             | 22,647                         |
| September 30, 2012                           | October 15, 2012   | 0.08                             | 22,648                         |
| October 31, 2012                             | November 15, 2012  | 0.08                             | 22,646                         |
| November 30, 2012                            | December 14, 2012  | 0.08                             | 22,642                         |
| Paid during the year ended December 31, 2012 |                    |                                  | 269,184                        |

The following dividends were declared but not paid by CI during the year ended December 31, 2012:

| Record date                                  | Payment date      | Cash dividend<br>per share<br>\$ | Total dividend<br>amount<br>\$ |
|--|-------------------|----------------------------------|--------------------------------|
| December 31, 2012                            | January 15, 2013  | 0.08                             | 22,627                         |
| January 31, 2013                             | February 15, 2013 | 0.08                             | 22,627                         |
| Declared and accrued as at December 31, 2012 |                   |                                  | 45,254                         |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 11. INCOME TAXES

[a] The following are the major components of income tax expense for the years ended December 31:

|   | 2013           | 2012           |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>Statement of Income</b>  |                |                |
| Current income tax expense  |                |                |
| Based on taxable income of the current year                                       | 161,947        | 136,653        |
| Adjustments in respect of prior years   | (1,740)        | (2,561)        |
|   | 160,207        | 134,092        |
| Deferred income tax expense   |                |                |
| Origination and reversal of temporary differences                                 | (4,162)        | 17,417         |
| Other   | (142)          | 105            |
|   | (4,304)        | 17,522         |
| <b>Income tax expense reported in the statement of income</b>                     | <b>155,903</b> | <b>151,614</b> |
| <b>Statement of Other Comprehensive Income</b>                                    |                |                |
| Deferred income taxes   |                |                |
| Unrealized gain on available-for-sale financial assets                            | 823            | 287            |
| Reversal of losses to net income on available-for-sale financial assets           | 172            | 19             |
| <b>Income tax expense reported in the statement of other comprehensive income</b> | <b>995</b>     | <b>306</b>     |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

[b] The following is a reconciliation between CI's statutory and effective income tax rates for the years ended December 31:

|   | 2013  | 2012  |
|---|-------|-------|
|   | %     | %     |
| Combined Canadian federal and provincial income tax rate  | 26.5  | 26.5  |
| Increase (decrease) in income taxes resulting from        |       |       |
| Impact of rate changes on deferred income taxes           | —     | 3.6   |
| Recovery of prior years' provisions for settled tax items | (0.1) | (0.5) |
| Other, net  | 0.4   | 0.5   |
|   | 26.8  | 30.1  |

[c] Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of CI's deferred income tax liabilities and assets are as follows at December 31, 2013:

|  | As at<br>December 31, 2012 | Recognized in<br>net income | Recognized<br>in other<br>comprehensive<br>income | Business<br>Combination | As at<br>December 31, 2013 |
|--|----------------------------|-----------------------------|---|-------------------------|----------------------------|
|  | \$                         | \$                          | \$  | \$                      | \$                         |
| <b>Deferred income tax liabilities</b>       |                            |                             |   |                         |                            |
| Fund contracts                               | 274,617                    | (755)                       | —   | 4,110                   | 277,972                    |
| Deferred sales commissions                   | 117,719                    | (5,029)                     | —   | —                       | 112,690                    |
| <b>Total deferred income tax liabilities</b> | 392,336                    | (5,784)                     | —   | 4,110                   | 390,662                    |
| <b>Deferred income tax assets</b>            |                            |                             |   |                         |                            |
| Equity-based compensation                    | 1,034                      | (49)                        | —   | —                       | 985                        |
| Non-capital loss carryforwards               | 4,918                      | (3,089)                     | —   | —                       | 1,829                      |
| Provisions for other liabilities             | 1,869                      | 735                         | —   | —                       | 2,604                      |
| Other  | 5,485                      | 923                         | (995)   | (20)                    | 5,393                      |
| <b>Total deferred income tax assets</b>      | 13,306                     | (1,480)                     | (995)   | (20)                    | 10,811                     |
| <b>Net deferred income tax liabilities</b>   | 379,030                    | (4,304)                     | 995   | 4,130                   | 379,851                    |

## Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

Significant components of CI's deferred income tax liabilities and assets are as follows at December 31, 2012:

|  | As at<br>December 31, 2011 | Recognized in<br>net income | Recognized<br>in other<br>comprehensive<br>income | As at<br>December 31, 2012 |
|--|----------------------------|-----------------------------|---|----------------------------|
|  | \$                         | \$                          | \$  | \$                         |
| <b>Deferred income tax liabilities</b>       |                            |                             |   |                            |
| Fund contracts                               | 261,732                    | 12,885                      | —   | 274,617                    |
| Deferred sales commissions                   | 122,854                    | (5,135)                     | —   | 117,719                    |
| <b>Total deferred income tax liabilities</b> | 384,586                    | 7,750                       | —   | 392,336                    |
| <b>Deferred income tax assets</b>            |                            |                             |   |                            |
| Equity-based compensation                    | 6,104                      | (5,070)                     | —   | 1,034                      |
| Non-capital loss carryforwards               | 8,140                      | (3,222)                     | —   | 4,918                      |
| Provisions for other liabilities             | 2,174                      | (305)                       | —   | 1,869                      |
| Other  | 6,966                      | (1,175)                     | (306)   | 5,485                      |
| <b>Total deferred income tax assets</b>      | 23,384                     | (9,772)                     | (306)   | 13,306                     |
| <b>Net deferred income tax liabilities</b>   | 361,202                    | 17,522                      | 306   | 379,030                    |

The ultimate realization of deferred tax assets is dependent upon future taxable profits during the periods in which those temporary differences become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that CI will realize the benefits of these deductible differences.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 12. FINANCIAL INSTRUMENTS

Financial assets are classified into three categories, FVPL, loans and receivables and AFS. Financial liabilities are classified as FVPL or other.

The carrying amounts of the financial instruments are presented in the table below and are classified according to the following categories:

|  | December 31, 2013 | December 31, 2012 |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Financial assets</b>                  |                   |                   |
| <i>Fair value through profit or loss</i> |                   |                   |
| Cash and cash equivalents                | 118,812           | 24,137            |
| <i>Loans and receivables</i>             |                   |                   |
| Client and trust funds on deposit        | 130,194           | 127,712           |
| Accounts receivable                      | 73,313            | 62,585            |
| Other assets                             | 16,989            | 18,252            |
| <i>Available-for-sale</i>                |                   |                   |
| Marketable securities                    | 74,403            | 66,155            |
| <b>Total financial assets</b>            | <b>413,711</b>    | <b>298,841</b>    |
| <b>Financial liabilities</b>             |                   |                   |
| <i>Fair value through profit or loss</i> |                   |                   |
| Provision for other liabilities          | 12,500            | —                 |
| <i>Other financial liabilities</i>       |                   |                   |
| Accounts payable and accrued liabilities | 143,121           | 115,250           |
| Provision for other liabilities          | 10,136            | 7,708             |
| Dividends payable                        | 54,143            | 45,254            |
| Client and trust funds payable           | 128,274           | 125,773           |
| Long-term debt                           | 498,872           | 594,368           |
| <b>Total financial liabilities</b>       | <b>847,046</b>    | <b>888,353</b>    |

## Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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CI's financial assets at December 31, 2013 and 2012 include CI's marketable securities which consist of investments in mutual fund securities and publicly traded companies. The fair value of publicly traded companies is determined using quoted market prices. Mutual fund securities are valued using the net asset value per unit of each fund, which represents the underlying net assets at fair values determined using closing market prices. CI considers mutual fund securities that are valued daily to be in the Level 1 fair value hierarchy and those mutual fund securities valued less frequently to be in the Level 2 fair value hierarchy. As at December 31, 2013, CI's marketable securities of \$74,403 [2012 – \$66,155] are carried at fair value of which \$9,410 have been classified in the Level 1 fair value hierarchy and \$64,993 in the Level 2 fair value hierarchy [December 31, 2012 – \$26,875 in the Level 1 fair value hierarchy and \$39,280 in the Level 2 fair value hierarchy]. There have been no transfers between Level 1 and Level 2 during the year.

Included in provision for other liabilities, as at December 31, 2013 is contingent consideration of \$12,500 carried at fair value and classified in the Level 3 fair value. Long-term debt as at December 31, 2013 includes Debentures with a fair value of \$516,210 [December 31, 2012 – \$517,576], as determined by quoted market prices and have been classified in the Level 1 fair value hierarchy.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

## 13. RISK MANAGEMENT

Risk management is an integrated process with independent oversight. CI's management and compliance group has established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's senior management takes an active role in the risk management process by reviewing policies and procedures within each business segment and assessing and mitigating the various financial risks that could impact CI's financial position and results of operations.

