




ANNUAL FINANCIAL REPORT

December 31, 2018



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CI Financial Corp. is an independent Canadian company offering global asset management and wealth management advisory services. Since 1965, we have been driven by a commitment to provide our clients with the highest-quality investments and advice. We have \$129.3 billion in assets under management and \$41.8 billion in assets under advisement (at December 31, 2018). We are guided by our core beliefs that active management adds value to clients' portfolios and that investors benefit from working with professional financial advisors. CI became a public company in June 1994 and is listed on the Toronto Stock Exchange under the symbol CIX.

CI operates primarily through subsidiaries CI Investments Inc., Assante Wealth Management (Canada) Ltd., CI Private Counsel LP, First Asset Investment Management Inc., BBS Securities Inc., GSFM PTY Limited of Australia and WealthBar Financial Services Inc.

- CI Investments is one of Canada's pre-eminent investment managers and offers a wide selection of investment solutions and leading portfolio management teams. CI Institutional Asset Management serves the institutional marketplace.
- Assante Wealth Management provides financial advisory services through 830 professional advisors across Canada.
- CI Private Counsel is our high net worth discretionary investment counsel business and is made up of Assante Private Client and Stonegate Private Counsel.
- First Asset is a leader in providing innovative, actively managed exchange-traded funds to the Canadian marketplace.
- BBS Securities is a Canadian financial technology company that provides a wide range of innovative brokerage and trading services. Virtual Brokers is its online brokerage division.
- GSFM is a leading manager and distributor of investment strategies and products to Australian institutional and retail investors.
- WealthBar is a leading Canadian online management and financial planning platform.

CI also owns a majority stake in Marret Asset Management Inc., a Toronto-based fixed-income investment manager, and minority interests in Altrinsic Global Advisors, LLC, a global asset manager based in Greenwich, Connecticut, and Lawrence Park Capital Partners Ltd. of Toronto, which specializes in alternative fixed-income strategies.



**\$295.4
MILLION**

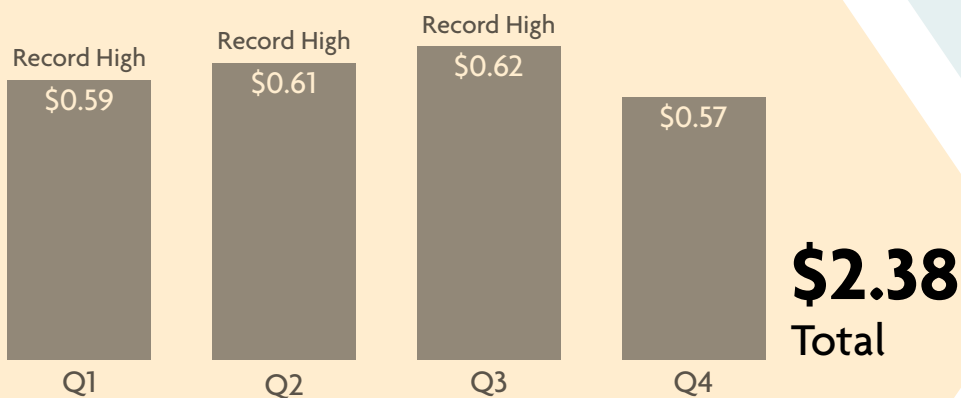
In dividends paid out
to shareholders
in 2018.

2018 Year at a Glance

**CI
Investments
kicked off
an initiative to
modernize and
simplify our
product lineup.**

2018 Earnings Per Share

It was a record-setting year for CI earnings per share

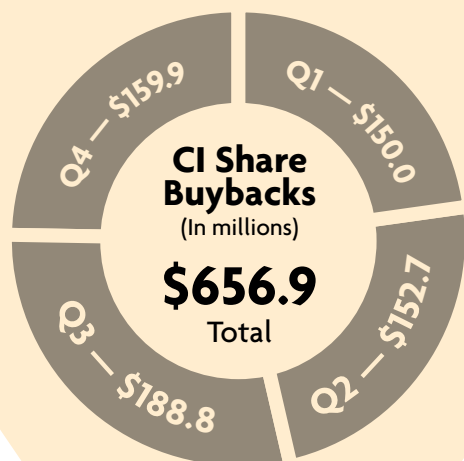


Free Cash Flow

(In millions)

Q1	\$166.9
Q2	\$163.0
Q3	\$169.2
Q4	\$156.5

\$655.5
Total



CI LIQUID ALTERNATIVES™

CI PRIVATE POOLS™

CI MOSAIC ETF PORTFOLIOS™

In **Q4** CI Investments **launched** two **INNOVATIVE NEW PRODUCTS** to help better meet the needs of our clients. In 2018, CI also prepared for the launch of the unique CI Mosaic ETF portfolios.

Q4

WealthBar

In Q4, CI pushed our **DIGITAL STRATEGY** forward with the announcement of our acquisition of **WealthBar Financial Services Inc.**, a leading Canadian online wealth management and financial planning platform.



Enhanced lineup with successful launch of First Asset Enhanced Government Bond ETF and First Asset Health Care Giants Covered Call ETF.

In Q4



Virtual Brokers, a division of BBS Securities, announced industry-leading changes to the commission structure for its online discount brokerage services. The changes make their fees the most competitive offered in the space for Canadian retail investors.

#1

Also ranked as the top Canadian online broker by the Globe & Mail for 2018.



33

CI REDUCED MANAGEMENT FEES ON 33 FUNDS IN Q3.

CI also enhanced our Preferred Pricing Program to benefit clients.

#1

2018 Investment Executive Dealer Report Card, reflecting advisors' ranking of their firms.

#2

2018 J.D. Power Canadian Full Service Investor Satisfaction Study, for firms offering wealth management and private banking services.



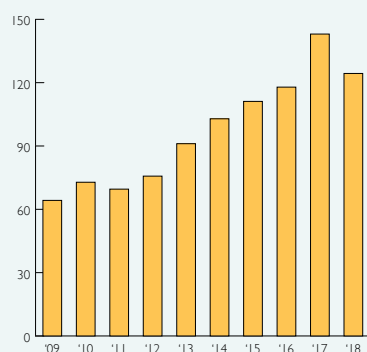
Launched Munro Partners products in Canada: Munro Global Equity Fund and Munro Alternative Growth Fund (CI Liquid Alternatives), and a Cambridge Global Asset Management managed product in Australia.

HISTORICAL FINANCIAL HIGHLIGHTS

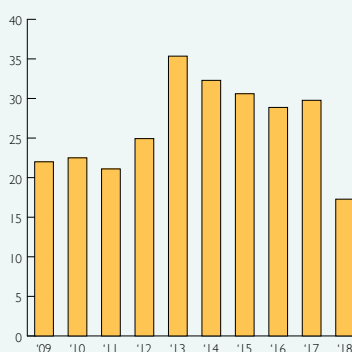
[In millions of dollars, except per share amounts]

(from continuing operations)	Years Ended Dec. 31			
	2018	2017	2016	2015
Assets under management, end of year	124,360	143,028	117,889	111,124
Assets under advisement [†]	41,813	42,699	38,235	34,552
Total assets	166,173	185,727	156,124	145,676
Net sales of funds	(9,285)	(1,464)	(5,916)	3,431
Management fees	2,004.2	1,897.1	1,748.7	1,787.9
Other income	232.2	214.2	199.6	209.8
Total revenues	2,236.4	2,111.3	1,948.3	1,997.6
Selling, general and administrative	522.5	459.1	396.8	372.5
Trailer fees	631.2	587.4	540.2	553.6
Other expenses	239.4	324.3	321.3	314.0
Total expenses	1,393.1	1,370.8	1,258.3	1,240.1
Income taxes	225.5	240.7	187.3	204.9
Net income	617.8	499.8	502.8	552.6
Adjusted net income*	617.5	579.2	532.1	563.7
Adjusted EBITDA*	906.2	923.1	879.0	940.4
Earnings per share	2.38	1.89	1.86	1.99
Adjusted earnings* per share	2.38	2.19	1.96	2.02
Adjusted EBITDA* per share	3.50	3.49	3.24	3.37
Dividends recorded per share	1.18	1.40	1.36	1.30
CIX Share Price	17.28	29.77	28.87	30.60
Shares outstanding, end of year	243,721,650	271,884,495	265,302,141	276,026,778

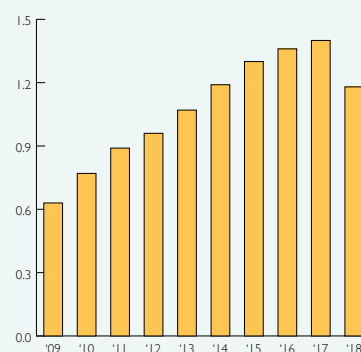
ASSETS UNDER MANAGEMENT
(AS AT FISCAL YEAR-END IN \$ BILLIONS)



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



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



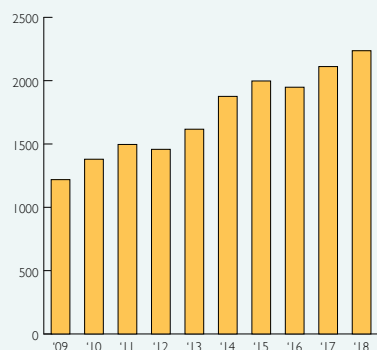
[†]Includes assets managed by CI and held by clients of advisors with Assante and Stonegate.

*Adjusted net income, adjusted earnings per share, adjusted EBITDA (earnings before interest, tax, depreciation, and amortization), and adjusted EBITDA per share are not standardized earnings measures prescribed by IFRS. A description of these non-IFRS measures and a reconciliation to IFRS is provided in the "Non-IFRS Measures" section on page 37 of this report.

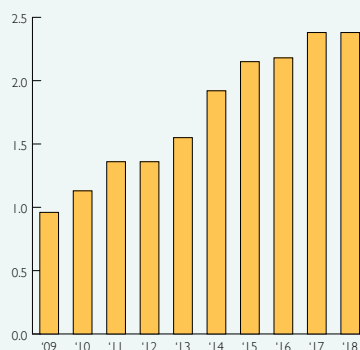
Years Ended Dec. 31

	2014	2013	2012	2011	2010	2009	2008
	102,886	91,090	75,723	69,558	72,825	64,226	52,801
	31,874	28,766	24,586	22,698	23,645	22,414	19,236
	134,761	119,856	100,309	92,257	96,470	86,640	72,037
	3,928	3,686	973	323	1,059	1,451	1,740
	1,669.1	1,432.6	1,277.7	1,302.8	1,193.0	1,041.5	1,163.8
	206.8	184.1	180.1	193.5	186.7	177.0	202.4
	1,875.9	1,616.7	1,457.8	1,496.3	1,379.7	1,218.5	1,366.2
	341.8	314.5	286.0	290.8	263.6	278.9	256.4
	511.6	429.2	374.0	379.5	346.2	299.7	336.1
	304.6	290.5	294.0	304.9	295.4	298.4	340.0
	1,158.0	1,034.2	954.0	975.2	905.2	877.0	932.5
	192.5	155.9	151.6	144.2	146.0	45.3	(17.5)
	525.4	426.6	352.2	376.9	328.6	296.2	451.2
	520.0	426.4	352.2	376.9	328.4	275.9	451.2
	894.5	769.6	703.6	726.2	669.7	539.3	638.6
	1.85	1.50	1.24	1.31	1.14	1.01	1.62
	1.83	1.50	1.24	1.31	1.14	0.94	1.62
	3.15	2.71	2.48	2.53	2.32	1.84	2.29
	1.19	1.065	0.955	0.89	0.77	0.63	1.74
	32.29	35.35	24.93	21.10	22.50	22.00	14.50
	281,708,663	284,396,101	282,914,642	283,567,039	287,434,257	291,821,114	292,492,805

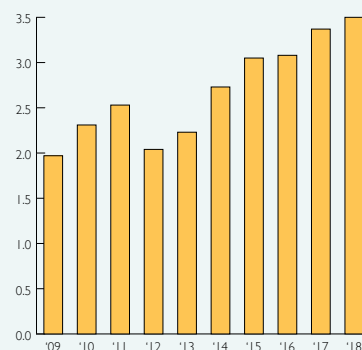
TOTAL REVENUES
(FOR THE FISCAL YEAR IN \$ MILLIONS)



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



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



DEAR SHAREHOLDERS,

In 2018, your company took bold steps towards our goal of being the leading independent Canadian wealth management firm with broad, diverse and competitive business lines both in Canada and abroad. While building our business for continued success in the future, we successfully managed through short-term volatility affecting the broader markets and our industry.

CI Financial posted record earnings per share and record free cash flow for the year, thanks to our diligent management of expenses and focus on those factors within our control. At the same time, we continued to invest in our services for clients, our operations and the execution of our longer-term strategy. Our accomplishments included the acquisition of WealthBar Financial Services, a leading online investment platform, the introduction of several innovative products, and the launch of a wide-ranging initiative to rationalize our product lineup and modernize how we service and interact with our clients.

There's no doubt that our industry is facing its most challenging time since the financial crisis a decade ago. Both bond and equity markets have become increasingly volatile. The Toronto Stock Exchange, for example, corrected 17% from its peak in the third quarter of 2018 to its bottom in the fourth quarter – before reversing the entire decline in the first part of this year. This volatility inevitably impacted investment performance and industry sales levels. At the same time, our industry is undergoing a secular transformation driven by forces that include more stringent regulation, increased focus on fees, digitalization, and heightened competition from incumbents and new entrants.

CI is adapting to this ever-changing and challenging environment, intent on maintaining our leadership in the industry of the future. Our competitive advantages today include our position as a diverse wealth management firm and Canada's largest independent investment fund company, our profitability and financial strength, the quality of our portfolio management teams, and the diversity of our distribution channels and our product lineup. Our well-defined strategy capitalizes on these advantages while recognizing the evolving needs and preferences of advisors and investors.

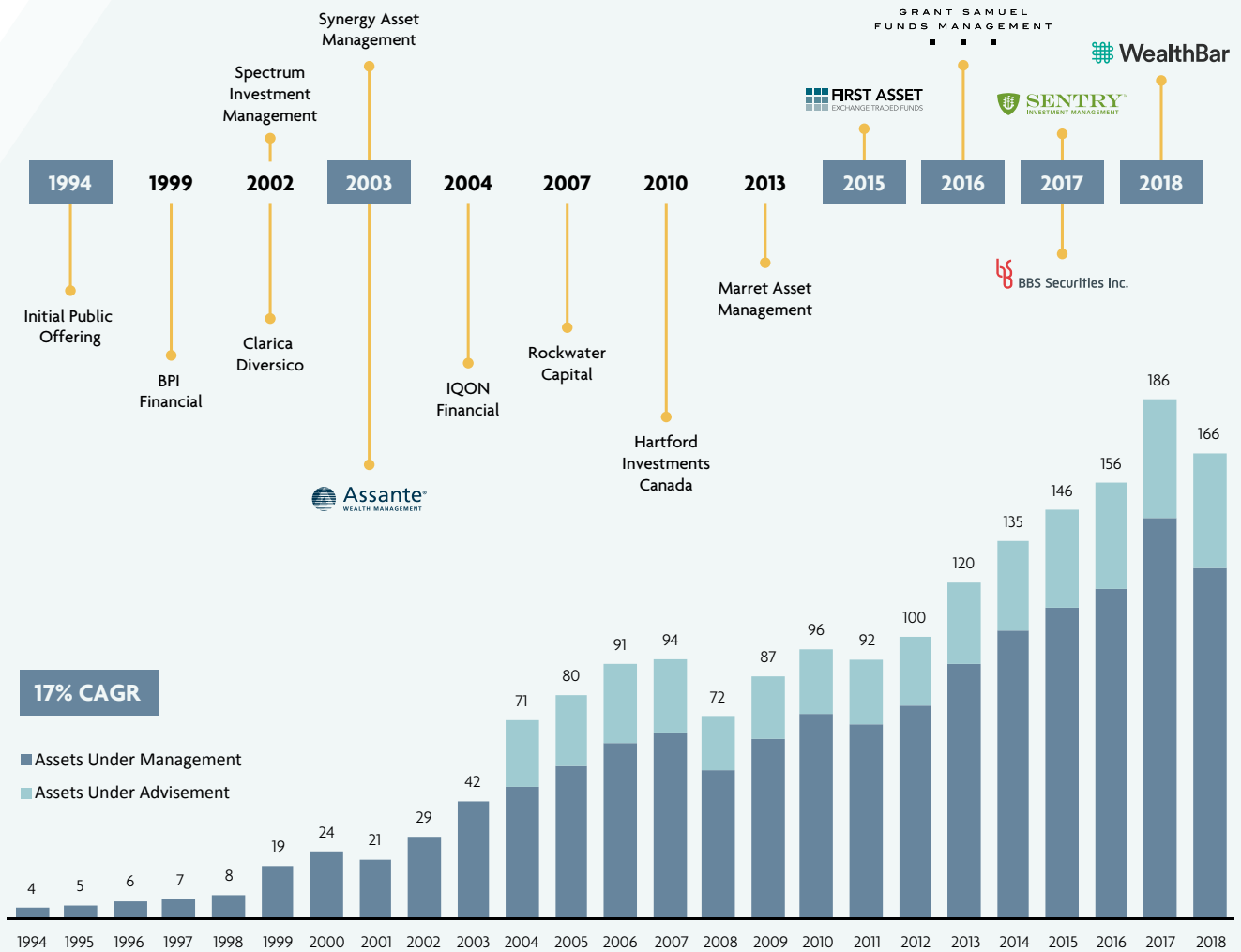
We remain very confident in our capabilities and our direction. The key elements of our strategy include:

- Building additional scale in all aspects of our business;
- Expanding our channels of distribution and broadening our access to investors; and
- Adopting digital technologies to transform our company to thrive in a rapidly changing landscape.

BUILDING SCALE

Achieving greater scale is crucial in today's asset management business, as it allows for re-investment in the business while spreading these capital and operating costs over a larger asset base. While CI is already one of the largest firms in the Canadian investment industry, increasing scale remains a priority.

CI's Growth Since 1994



As shown in the “CI’s Growth Since 1994” chart, CI has a history of building scale through the acquisition and effective integration of other firms, with the most recent being Sentry Investments, BBS Securities and WealthBar. Further acquisitions are always an option, but only when there is a strategic fit and the cost and valuations make sense.

In addition to acquisitions, consistent, long-term organic growth has led to CI’s current strong position in the Canadian market. We see many opportunities to expand our roster of businesses, some of which I will touch on further in this letter. One notable example is our advisory businesses of Assante Wealth Management and CI Private Counsel, which incorporates Stonegate Private Counsel and Assante Private Client. These firms have posted excellent growth driven by a compelling value proposition of holistic wealth management – making CI one of the largest managers of high-net-worth assets in Canada. As the high-net-worth and ultra-high-net-worth markets continue to expand, we expect to be key players and we have set a goal of doubling assets under advisement at Assante and CI Private Counsel to \$100 billion over the next five years.