CI's financial instruments bear the following financial risks:

### **[A] MARKET RISK**

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity prices. Management of CI's market risk is the responsibility of the Chief Financial Officer. The corporate finance group reviews the exposure to interest rate risk, foreign currency risk and equity risk by identifying, monitoring and reporting potential market risks to the Chief Financial Officer. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in the prices and the volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in the performance and may adversely affect CI's assets under management and financial results.

### **[i] Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Fluctuations in interest rates have a direct impact on the interest payments CI makes on its long-term debt.

Debt outstanding on CI's credit facility of \$nil [2012 – \$96,000] is borrowed at a floating interest rate. The existing credit facility provides CI with the option of fixing interest rates, should CI change its view on its exposure to rising interest rates. As at December 31, 2013, CI also has \$500,000 fixed interest rate Debentures [2012 – \$500,000]. In 2009 CI entered into an interest rate swap agreement with a Canadian chartered bank to convert the fixed interest rates on \$200,000 of the 2014 Debentures to floating interest rates.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

Based on the amount borrowed under the credit facility and Debentures outstanding as at December 31, 2013, each 0.50% increase or decrease in interest rates would result in annual interest expense increasing or decreasing by \$1.0 million [2012 – \$1.5 million], respectively.

## [ii] Foreign exchange risk

As at December 31, 2013, net financial assets of \$24 million [2012 – \$8 million] were denominated in U.S. currency. A 10% increase or decrease in U.S. exchange rates would result in a foreign exchange gain or loss of \$2.4 million [2012 – \$0.8 million], respectively. CI may enter into forward contracts to manage its foreign exchange exposure.

## [iii] Equity risk

CI's marketable securities as at December 31, 2013 of \$74,403 [2012 – \$66,155] are exposed to equity risk. Based on the carrying amount of these assets, an increase or decrease in equity market prices by 10% would result in estimated gains or losses of \$7.4 million [2012 – \$6.6 million], respectively.

## [B] LIQUIDITY RISK

Liquidity risk arises from the possibility that CI will encounter difficulties in meeting its financial obligations as they fall due. CI manages its liquidity risk through a combination of cash received from operations as well as borrowings under its revolving credit facility. Liquidity is monitored through a daily cash management process that includes the projection of cash flows to ensure CI meets its funding obligations.

CI's liabilities have contractual maturities, excluding interest payments, as follows:

|  | Total   | 2014    | 2015 | 2016    |
|--|---------|---------|------|---------|
|  | \$      | \$      | \$   | \$      |
| Accounts payable and accrued liabilities | 143,121 | 143,121 | —    | —       |
| Dividends payable                        | 54,143  | 54,143  | —    | —       |
| Client and trust funds payable           | 128,274 | 128,274 | —    | —       |
| Long-term debt                           | 500,000 | 200,000 | —    | 300,000 |
| Provision for other liabilities          | 12,500  | —       | —    | 12,500  |
| Total                                    | 838,038 | 525,538 | —    | 312,500 |



# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## **[C] CREDIT RISK**

Credit risk arises from the potential that investors, clients or counterparties fail to satisfy their obligations.

As at December 31, 2013, financial assets of \$220,496 [2012 – \$208,549], represented by client and trust funds on deposit of \$130,194 [2012 – \$127,712], accounts receivable of \$73,313 [2012 – \$62,585] and other assets of \$16,989 [2012 – \$18,252], were exposed to credit risk. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and holding collateral, where appropriate.

Client and trust funds on deposit consist mainly of cash deposits or unsettled trade receivables. CI may also extend amounts to clients on a margin basis for security purchases. Collateral is provided in margin accounts by each client in the form of securities purchased and/or other securities and cash balances. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties.

Credit risk associated with accounts receivable is limited as the balance primarily consists of trade receivables that are outstanding for less than 90 days.

Other assets primarily represent loans granted under CI's employee share purchase plan and loans extended to investment advisors under CI's hiring and incentive program. Employee loans are collateralized by CI shares and become due immediately upon termination of the employee or upon the sale of the shares held as collateral. Commissions may be used to offset loan amounts made to investment advisors in the event of default. Credit risk associated with other assets is limited given the nature of the relationship with the counterparties.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 14. CAPITAL MANAGEMENT

CI's objectives in managing capital are to maintain a capital structure that allows CI to meet its growth strategies and build long-term shareholder value, while satisfying its financial obligations and meeting its long-term debt covenants.

CI's capital is comprised of shareholders' equity and long-term debt [including current portion of long-term debt]. CI's senior management is responsible for the management of capital. CI's Board of Directors is responsible for reviewing and approving CI's capital policy and management.