GAINING ACCESS TO INVESTORS

Securing access to distribution – especially distribution channels that are affiliated with our firm – has been a strategic priority for CI for over two decades and it is becoming even more important as our industry transforms. While it was once common for asset managers in Canada to operate without affiliated distribution channels, that approach is increasingly risky.

Most recently, we have expanded our access to investors into new and exciting markets through a range of acquisitions. I would note that these acquisitions have brought other benefits as well. The recent purchase of a majority stake in **WealthBar** not only expanded our distribution, but significantly enhanced our digital capabilities. Others include:

- **BBS Securities** and **Virtual Brokers** (2017), which has given us capability in the brokerage and trading services areas, along with an award-winning online discount broker platform.
- **GSFM** (2016), formerly Grant Samuel Funds Management, is providing us with access to the large Australian and New Zealand retail and institutional investment markets.
- **First Asset Investment Management** (2015), which has given us a meaningful presence in the ETF market and greater exposure to investors and advisors who prefer this type of investment vehicle.

Importantly, we are leveraging our affiliations to further expand our reach. For example, in 2018, we launched Munro Alternative Global Growth Fund in Canada with Australian-based Munro Partners as portfolio manager. (Munro is distributed by GSFM, which also has an equity stake in the firm.) Conversely, GSFM is now offering Cambridge Smaller Companies Fund in Australia. The portfolio manager is CI's Cambridge Global Asset Management. Another example is the growing synergies between CI Investments and First Asset, with First Asset operating several ETFs with CI Investments portfolio managers and CI Investments launching CI Mosaic ETF Portfolios (discussed below).

Finally, our efforts to expand our access to investors will gain significant support from our digital strategy.

ENHANCING OUR DIGITAL CAPABILITY

Technology is increasingly integrated into every aspect of life and the investment industry is no exception. CI has made a significant commitment to the digital transformation of our firm by first, making it a strategic priority and a priority for management throughout the company, and second, by devoting significant financial resources to these initiatives. Our strategy has been accelerated through the addition of leading digital expertise from WealthBar and BBS Securities.

Technology is being utilized across all areas of our business – client services, portfolio management, operations, administration and our sales team – to modernize our organization and improve our interactions with advisors and investors.

Ultimately, our goal is to redesign the client and advisor experience by building a large, independent and integrated online platform that can enhance each interaction we have with them. Regardless of age, financial requirements, or investment preferences, we want to connect with advisors and investors and provide them with the right solutions today and in the future. Even as their needs evolve, our technology-driven service platforms will be able to provide them with the support they need.

We will always be firm believers in the value of advice and in the unmatched ability of advisors to work one on one with investors to help them achieve their financial goals. We also understand that investors today have an increasingly diverse range of investment preferences and options. At one end of the spectrum there are the self-directed investors who are more comfortable using technology to do their research and trades. At the other end, there are the more traditional investors who have a dedicated advisor they trust for all their investment needs – whether simple or complex. In between, there are investors who are comfortable with a “hybrid” service delivering a varying degree of advice. That includes those using robo-advice, those who use a robo-platform and a virtual advisor, and those who utilize a “do-it-yourself” investing platform while accessing advice when needed. By building a platform that follows this model, we are able to service investors and support advisors across this spectrum, having a solution available within CI as their needs evolve.

Our goal is to continue enhancing and expanding our relationships with advisors, while building our capability to allow us to be a preferred independent choice for every type of investor. Our strategy of increasing scale, broadening our access to investors and enhancing our digital capability is designed to allow us to effectively serve each of those investment preferences with a flexible range of products, capability and price points. That’s how we will live up to our goal of being a leading Canadian based global diversified wealth management firm. We continued to take significant steps toward achieving that goal in 2018.

INVESTMENT APPROACHES



2018 INITIATIVES

SALES AND SERVICE

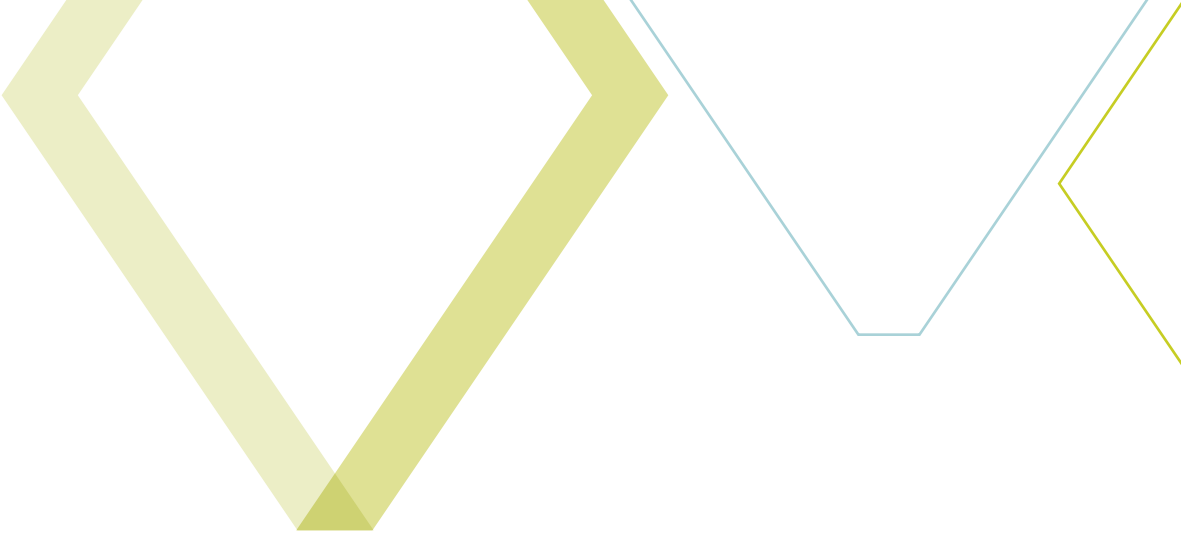
Our revenues were up year over year, and our gross sales were solid and improving in the last quarter, but our net sales remained negative, particularly in our Canadian retail and Canadian institutional businesses. We are fully committed to returning to positive net sales and are working hard to accomplish that goal.

Factors that affected our sales include those that were present across the industry, including an upswing in market volatility. Other factors affected us more than some other firms, including the fact that we hold significant assets in categories that have become out of favour with investors, such as Canadian equity and Canadian balanced, and in product lines such as segregated funds that are closed to investors. In addition, several of our key portfolio management teams were conservatively positioned for much of 2017 and 2018, as their investment disciplines indicated that markets were becoming increasingly overvalued, and as a result, their relative performance lagged behind some more aggressive competitors.

As we move into a new year, we have reason for optimism. The dramatic volatility over the second half of the year demonstrated the value of our portfolio management teams' investment approaches and we are confident in their abilities to reward investors over the long term. We are providing additional tools and training to our salespeople, who continue to build deep relationships with advisors by working with them as partners who can provide value-added information and help their businesses succeed. The level of our gross sales and the fact that we are doing business with increasing numbers of advisors who have never worked with CI before demonstrate that the core of our business remains strong. In our institutional division, our sales pipeline remains robust and a number of previously won commitments are due to be funded in 2019.

In 2018 and continuing into 2019, we have undertaken national advertising campaigns with an emphasis on partnership, underlining our commitment to serving investors through advisors. CI Investments' advertising used the theme "Trusted Partner in Wealth," its new tagline. This campaign has been refreshed this year with increased focus on the value of advice. Assante Wealth Management's advertising is based on "This is why we're here," and tells true-life stories of how Assante advisors have built deep relationships with clients to help them meet not only their financial goals, but their life goals.

We also expect other initiatives across our company, some of which are discussed later in this letter, to result in stronger sales. These include new products, our plan to modernize and simplify our overall product lineup, and other enhancements in client service and support.



WHEN INVESTING:

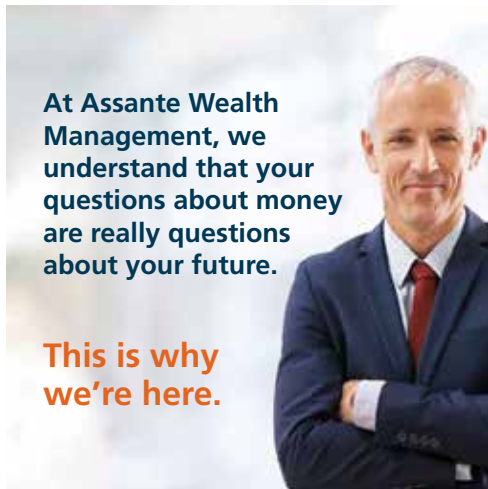
The most important factor is YOU.

Financial advisors know this.



Trusted Partner
in Wealth™

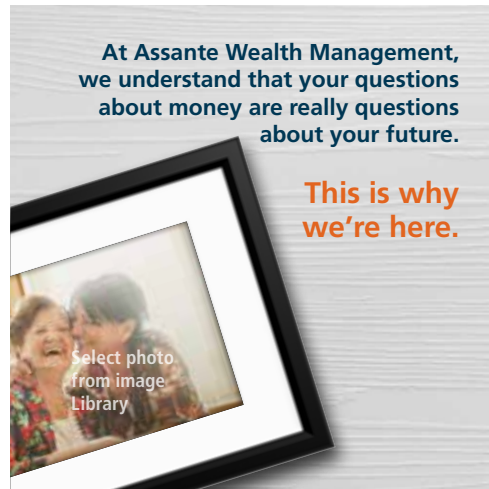
Seek sound financial advice.



At Assante Wealth Management, we understand that your questions about money are really questions about your future.

This is why we're here.

{{Advisor name}}, {{Accreditations}}
{{Advisor title}}
{{Dealer name}}
{{Industry membership}}
{{Address}}
{{Phone number}}



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{{Advisor title}}
{{Dealer name}}
{{Industry membership}}
{{Address}}
{{Phone number}}



PRODUCT LINEUP MODERNIZATION

As CI has grown, it has become a more complex business with a wide mix of funds, platforms and programs. While they have all contributed to the company's growth, the time has come to make significant changes. In 2018, we began a multi-year project to simplify and modernize our product lineup, while enhancing our services. The simple goal of this initiative is to make it easier for advisors and investors to do business with us, and to provide a well-rounded suite of effective and appealing products that meet our clients' needs at every stage of their life.

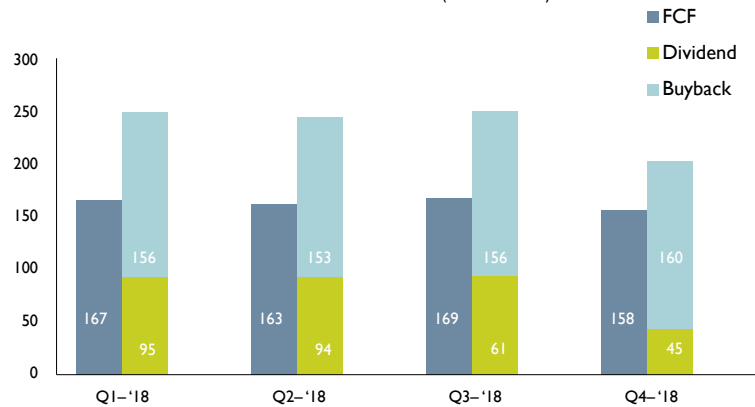
We will be implementing the initial phases of this project in 2019. It is much more than a project to reduce the number of funds we offer – it is a comprehensive review that will evaluate and update our product offering and operations across our lines of business. It will change the face of CI.

It is also important to note that this initiative doesn't limit our ability to innovate or introduce new products that address clear market needs. As examples of that, in 2018 and early 2019 we launched several innovative investment solutions, including:

- **Liquid alternative mutual funds**, which provide retail investors with access to alternative investment strategies through three solutions: Lawrence Park Alternative Investment Grade Credit Fund, Marret Alternative Absolute Return Bond Fund and Munro Alternative Global Growth Fund.
- **CI Private Pools**, which offer a selection of 17 focused mandates that draw on CI's broad lineup of portfolio management teams to provide high-net-worth investors with sophisticated strategies and the flexibility to construct portfolios tailored to their needs.
- **First Asset Enhanced Government Bond ETF**, which focuses on investing in government debt and will be managed by Marret Asset Management, and **First Asset Health Care Giants Covered Call ETF**, which will invest equally in the securities of 20 health care companies.
- **CI Mosaic ETF Portfolios**, which blend the benefits of ETFs with the accessibility of a mutual fund structure.



FREE CASH FLOW & RETURN TO SHAREHOLDERS (in \$ millions)



CAPITAL ALLOCATION POLICY

CI has a long history of generating high levels of free cash flow and of returning that cash to shareholders through a combination of dividends and share repurchases. In 2018, CI's management and Board of Directors decided to take advantage of historically low valuations on our stock by adopting a new capital allocation policy, which redirected a portion of our dividend payout to share buybacks. In total, we bought back \$656.9 million in shares over the course of the year and paid \$295.4 million in dividends.

The approach has provided us with greater flexibility and optionality in using our free cash flow. At the time of writing, we continue to believe the best use of our free cash flow is repurchasing CI shares.

Since CI's IPO in 1994, we have returned a total of \$8.0 billion to shareholders through dividends, distributions and share repurchases.

BRINGING DIGITAL TO LIFE

Over the course of 2018, we continued building and enhancing our technology capabilities to meet current and anticipated future needs, all with a goal of redefining the advisor and investor experience.

In 2018, we launched a new website for CI Financial, and continued work on a new CI Investments site, the first phase of which went live in early 2019. We also laid the groundwork for the redesign of our online client and advisor portals, along with the development of mobile applications, digital onboarding and the enhancement of our infrastructure.

As noted earlier, the acquisitions of BBS and, more recently, WealthBar, have added highly skilled staff members and technology that are already having an impact and enhancing our capabilities across the organization.

OUTLOOK

We are operating in an environment that is changing faster than ever before. With continued scrutiny on the value of active versus passive management, constant advances in technology, significant changes in investment behaviour and expectations, along with intense competition, this is truly one of the most challenging times in our history.

But CI has never backed away from a challenge. In 2019, we celebrate our 25th anniversary of being a publicly traded company, and it has led me to reflect on our history. And what is very clear is that CI has never been a complacent organization. Moving quickly to adapt to – and anticipate – change is part of our DNA.

Consider the dramatic growth we have gone through over the last quarter century, from our earliest days as a small but ambitious mutual fund company, to the large and diverse independent wealth management firm that we are today. We made bold decisions that ultimately carved out our path to success.

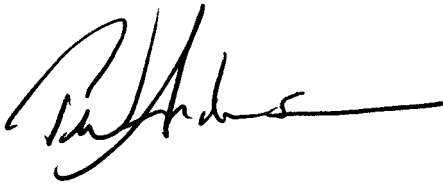
Since I returned to CI over three years ago, the pace of change has accelerated. We are taking tough but necessary steps, like the capital allocation policy and extensive changes to our product lineup, to maintain our position as an industry leader.

In April 2019, I announced my intention to retire no later than the end of my current contract with CI, which expires in mid-2020. It was a difficult decision made easier by the depth of our leadership group and the broad-based strength of CI. With a solid business strategy in place and a team that is willing to test and challenge ourselves to be better every day, I am confident that we remain on the right track.

I have several key initiatives that I want to see through, and I will play an active role in working with the Board of Directors to ensure a smooth transition to our next leader. I have great faith in the Board and know they will select a dynamic successor who will execute our vision for this great organization, setting the stage for continued success.

In closing, I extend my thanks to our employees for their tremendous work, to advisors and other partners for their business, and to shareholders for your support.

Sincerely,



Peter W. Anderson
President & Chief Executive Officer

Thank
Sheila
you

In December, I announced that Sheila Murray, President of CI Financial, was retiring at the end of March 2019. While I am happy for Sheila as she moves on to the next phase of her life, everyone here at CI misses her day-to-day leadership and enthusiasm.

Sheila joined CI in January 2008 as General Counsel and she was an instrumental part of the growth and success of this organization. In 2016, she was named President and oversaw Operations, IT, HR and Legal, among other departments. Throughout her time here, she played an important role in the evolution of our organization and we all benefited from her energy and drive.

We are fortunate that Sheila will remain on the CI Financial board.

There is no doubt that Sheila has left an indelible mark on CI and that we are all better for having had the opportunity to work with and learn from her in our time together.

Peter



Corporate Social Responsibility

CI Financial strives to operate with responsibility and integrity, from the management of our funds to the conduct of all aspects of our business. We are committed to treating our employees and business partners with respect and consideration, to supporting communities across Canada, and to reducing our impact on the environment.

This section highlights some of CI's efforts and achievements in these areas.

MEMBERSHIPS



Signatory to the UNPRI

The United Nations Principles for Responsible Investment (UNPRI) is the world's leading proponent of responsible investment. It encourages investors to use responsible investment to enhance returns and better manage risks.



Associate Member of the RIA

The Responsible Investment Association (RIA) is Canada's membership association for responsible investment. RIA members believe that the integration of environmental, social and governance (ESG) factors into the selection and management of investments can provide superior risk-adjusted returns while contributing to positive societal change.

COMMITMENT to Corporate Governance and Integrity

- CI's Board of Directors and management are committed to maintaining a high standard of governance in compliance with the governance guidelines of the Canadian securities administrators and best practices recommendations of the Canadian Coalition for Good Governance.
- All directors, officers and employees of CI Financial, its subsidiaries and affiliates are governed by the CI Code of Business Conduct and Ethics, which requires them to follow the highest standards of integrity and ethical business conduct.
- The Board of Directors pays special attention to governance through the its Governance, Human Resources, and Compensation Committee, and focuses on risk management through the board's Audit and Risk Committee.
- CI upholds principles, policies and procedures that promote integrity and ensure compliance with applicable laws and regulations in specialized areas of the company. These include policies addressing money laundering, bribery and corruption, personal trading by portfolio managers and other employees, as well as sales practices.
- CI has established formal Ethical Reporting Procedures through which employees can anonymously report questionable conduct and concerns to the Board's Lead Director.
- CI employees are required to complete annual Security Awareness Training.

2018 HIGHLIGHT

Each year, CI is rated on its environment, social and governance performance by various research firms. In 2018, CI was once again rated as an **outperformer** in the area of governance within the diversified financials sector group by research firm Sustainalytics.



COMMITMENT to Responsible Investing


- As a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI), CI Investments believes that responsible investing plays a role in achieving the best possible risk-adjusted returns for our funds.
- CI Investments has a formal Responsible Investment Policy that addresses the integration of environmental, social, governance (ESG) factors into the investment decision-making process. While CI Investments does not normally exclude specific sectors or companies from investment, there is an exception. In recognition of the prohibitions contained within the United Nations Anti-Personnel Landmines Convention and the United Nations Convention on Cluster Munitions, CI Investments will not knowingly directly invest in companies associated with the production, use or distribution of such weapons. This restriction applies to all actively managed funds where CI Investments directly controls the investment strategy of the fund, including those that are sub-advised.
- In early 2019, CI Investments expanded our responsible investment program to include our Sentry Investment Management team, as well as First Asset Investment Management. With four in-house teams – Signature Global Asset Management, Cambridge Global Asset Management, Harbour Advisors and CI Multi-Asset Management – already following responsible investing principles, approximately 70% of CI Investments’ assets under management are now covered by our Responsible Investment Policy.