CI and its subsidiaries are subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. As at December 31, 2013, cash and cash equivalents of \$8.8 million was required to be on hand for regulatory capital maintenance. Failure to maintain required regulatory capital by CI may result in fines, suspension or revocation of registration by the relevant securities regulator. CI from time to time provides loans to its subsidiaries for operating purposes and may choose to subordinate these loans in favour of general creditors. The repayment of subordinated loans is subject to regulatory approval. As at December 31, 2013 and 2012, CI met its capital requirements.

CI's capital consists of the following:

|                      | As at<br>December 31, 2013 | As at<br>December 31, 2012 |
|----------------------|----------------------------|----------------------------|
|                      | \$                         | \$                         |
| Shareholders' equity | 1,819,327                  | 1,675,988                  |
| Long-term debt       | 498,872                    | 594,368                    |
| Total capital        | 2,318,199                  | 2,270,356                  |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 15. COMMITMENTS

### Lease commitments

CI has entered into leases relating to the rental of office premises and computer equipment. CI has the option to renew certain leases. The approximate future minimum annual rental payments under such leases are as follows:

|                     | \$     |
|---------------------|--------|
| 2014                | 10,240 |
| 2015                | 9,677  |
| 2016                | 9,612  |
| 2017                | 8,900  |
| 2018                | 8,297  |
| 2019 and thereafter | 49,458 |

### Advisor services agreements

CI is a party to certain advisor services agreements, which provide that the advisor has the option to require CI to purchase a practice that cannot otherwise be transitioned to a qualified buyer. The purchase price would be in accordance with a pre-determined formula contained in the advisor services agreements.

### Indemnities

CI has agreed to indemnify its directors and officers, and certain of its employees in accordance with its by-laws. CI maintains insurance policies that may provide coverage against certain claims.

# Notes to Consolidated Financial Statements

*[in thousands of dollars, except per share amounts]*

December 31, 2013 and 2012

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## 16. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia [“Scotiabank”] owns approximately 37% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank and its related parties. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the year ended December 31, 2013, CI incurred charges for deferred sales commissions of \$4,982 and trailer fees of \$22,639, respectively [2012 – \$4,926 and \$20,278, respectively] which were paid or payable to Scotiabank and its related parties. The balance payable to Scotiabank and its related parties as at December 31, 2013 of \$2,064 [December 31, 2012 – \$1,745] is included in accounts payable and accrued liabilities.

Also, on December 16, 2009, CI entered into an interest rate swap agreement with Scotiabank as described in Note 7.

## 17. SEGMENTED INFORMATION

CI has two reportable segments: Asset Management and Asset Administration. These segments reflect CI’s internal financial reporting and performance measurement.

The Asset Management segment includes the operating results and financial position of CI Investments, CI Private Counsel LP and Marret which derive their revenues principally from the fees earned on the management of several families of mutual and segregated funds.

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. and Assante Financial Management Ltd. These companies derive their revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

Segmented information as at and for the year ended December 31, 2013 is as follows:

|   | Asset<br>management<br>\$ | Asset<br>administration<br>\$ | Intersegment<br>eliminations<br>\$ | Total<br>\$      |
|---|---------------------------|-------------------------------|------------------------------------|------------------|
| Management fees   | 1,432,559                 | —                             | —                                  | 1,432,559        |
| Administration fees   | —                         | 243,509                       | (112,282)                          | 131,227          |
| Other revenue   | 36,503                    | 16,364                        | —                                  | 52,867           |
| <b>Total revenue</b>  | <b>1,469,062</b>          | <b>259,873</b>                | <b>(112,282)</b>                   | <b>1,616,653</b> |
| Selling, general and administrative                           | 256,196                   | 58,261                        | —                                  | 314,457          |
| Trailer fees  | 446,995                   | —                             | (17,834)                           | 429,161          |
| Investment dealer fees  | —                         | 194,208                       | (90,788)                           | 103,420          |
| Amortization of deferred sales<br>commissions and intangibles | 160,825                   | 2,203                         | (3,843)                            | 159,185          |
| Other expenses  | 4,938                     | 3,943                         | —                                  | 8,881            |
| <b>Total expenses</b>   | <b>868,954</b>            | <b>258,615</b>                | <b>(112,465)</b>                   | <b>1,015,104</b> |
| <b>Income before income taxes<br/>and non-segmented items</b> | <b>600,108</b>            | <b>1,258</b>                  | <b>183</b>                         | <b>601,549</b>   |
| Interest expense  |                           |                               |                                    | (19,058)         |
| Provision for income taxes                                    |                           |                               |                                    | (155,903)        |
| <b>Net income for the year</b>                                |                           |                               |                                    | <b>426,588</b>   |
| Identifiable assets   | 675,648                   | 293,203                       | (11,272)                           | 957,579          |
| Indefinite life intangibles                                   |                           |                               |                                    |                  |
| Goodwill  | 944,726                   | 192,582                       | —                                  | 1,137,308        |
| Fund contracts  | 999,082                   | —                             | —                                  | 999,082          |
| <b>Total assets</b>   | <b>2,619,456</b>          | <b>485,785</b>                | <b>(11,272)</b>                    | <b>3,093,969</b> |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