RESPONSIBLE INVESTING AT CI



COMMITMENT to Our Employees

- CI provides extensive training and learning opportunities to its employees, and supports those who pursue education and training on their own initiative. We invested over \$500,000 in employee development and training in 2018.
- Our Women’s Mentoring Program sees high-potential women paired with a senior leader for 18 months. It boasts over 90 mentee graduates since inception, and has been profiled as an industry best practice; our Women’s Mentoring Alumni Program continues the development of these mentees. MentorCity, an additional mentoring program that is open to men and women, sees CI mentors creating online profiles so that mentees can search and request a mentor with competency strengths aligned to their development interest.
- Our training initiatives give employees access to a variety of tools and resources to support skill development, including eLearning courses and classroom-based workshops. One example is our Ready to Lead Management Development Program, which has over 155 graduates since 2014. Once that program is completed, graduates have access to other opportunities to build on the foundation of their leadership skills, including the Leading with Confidence program for frontline managers.
- CI is also committed to the health and well-being of our employees. Our Wellness Program offers employees a range of activities, including individual health assessments with a nutritionist, lunch-time workout classes, and “Lunch and Learn” sessions focused on wellness in the workplace.
- We continue to celebrate the contributions of long-serving employees through the CI Service Recognition Program. Employees are awarded “milestone days,” which are additional paid days off that are given out when they reach certain employment anniversaries with the company.
- We provide opportunities for students to gain experience and exposure to the working world through our Summer Student Program. In 2018, we hired over 65 summer students, and 5% of our new full-time hires were former participants in our Summer Student Program.
- 50 high school students participated in our Take Our Kids to Work Day, where we arranged mock interviews and had an Employee Financial Services Representative teach a class on saving money.
- We also hired over 35 co-op students as part of our partnerships with the University of Waterloo, Wilfrid Laurier University, and the University of Toronto.



“As a co-op Student, CI has provided me with countless opportunities for personal and professional growth in a corporate environment that delivers the necessary tools that are required to succeed in an increasingly competitive labour market.”

— 2018 co-op student

COMMITMENT to Communities

CI is committed to supporting communities across Canada and to being a good corporate citizen. In 2018, we contributed over \$500,000 through company and employee donations. We also proudly continued with our Ray Day Program, which allows CI employees to dedicate one work day of the year to volunteer and support a cause of their choice.



SickKids Get Loud Rally and March

CI was a Premium Sponsor of SickKids Get Loud, a campaign to help build a new SickKids hospital, and raised over \$78,000 from employees across the company, making us the event's top external employee donor.

Our employees held bake sales, sports competitions, and a special wine tasting and silent auction event to help raise funds. Many employees and their families also attended the five-kilometre fundraising walk in downtown Toronto.

**RAISED OVER
\$78,000**



Second Harvest

CI served as a Platinum Sponsor of "Toronto Taste", Second Harvest's annual event that raised over \$925,000 in 2018. Throughout the year, employees also fundraised and donated over \$3,800, enough money to provide more than 7,600 meals to those in need.



“CI Financial has been a critical source of support for Second Harvest. In 2018, CI helped Second Harvest rescue and deliver enough fresh, nutritious surplus food for over 222,000 meals for vulnerable people throughout the Greater Toronto Area.

Because of CI's support, enough food for hundreds of thousands of healthy meals has been rescued from needless waste, nourishing thousands and remediating environmental damage. Without the incredible support of partners like CI, we would not exist! Thank you for your unwavering commitment to our community.”

— Jennifer Verschraegen,
Vice-President of Philanthropy,
Second Harvest

\$50,000
DONATION
as part of a larger
\$500,000 commitment



Wilfrid Laurier University

CI is proud to partner with Wilfrid Laurier University in preparing Canada's next generation of financial managers, and to provide support for the "Building Canada's Best Business School" fundraising campaign.

In 2018, CI donated \$50,000 as part of a larger \$500,000 commitment to supporting the finance program at the Lazaridis School of Business and Economics and to establishing the CI Financial Finance Lab.

\$12,000
DONATION

The Arthritis Society

In 2018, CI was proud to donate \$12,000 to the Arthritis Society, an organization we have supported since 2008. These funds will contribute to cutting-edge research, proactive advocacy and innovative solutions that will deliver better health outcomes for people affected by arthritis.



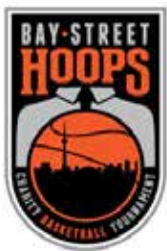
\$25,000
in post-secondary
scholarships

Children's Aid Foundation of Canada

CI continued to support the Children's Aid Foundation of Canada (CAF), donating a total of \$25,000 in post-secondary scholarships in 2018. These scholarships were funded by donations from CI's leadership team and targeted young people who are living in, or have recently left, the care of the child welfare system. In addition to our scholarship program, CI also hired four summer students associated with CAF in 2018, giving them the opportunity to gain work experience and prepare for a bright future.



Other organizations CI
and our employees supported
in 2018 included:



COMMITMENT to Environmental Sustainability

PAPER CONSUMPTION

- In 2018, CI continued the delivery of electronic client materials and offered online availability of our proxy materials.
- We continued to use paper certified under the Sustainable Forestry Initiative. This standard sets mandatory practice requirements for the responsible procurement of all fibre sourced directly from forests.

WASTE REDUCTION

- CI continued to recycle paper, plastics and office equipment in 2018:
 - Recycled over 50,000 single-use coffee and tea capsules, resulting in the recovery of over 100 kilograms of aluminum.
- In 2018, CI switched from providing staff with single-use coffee and tea capsules to compostable pouches.

CI GREEN COMMITTEE

The committee is a group of committed and enthusiastic employees with a shared vision of making CI a more sustainable workplace. The committee had several noteworthy accomplishments in 2018:

- Through a battery collection program, over 85 pounds of batteries were diverted from landfills.
- CI employees once again competed in a “Waste Free Challenge” to see who could bring in lunches with the least amount of waste.
- The “CI Swap Day” allowed employees to exchange their used items and promote the reuse of goods.

Patrick Hodgson Nature Reserve

In May 2018, a group of 12 CI employees joined the Nature Conservancy of Canada and the Nottawasaga Valley Conservation Authority for a day of tree planting on the Patrick Hodgson Nature Reserve in the ecologically significant Minesing Wetlands. With the team’s help, over 900 trees were planted.



Employee Spotlights



Tommy Thompson Park

In June 2018, 50 CI employees in Toronto travelled to Tommy Thompson Park to remove invasive plant species and support park maintenance. This type of work is crucial for ensuring the integrity of the park's natural ecosystem, including its native plant species, as well as native bird and butterfly populations.

“I appreciate CI and the Toronto and Region Conservation Foundation organizing such a wonderful event. I am proud that I contributed my time doing something meaningful that benefited our living environment.”

— Tommy Thompson Park | Ray Day participant



Shoreline Clean Up

In October 2018, 100 CI employees in Toronto travelled to Humber Bay Park East to clean up the Humber Bay shoreline. Volunteers removed garbage and “tiny litter” consisting of straws, bottle caps, and small and broken pieces of plastic and styrofoam to help preserve the park's natural ecosystem. The team collected an incredible 591 pounds of garbage.

“I really enjoyed the experience and felt good about coming together with my colleagues to make a tangible difference in the community. I hope that more companies and individuals make a similar commitment, because it was very rewarding and, most importantly, there is still a lot of work to do!”

— Shoreline Clean Up | Ray Day participant

“It is refreshing to see CI support their employees by organizing these types of volunteer opportunities. The effort helps to create a company culture that clearly cares about its people and the community.”

— Ray Day participant

Ray Days

RAY DAYS

CI provides employees with one paid day off per year, known as a **RAY DAY**, to volunteer with a community organization or charity of their choice. This program was named in memory of CI's former Chairman and CEO Ray Chang, who was well-known for his commitment to philanthropy. The program is designed to give employees the ability to contribute to the community in a way that matters to them. In 2018, hundreds of employees used their Ray Day to give back to the community. Some of the charitable events employees have allocated their Ray Day towards include: The Yonge Street Mission, Manitoba Underdogs Rescue, Nature Conservancy of Canada, SickKids Foundation, and Habitat for Humanity.

To complement the Ray Day initiative, in 2018 CI offered employees two opportunities to use their Ray Day in support of environmental causes. Further details can be found in the previous section “Commitment to Environmental Sustainability.”

SPOTLIGHT On

Living City Environmental Dinner

Each year, the Toronto and Region Conservation (TRC) Foundation hosts the Living City Environmental Dinner – the organization’s flagship fundraising event. In 2018, it was the event’s 25th year and CI contributed an \$8,000 donation in support of:

- Habitat restoration projects protecting Toronto and Greater Toronto Region greenspace and wildlife
- Flood, climate change and water monitoring efforts
- Learning and mentorship programs for adults and youth
- Maintaining parks, trails and attractions.



SPOTLIGHT On

Toronto and Region Conservation Foundation

In 2018, CI established a partnership with the TRC Foundation, the charitable arm of the Toronto and Region Conservation Authority, an organization with a vision to create a cleaner, greener and healthier “Living City.” As a Toronto-based asset manager, CI is proud to support an organization that works to protect the natural environment in which many of our employees and their children live, work and play

“Working with CI Financial has been tremendous for the TRC Foundation. The team showed its commitment to our local environment when staff cleaned up almost 591 pounds of garbage from a Toronto shoreline and removed invasive plant species from an important bird migration area. CI has embraced our vision for The Living City. We are appreciative of the hard work and support shown by all levels of staff and look forward to more combined environmental achievements.”

— Derek Edwards, Executive Director, TRC Foundation



Subsidiary Profiles



CI INSTITUTIONAL
ASSET MANAGEMENT



CI INVESTMENTS INC.

CI Investments is one of Canada's largest investment management companies. We are proud to partner with more than 35,000 financial advisors and 1.3 million investors, who trust us to help them achieve their financial goals. We believe in the value of advice, along with the benefits of active management and responsible investing.

CI's comprehensive product lineup features a broad selection of portfolio managers and investment styles and a wide choice of mandates covering various regions, asset classes, and industries, all offered through a variety of platforms.

Our strength comes from the expertise and experience of our portfolio managers, who represent the full spectrum of investment disciplines, from value to growth. Our in-house investment management teams are Signature Global Asset Management, Harbour Advisors, Cambridge Global Asset Management, Sentry Investment Management and CI Multi-Asset Management. We also service the institutional marketplace through our dedicated CI Institutional Asset Management division.

CI continues to build and foster successful relationships with financial advisors and third-party institutions to support the distribution of our products and services, which include mutual funds, segregated funds, managed solutions and alternative investments.

2018 Operating Highlights

- Launched three liquid alternative mutual funds, providing retail investors with access to alternative investment strategies.
- Launched CI Private Pools, a platform of 17 focused mandates for affluent and high net worth investors.
- Developed CI Mosaic ETF Portfolios, which were launched in January 2019.
- Reduced management fees on 33 funds and introduced fixed administration fees on Sentry funds.
- Lowered minimum investments for the CI Preferred Pricing™ program.
- Received 18 FundGrade A+ Awards, as presented by Fundata Canada Inc., and four Thomson Reuters Lipper Fund Awards.



ASSANTE WEALTH MANAGEMENT (CANADA) LTD. AND CI PRIVATE COUNSEL LP

Assante Wealth Management is one of Canada's largest professional services firms in wealth management and planning, supporting more than 830 advisors who serve approximately 300,000 clients and their families nationwide. Assante's services are offered through Assante Capital Management, an investment dealer, and Assante Financial Management, a mutual fund dealer.

CI Private Counsel, our high net worth discretionary investment counsel business, is made up of Assante Private Client, which supports Assante Wealth Management advisors, and Stonegate Private Counsel, which provides integrated wealth planning and investment advice to ultra-high net worth and high net worth clients across Canada.

Assante and CI Private Counsel continue to achieve consistent growth and have \$41.7 billion in assets under advisement (AUA), as at December 31, 2018. Our success 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, our advisors provide a comprehensive and integrated approach to wealth management.

Across our lines of business, we also support our advisors by providing advanced solutions, including Evolution Private Managed Accounts, a program managed by CI Investments and available exclusively through Assante advisors.

2018 Operating Highlights

- Recruited a number of established advisor teams, adding \$1.4 billion to AUA.
- Grew our presence in the high net worth market, with the total value of households of more than \$1 million in assets increasing to \$18.6 billion, or 45% of our total AUA (as at December 31, 2018).
- Launched our Charitable Giving Program, which allows clients to build philanthropic giving into their overall wealth plan through a simple, sophisticated and tax-efficient solution.
- Ranked #1 in the 2018 Investment Executive Dealer Report Card, and #2 in the 2018 J.D. Power Full Service Investor Satisfaction Study.
- Launched Private Client Connect, a new digital interface that allows advisors to view and monitor their clients' portfolios and asset mixes in real-time.
- Reduced fees across high net worth offerings, including Evolution Private Managed Accounts and Private Client Managed Portfolios.
- Incorporated three alternative investment options into the Assante Private Client offering as part of a continued effort to expand the breadth of its investment mandates.

FIRST ASSET INVESTMENT MANAGEMENT INC.

First Asset is an established leader in exchange-traded funds in the Canadian marketplace with \$5.0 billion in assets under management (AUM) in ETFs, as well as closed-end funds and mutual funds (at December 31, 2018).

First Asset's focus is on delivering better risk-adjusted returns than the broad market through a comprehensive suite of smart beta and actively managed ETF solutions. First Asset has a track record of introducing market-leading investment methodologies and was one of the first firms to offer broad, comprehensive factor-based investing to Canada, beginning with single-factor strategies focused on value and momentum and extending into multi-factor ETF solutions. First Asset continues to differentiate itself from competitors by offering one of the largest lineups of actively managed ETFs in Canada, leveraging the considerable portfolio management talent within the CI Financial group of companies.

An increasingly competitive landscape – including a growing number of providers and products, and record asset levels – demonstrates the interest in ETFs by advisors and their clients. First Asset is well positioned as an expert in ETFs and is positioned for continued growth and leadership in the industry.

2018 Operating Highlights

- Experienced strong growth in our ETF lineup, with AUM increasing by \$580 million to \$4.4 billion.
- Ended 2018 with record total AUM of \$5.0 billion.
- Successfully integrated the First Asset sales, marketing and product functions into CI Investments to provide access to a more holistic organizational offering.
- Continued to optimize our ETF lineup with the successful launch of First Asset Enhanced Government Bond ETF and First Asset Health Care Giants Covered Call ETF.
- Received five 2018 FundGrade A+ Awards, as presented by Fundata Canada Inc., and two 2018 Thomson Reuters Lipper Fund Awards.



BBS SECURITIES INC.

BBS Securities is a Canadian financial technology company and a registered investment/broker dealer that provides a wide range of innovative brokerage and trading services to a diverse client base of portfolio managers, introducing brokers, and institutional and retail investors.

Through our online brokerage division, Virtual Brokers, BBS provides services using a proprietary system that is one of the most technologically advanced and efficient online discount brokerage platforms in the Canadian market.

BBS offers brokerage services (such as clearing, custody, settlement, trade execution services for securities, ETFs, options, bonds, and bullion precious metals), multiple trading platforms, access to new issues and IPOs, securities lending and borrowing, risk monitoring and compliance supervisory stations to various hedge funds, institutions, and portfolio managers and retail investors. We also offer extensive fund management and trading services for institutional clients, while providing trading tools and support to professional traders. We leverage our technological capability to provide online brokerage and trade execution services to individual investors, active traders and institutions.

2018 Operating Highlights

- Total AUM grew by 60% to approximately \$1.0 billion.
- Increased client accounts by 48% to 63,669.
- Onboarded more than 28 new robo-advisors, portfolio managers and advisors onto our platform.
- Named Canada's top online broker by the Globe & Mail in early 2019.
- Integrated a state-of-the-art portfolio management monitoring and risk controlling tool into Virtual Brokers' website to help aggregate client assets from all Canadian financial institutions.
- Started a project with Assante that will see BBS become the custody and clearing broker for Assante's omnibus business.
- Became an active participant in CI's overall digital transformation roadmap and its brokerage service provider.

All financials are as of December 31, 2018 compared to November 1, 2017, when BBS was acquired by CI Financial.



GSFM PTY LIMITED

GSFM, formerly Grant Samuel Funds Management, is a leading manager and distributor of investment funds to institutional and retail investors in Australia. The firm was founded in 2007 and today manages approximately A\$6 billion in assets (at December 31, 2018).

GSFM partners with high-calibre investment managers in Australia and globally to offer unique investment strategies to the Australian market. We have formed relationships with seven investment managers – Epoch Investment Partners of New York, Payden & Rygel of Los Angeles, Australian-based managers Munro Partners, Tribeca Investment Partners and Triple3 Partners, Man Group of London and Cambridge Global Asset Management, a division of CI Investments. Each offers a differentiated investment strategy in their specialist asset classes. These mandates span Australian equities, global equities, fixed income and volatility.

CI Financial owns 83% of GSFM, and GSFM executives hold a 17% equity stake.

2018 Operating Highlights

- Developed the new GSFM brand, which was launched in early 2019.
- Supported the introduction of Munro Partners to the Canadian market through the launch of Munro Alternative Global Growth Fund along with Munro Global Growth Equity Fund, which is one of CI's new liquid alternative mandates. Munro Partners is a Melbourne, Australia based global equities manager distributed by GSFM and in which GSFM has an equity stake.
 - Munro Partners won Money Management/Lonsec Fund Manager of the Year award, Emerging Manager category.
 - Awarded new institutional fixed income mandates totaling \$690 million.



WEALTHBAR FINANCIAL SERVICES INC.

WealthBar is a leading Canadian online wealth management and financial planning platform offering premium online investing portfolios and low-fee ETFs, along with unlimited commission-free advice. WealthBar makes sophisticated investing and investment advice accessible online to everyday Canadians.

Founded in 2014, the robo-advisory firm has approximately \$275 million in assets under management (at December 31, 2018) for investors from coast to coast. WealthBar offers a diverse service and product offering that combines technology with human advisors for a personalized experience. This “hybrid model” provides the opportunity for engagement between clients and advisors depending on the wealth planning services required

WealthBar offers a mix of ETF portfolios and Private Investment Portfolios, and added an exclusive advisor channel in 2017. This digital wealth management platform for advisors helps them scale their business and augment their offering. WealthBar aims to offer properly diversified portfolios, using a range of asset combinations of equities, bonds, REITs, preferred shares and other financial strategies, which can mitigate risk and obtain good performance for clients.

CI Financial announced the acquisition of a majority share of WealthBar in December 2018, with the transaction closing in January 2019. CI Financial owns 75% of WealthBar, while WealthBar executives hold a 25% equity stake.