Segmented information as at and for the year ended December 31, 2012 is as follows:

|   | Asset<br>management<br>\$ | Asset<br>administration<br>\$ | Intersegment<br>eliminations<br>\$ | Total<br>\$ |
|---|---------------------------|-------------------------------|------------------------------------|-------------|
| Management fees   | 1,277,698                 | —                             | —                                  | 1,277,698   |
| Administration fees   | —                         | 220,722                       | (94,737)                           | 125,985     |
| Other revenue   | 39,051                    | 15,008                        | —                                  | 54,059      |
| <b>Total revenue</b>  | 1,316,749                 | 235,730                       | (94,737)                           | 1,457,742   |
| Selling, general and administrative                           | 233,285                   | 52,724                        | —                                  | 286,009     |
| Trailer fees  | 389,066                   | —                             | (15,112)                           | 373,954     |
| Investment dealer fees  | —                         | 174,464                       | (76,201)                           | 98,263      |
| Amortization of deferred sales<br>commissions and intangibles | 168,110                   | 1,562                         | (4,135)                            | 165,537     |
| Other expenses  | 2,029                     | 3,236                         | —                                  | 5,265       |
| <b>Total expenses</b>   | 792,490                   | 231,986                       | (95,448)                           | 929,028     |
| <b>Income before income taxes<br/>and non-segmented items</b> | 524,259                   | 3,744                         | 711                                | 528,714     |
| Interest expense  |                           |                               |                                    | (24,937)    |
| Provision for income taxes                                    |                           |                               |                                    | (151,614)   |
| <b>Net income for the year</b>                                |                           |                               |                                    | 352,163     |
| Identifiable assets   | 599,957                   | 264,359                       | (11,709)                           | 852,607     |
| Indefinite life intangibles                                   |                           |                               |                                    |             |
| Goodwill  | 927,344                   | 192,582                       | —                                  | 1,119,926   |
| Fund contracts  | 999,082                   | —                             | —                                  | 999,082     |
| <b>Total assets</b>   | 2,526,383                 | 456,941                       | (11,709)                           | 2,971,615   |

# Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2013 and 2012

## 18. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key management personnel of CI during the years ended December 31, is as follows:

|                           | 2013          | 2012          |
|---------------------------|---------------|---------------|
|                           | \$            | \$            |
| Salaries                  | 12,204        | 10,746        |
| Equity-based compensation | 1,290         | 878           |
| <b>Total</b>              | <b>13,494</b> | <b>11,624</b> |

## 19. FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments* ("IFRS 9") will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date for IFRS 9 has been postponed and has not yet been determined. CI is currently evaluating the impact this standard will have on its financial statements.

## 20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation in the current year.

# Corporate Directory

## CI Financial

### DIRECTORS

**Ronald D. Besse**  
President,  
Besseco Holdings Inc.;  
Lead Director  
Toronto, Ontario

**Sonia A. Baxendale**  
Corporate Director,  
Director  
Toronto, Ontario

**G. Raymond Chang**  
President,  
G. Raymond Chang Ltd.;  
Director  
Toronto, Ontario

**Paul W. Derksen**  
Corporate Director;  
Director  
Clarksburg, Ontario

**William T. Holland**  
Chairman;  
Director  
Toronto, Ontario

**Clay Horner**  
Partner,  
Osler, Hoskin & Harcourt LLP;  
Director  
Toronto, Ontario

**Stephen A. MacPhail**  
President and  
Chief Executive Officer,  
CI Financial;  
Director  
Toronto, Ontario

**David P. Miller**  
Senior Vice-President,  
General Counsel and Secretary,  
Rogers Communications Inc.;  
Director  
Toronto, Ontario