Management's Discussion and Analysis

December 31, 2018
CI FINANCIAL CORP

FINANCIAL HIGHLIGHTS

<i>[millions of dollars, except share amounts]</i>	As at and for the quarters ended					% change quarter- over- quarter	% change year- over- year
	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017		
Assets under management	124,360	136,526	138,182	139,223	143,028	(9)	(13)
Assets under advisement	41,813	44,359	43,717	42,658	42,699	(6)	(2)
Total assets	166,173	180,884	181,900	181,881	185,727	(8)	(11)
Average assets under management	129,316	138,322	139,487	141,870	142,469	(7)	(9)
Management fees	474.2	509.9	506.3	513.7	532.1	(7)	(11)
Total revenues	529.2	569.0	564.6	573.5	594.4	(7)	(11)
Selling, general & administrative	126.2	131.4	129.7	135.2	130.8	(4)	(4)
Trailer fees	149.1	160.6	159.6	162.0	167.8	(7)	(11)
Net income	140.4	158.3	160.0	159.1	139.5	(11)	1
Adjusted net income ¹	140.3	158.2	159.9	159.0	173.7	(11)	(19)
Basic earnings per share	0.57	0.62	0.61	0.59	0.51	(8)	12
Diluted earnings per share	0.57	0.62	0.60	0.59	0.51	(8)	12
Adjusted earnings per share ¹	0.57	0.62	0.61	0.59	0.63	(8)	(10)
Free cash flow ¹	156.5	169.2	163.0	166.9	180.6	(8)	(13)
Return on equity ²	37.1%	39.1%	38.6%	39.3%	39.9%	(5)	(7)
Dividends paid per share	0.1800	0.2350	0.3525	0.3525	0.3525	(23)	(49)
Dividend yield	4.2%	3.5%	6.0%	5.1%	4.7%		
Average shares outstanding	246,810,100	256,739,584	264,090,648	269,648,509	274,261,643	(4)	(10)
Shares outstanding	243,721,650	251,755,586	260,562,210	266,560,958	271,884,495	(3)	(10)
Share price							
High	20.68	24.38	27.71	30.23	29.78	(15)	(31)
Low	16.47	19.95	23.36	27.02	27.32	(17)	(40)
Close	17.28	20.51	23.63	27.60	29.77	(16)	(42)
Change in share price	(15.7%)	(13.2%)	(14.4%)	(7.3%)	9.1%		
Total shareholder return	(14.9%)	(12.3%)	(13.2%)	(6.1%)	10.4%		
Market capitalization	4,212	5,164	6,157	7,357	8,094	(18)	(48)
P/E Ratio ²	7.3	8.4	9.7	11.4	12.5	(13)	(42)
Long-term debt (including the current portion)	1,503.7	1,444.0	1,428.5	1,366.3	1,118.1	4	34
Net debt ¹	1,255.3	1,209.3	1,126.2	1,053.2	860.9	4	46
Net debt to adjusted EBITDA ¹	1.51	1.30	1.21	1.13	0.86	16	76

¹ Adjusted net income, adjusted earnings per share, free cash flow, net debt, and EBITDA are not standardized earnings measures prescribed by IFRS. Descriptions of these measures, as well as others, and reconciliations to the nearest IFRS measures, where necessary, are provided in the "Non-IFRS Measures" section of this MD&A.

² Trailing 12 months, calculated using adjusted net income.

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated February 8, 2019 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at December 31, 2018, compared with December 31, 2017, and the results of operations for the quarter and year ended December 31, 2018, compared with the quarter and year ended December 31, 2017 and the quarter ended September 30, 2018.

CI's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM" or "Assante"). 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"), as well as the operating results and financial position of First Asset Investment Management Inc. ("First Asset") and Grant Samuel Funds Management Pty Limited ("GSFM"). 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"), as well as the operating results and financial position of BBS Securities Inc. ("BBS").

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI Financial Corp. ("CI") and its products and services, including its business operations, strategy and financial performance and condition. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar references to future periods, or conditional verbs such as "will", "may", "should", "could" or "would". 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's control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. 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. 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 or discussed in CI's disclosure materials filed with applicable securities regulatory authorities from time to time. The foregoing list is not exhaustive and the reader is cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, CI undertakes no obligation to update or alter any forward-looking statement after the date on which it is made, whether to reflect new information, future events or otherwise.

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. CI believes that these financial measures provide information that is useful to investors in understanding CI's performance and facilitate a comparison of quarterly and full year results from period to period. Descriptions of these non-IFRS measures and reconciliations to the nearest IFRS measure, where necessary, are provided in the "Non-IFRS Measures" section of this MD&A. Note that figures in tables may not add due to rounding.

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE 1: SELECTED ANNUAL INFORMATION

[millions, except per share amounts]	Fiscal Years Ending December 31		
	2018	2017	2016
Management fees	\$2,004.2	\$1,897.1	\$1,748.7
Total revenue	\$2,236.4	\$2,111.3	\$1,948.3
Selling, general & administrative	\$522.5	\$459.1	\$396.8
Total expenses	\$1,393.1	\$1,303.6	\$1,179.6
Income before income taxes	\$843.3	\$807.7	\$768.7
Income taxes	\$225.5	\$258.8	\$208.1
Non-controlling interest	\$0.4	-\$0.2	-\$0.2
Net income available to shareholders	\$617.5	\$549.1	\$560.8
Adjusted net income ¹	\$617.5	\$628.4	\$590.0
Free cash flow ¹	\$655.5	\$648.4	\$604.7
Basic earnings per share	\$2.38	\$2.08	\$2.07
Diluted earnings per share	\$2.38	\$2.08	\$2.07
Adjusted earnings per share ¹	\$2.38	\$2.38	\$2.18
Adjusted EBITDA ¹	\$906.2	\$891.8	\$835.0
Total assets	\$4,292.2	\$4,345.3	\$3,186.0
Gross debt	\$1,503.7	\$1,118.1	\$758.7
Net debt ¹	\$1,255.3	\$860.9	\$572.9
Average shares outstanding	259.3	264.4	271.1
Shares outstanding	243.7	271.9	265.3
Share price	\$17.28	\$29.77	\$28.87
Market capitalization	\$4,212	\$8,094	\$7,659

¹Adjusted net income, adjusted earnings per share, free cash flow, adjusted EBITDA and net debt are not standardized earnings measures prescribed by IFRS. Descriptions of these non-IFRS measures, as well as others, and reconciliations to IFRS, where necessary, are provided in the "Non-IFRS Measures" section of this MD&A.

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE 2: SUMMARY OF QUARTERLY RESULTS

[millions of dollars, except per share amounts]

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
INCOME STATEMENT DATA								
Management fees	474.2	509.9	506.3	513.7	532.1	452.9	462.6	449.5
Administration fees	51.8	50.2	47.5	48.1	45.8	42.0	41.6	44.6
Other revenues	3.2	8.9	10.8	11.7	16.5	9.3	6.1	8.5
Total revenues	529.2	569.0	564.6	573.5	594.4	504.1	510.3	502.6
Selling, general & administrative	126.2	131.4	129.7	135.2	130.8	108.7	111.6	108.0
Trailer fees	149.1	160.6	159.6	162.0	167.8	139.3	142.3	138.0
Investment dealer fees	40.5	40.1	37.6	37.7	37.3	34.5	34.2	36.7
Deferred sales commissions paid	3.9	4.1	5.6	8.5	7.3	6.5	7.1	10.3
Interest expense	12.4	11.6	9.9	9.3	8.6	5.7	5.3	5.4
Other expenses	5.9	3.5	4.2	4.6	49.2	1.7	3.5	3.7
Total expenses	337.8	351.2	346.7	357.4	401.0	296.5	304.0	302.1
Income before income taxes	191.3	217.8	218.0	216.2	193.4	207.6	206.3	200.5
Income taxes	51.0	59.5	58.0	57.0	53.9	54.0	96.8	54.1
Non-controlling interest	—	0.1	0.1	0.1	0.1	—	(0.2)	(0.1)
Net income attributable to shareholders	140.3	158.2	159.9	159.0	139.4	153.6	109.6	146.5
Earnings per share	0.57	0.62	0.61	0.59	0.51	0.60	0.42	0.55
Diluted earnings per share	0.57	0.62	0.60	0.59	0.51	0.60	0.42	0.55
Dividends paid per share	0.1800	0.2350	0.3525	0.3525	0.3525	0.3525	0.3475	0.3450

MANAGEMENT'S DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

CI is a diversified wealth management firm and through CI Investments, one of Canada's largest independent investment fund companies. The principal business of CI is the management, marketing, distribution and administration of investment products for Canadian investors. CI also has asset management operations in Australia through its subsidiary GSFM. CI's products 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 investment funds and other fee-earning investment products. The Asset Administration segment derives its revenue principally from fees and commissions from ongoing service and on the sale of investment funds and other financial products.

BUSINESS STRATEGY

CI provides wealth and investment management services and earns fee revenue on its assets under management ("AUM") and assets under administration ("AUA"). Management believes that client goals and asset growth can be achieved by focusing on the following factors: quality and diversity of products offered by CI; experience and depth of investment managers; service levels provided to dealers and investors; and the skill and knowledge of its employees.

CI offers investors a wide range of Canadian and global investment products through a network of investment dealers, mutual fund dealers, and insurance agents, which include advisors with AWM. Acquisitions of fund management companies and years of product innovation and development have allowed CI to offer investors a broad selection of investment products.

CI uses in-house teams and external investment managers to provide portfolio management services. 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's management is focused on continuing to build a global diversified wealth management company based in Canada. With ongoing expansion in terms of scale, expertise and reach, CI will be able to explore new markets and introduce new capabilities that will help drive the organization's future growth. At the same time, CI continues to view the Canadian business, relationships and channels as critical parts of the organization's DNA. In summary, CI's strategy is based on three major themes:

- Maintain and grow our leading position in Canada;
- Achieve greater scale by growing assets in Canada and abroad;
- Increase access to distribution in Canada and abroad.

An important factor underlying these themes is the continued development of our digital capabilities. The acquisition of BBS in 2017 added advanced trading technology and online services to the firm, and has assisted in CI's digital transformation. CI acquired WealthBar in January 2019, a leading Canadian online wealth management and financial planning platform. CI's goal is to not only expand avenues of distribution, but to provide clients with improved products and services, allowing them to do business with the firm when, where and how they want.

MANAGEMENT'S DISCUSSION & ANALYSIS

KEY PERFORMANCE DRIVERS

The key performance indicator for the Asset Management segment is the level of AUM, and for the Asset Administration segment, the level of AUA. Assets Under Advisement includes both AUA (assets under administration) and assets held by clients of advisors with Stonegate Private Counsel. Total assets are comprised of AUM and Assets Under Advisement. CI's AUM and AUA are primarily driven by fund performance as well as the gross sales and redemptions of its investment products. As most of CI's revenues and expenses are based on daily asset levels throughout the year, average assets for a particular period are critical to the analysis of CI's financial results. While some expenses, such as trailer fees, vary directly with the level of AUM, a portion of CI's expenses do not. In particular, the amount of deferred sales commissions paid depends on the amount of deferred load fund sales. Over the long term, CI manages the level of its discretionary spend to be consistent with or below the growth in its revenue, though in any given period, CI may choose to make investments in people or technology that benefit the long-term growth of the company.

CI uses several performance indicators to assess its results. These indicators are described throughout the results of operations and the discussion of the two operating segments and include the following measures prescribed by IFRS: net income and earnings per share; and measures not prescribed by IFRS: adjusted net income, adjusted earnings per share, operating cash flow, free cash flow, EBITDA, adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, dealer gross margin, net debt, asset management margin, and SG&A efficiency margin. Descriptions of these non-IFRS measures and reconciliations to IFRS are provided below.

MANAGEMENT'S DISCUSSION & ANALYSIS

NON-IFRS MEASURES

CI reports certain financial information using non-IFRS measures as CI believes that these financial measures provide information that is useful to investors in understanding CI's performance and facilitate a comparison of quarterly and full-year results from period to period.

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

CI defines adjusted net income as net income, net of non-controlling interest, and net of other provisions and adjustments. CI uses adjusted net income and adjusted earnings per share to compare underlying profitability for different periods.

TABLE 3: ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

<i>[millions of dollars, except per share amounts]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net Income	140.4	158.3	139.5	617.8	548.9
Add:					
Provisions for compensation, legal and tax costs	—	—	28.7	—	73.7
Fair value adjustment to contingent consideration	—	—	5.6	—	5.6
Less:					
Non-controlling interest	—	0.1	0.1	0.4	(0.2)
Adjusted net income	140.3	158.2	173.7	617.5	628.4
Adjusted earnings per share	0.57	0.62	0.63	2.38	2.38

OPERATING CASH FLOW AND FREE CASH FLOW

CI measures its operating cash flow before the change in operating assets and liabilities, and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Operating assets and liabilities are affected by seasonality, interest is primarily paid semi-annually, and tax installments paid may differ materially from the cash tax accrual.

Free cash flow is calculated as operating cash flow adjusted for provisions. CI uses this measure, among others, when determining how to deploy capital.

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE 4: OPERATING CASH FLOW AND FREE CASH FLOW

<i>[millions of dollars]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Cash provided by operating activities	178.3	174.0	143.0	608.2	581.1
Add:					
Income taxes paid	57.7	58.2	51.6	240.5	206.6
Interest paid	12.4	7.1	12.7	38.3	22.0
Less:					
Net change in non-cash working capital	91.8	70.1	55.4	231.5	235.0
Operating cash flow	156.5	169.2	151.9	655.5	574.7
Add:					
Provisions for compensation, legal and tax costs	—	—	28.7	—	73.7
Free cash flow	156.5	169.2	180.6	655.5	648.4

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

CI uses EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted EBITDA, which it defines as EBITDA, net of non-controlling interest and other provisions and adjustments, to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of intangibles and other items. This permits comparisons of companies within the industry, normalizing for different financing methods and levels of taxation. Adjusted EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow. Adjusted EBITDA margin expresses adjusted EBITDA as a percentage of total revenue.

TABLE 5: EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

<i>[millions of dollars, except per share amounts]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net Income	140.4	158.3	139.5	617.8	548.9
Add:					
Interest Expense	12.4	11.6	8.6	43.1	24.9
Provision for income taxes	51.0	59.5	53.9	225.5	258.8
Amortization of intangibles and other	5.4	5.2	4.7	20.6	14.5
EBITDA	209.1	234.6	206.7	906.9	847.2
EBITDA per share	0.85	0.91	0.75	3.50	3.20
Add:					
Provisions for compensation, legal and tax costs	—	—	39.0	—	39.0
Fair value adjustment to contingent consideration	—	—	5.6	—	5.6
Less:					
Non-controlling interest	0.1	0.2	0.2	0.7	—
Adjusted EBITDA	209.0	234.4	251.0	906.2	891.8
Adjusted EBITDA per share	0.85	0.91	0.92	3.50	3.37
Total revenue	529.2	569.0	594.4	2,236.4	2,111.3
Adjusted EBITDA Margin	39.5%	41.2%	42.2%	40.5%	42.2%

MANAGEMENT'S DISCUSSION & ANALYSIS

NET DEBT

CI calculates net debt as long-term debt (including the current portion) less cash and marketable securities, net of cash required for regulatory purposes and non-controlling interests. Net debt is a measure of leverage and CI uses this measure to assess its financial flexibility.

TABLE 6: NET DEBT

<i>[millions of dollars]</i>	As at Dec. 31, 2018	As at Dec. 31, 2017
Current portion of long-term debt	—	222.0
Long-term debt	1,503.7	896.1
	1,503.7	1,118.1
Less:		
Cash and short-term investments	137.2	124.6
Marketable securities, excluding BBS' securities owned, at market	133.0	145.3
Add:		
Regulatory capital and non-controlling interests	21.7	12.6
Net Debt	1,255.3	860.9

DEALER GROSS MARGIN

CI monitors its operating profitability on the revenues earned within its Asset Administration segment by measuring its dealer gross margin, which is calculated as administration fee revenue less investment dealer fees, divided by administration fee revenue (all figures before inter-segment eliminations). CI uses this measure to assess the profitability of the Asset Administration segment before SG&A expenses.

TABLE 7: DEALER GROSS MARGIN

<i>[millions of dollars]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Administration fees	94.2	94.8	89.5	372.4	341.9
Less:					
Investment dealer fees	75.4	76.4	72.4	298.0	279.9
	18.7	18.4	17.1	74.3	62.0
Dealer gross margin	19.9%	19.4%	19.1%	20.0%	18.1%

ASSET MANAGEMENT MARGIN

CI assesses the overall performance of the asset management segment using a trailing 12-month asset management margin, where deferred sales commissions, trailer fees, and SG&A expenses are deducted from management fees and measured as a percentage of management fees (all figures are before inter-segment eliminations). This removes distortion caused by other revenues and expenses, eliminates the financing impact of back-end load funds, and eliminates revenue mix variances because it is measured as a percentage of management fees and not average AUM. Using a trailing 12-month margin eliminates any seasonality associated with SG&A expenses.

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE 8: ASSET MANAGEMENT MARGIN

<i>[millions of dollars - trailing 12 months]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Mar. 31, 2018	Quarter ended Dec. 31, 2017
Management fees	2,004.2	2,062.0	2,005.0	1,961.3	1,897.1
Less:					
Deferred sales commissions paid	23.1	26.7	29.2	30.8	32.6
Trailer fees	662.8	682.5	660.1	642.0	616.8
Net management fees	1,318.2	1,352.8	1,315.6	1,288.5	1,247.7
Less:					
SG&A expenses	424.6	433.1	415.3	402.4	380.0
	893.6	919.7	900.3	886.1	867.7
Asset management margin	44.6%	44.6%	44.9%	45.2%	45.7%

SG&A EFFICIENCY MARGIN

CI uses a trailing 12-month SG&A efficiency margin to assess its costs relative to management fees earned, net of deferred sales commissions and trailer fees, which are not directly controllable by CI. These expenses are determined by the type, class and load of funds in which CI's clients invest. SG&A expenses are subtracted from these net management fees and the remainder is measured as a percentage of net management fees. Using a trailing 12-month margin eliminates any seasonality associated with SG&A expenses.

TABLE 9: SG&A EFFICIENCY MARGIN

<i>[millions of dollars - trailing 12 months]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Mar. 31, 2018	Quarter ended Dec. 31, 2017
Management fees	2,004.2	2,062.0	2,005.0	1,961.3	1,897.1
Less:					
Deferred sales commissions paid	23.1	26.7	29.2	30.8	32.6
Trailer fees	662.8	682.5	660.1	642.0	616.8
Net management fees	1,318.2	1,352.8	1,315.6	1,288.5	1,247.7
Less:					
SG&A expenses	424.6	433.1	415.3	402.4	380.0
	893.6	919.7	900.3	886.1	867.7
SG&A efficiency margin	67.8%	68.0%	68.4%	68.8%	69.5%

MANAGEMENT'S DISCUSSION & ANALYSIS

ASSETS AND SALES

CI is one of Canada's largest independent investment fund companies with assets under management of \$124.4 billion and assets under advisement of \$41.8 billion at December 31, 2018, as shown in Table 10. Assets under advisement are comprised of AUA and assets held by clients of advisors with Stonegate