**Stephen T. Moore**  
Managing Director,  
Newhaven Asset  
Management Inc.;  
Director  
Toronto, Ontario

**Tom P. Muir**  
Co-Managing Director,  
Muir Detlefsen & Associates  
Limited;  
Director  
Toronto, Ontario

**A. Winn Oughtred**  
Corporate Director;  
Director  
Toronto, Ontario

**David J. Riddle**  
President,  
C-Max Capital Inc.;  
Director  
Vancouver, B.C.

### OFFICERS

**Stephen A. MacPhail**  
President and  
Chief Executive Officer

**Sheila A. Murray**  
Executive Vice-President,  
General Counsel and Secretary

**Douglas J. Jamieson**  
Executive Vice-President and  
Chief Financial Officer

**David C. Pauli**  
Executive Vice-President and  
Chief Operating Officer

## CI Investments

### EXECUTIVES

**Derek J. Green**  
President

**Douglas J. Jamieson**  
Executive Vice-President and  
Chief Financial Officer

**David C. Pauli**  
Executive Vice-President and  
Chief Operating Officer

**Sheila A. Murray**  
Executive Vice-President

**Neal Kerr**  
President,  
CI Institutional Asset  
Management and  
Senior Vice-President,  
Investment Management

**Chris von Boetticher**  
Vice-President,  
General Counsel and Secretary

## Assante Wealth Management

### EXECUTIVES

**Steven J. Donald**  
President

**James E. Ross**  
Senior Vice-President,  
Wealth & Estate Planning

**Robert J. Dorrell**  
Senior Vice-President,  
Distribution Services



# Corporate Information

## Head Office

2 Queen Street East  
Twentieth Floor  
Toronto, Ontario M5C 3G7  
Telephone: 416-364-1145  
Toll Free: 1 800 268-9374  
www.cifinancial.com

## Administration Office

15 York Street  
Second Floor  
Toronto, Ontario M5J 0A3

## Investor Relations

Contact: Douglas J. Jamieson,  
Executive Vice-President and Chief Financial Officer  
Telephone: 416-364-1145  
Toll Free: 1 800 268-9374  
E-mail: investorrelations@ci.com

## Trading Symbol

CI Financial trades on the Toronto Stock Exchange under the symbol "CIX".

## Auditors

**Ernst & Young LLP**  
Chartered Accountants  
Toronto-Dominion Centre  
P.O. Box 251  
Toronto, Ontario M5K 1J7

## Registrar and Transfer Agent

**Computershare Investor Services Inc.**  
9th Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1  
Telephone: 1 800 564-6253  
E-mail: caregistry@computershare.com

## Normal Course Issuer Bid

Effective May 27, 2013, the Toronto Stock Exchange accepted CI's notice of intention to commence a normal course issuer bid (the "Notice") through the facilities of the Toronto Stock Exchange. Under the bid, CI may purchase up to 2,500,000 Shares at the prevailing market price. Purchases under the bid will terminate no later than May 28, 2014. As of March 31, 2014, CI has acquired an aggregate of 265,100 Shares under the normal course issuer bid at an average price of \$33.85 per Share. Shareholders may obtain a copy of the Notice, without charge, by contacting the Corporate Secretary of CI. The Corporation intends to renew its Normal Course Issuer Bid effective May 29, 2014, subject to receipt of approval from the Toronto Stock Exchange.

## Shareholder rights plan

The Corporation entered into an agreement (the "Rights Plan Agreement") dated as of January 1, 2009 with Computershare Investor Services Inc., as rights agent, in connection with the adoption of a shareholder rights plan (the "Rights Plan"). The Corporation obtained the approval to amend and continue the Rights Plan for a further term of three years, at the annual and special meeting of shareholders held on June 1, 2011. Accordingly, the Rights Plan will terminate at the close of the annual meeting of shareholders in 2014; however, the Corporation expects to present a substantially similar agreement for approval by shareholders at such meeting. The Notice of Meeting and Management Information Circular of the Corporation dated May 2, 2011 includes a summary of the Amended and Restated Rights Plan approved by the shareholders. The complete text may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Digital Report

This Annual Report can be downloaded from CI's website at [www.cifinancial.com](http://www.cifinancial.com) under "Reports".

## Annual Meeting

This Annual and Special Meeting of Shareholders will be held June 12, 2014 at 15 York Street, Second Floor, Toronto.



# 2013 annual

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*This Report contains forward-looking statements with respect to CI, including its business operations and strategy and financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.*

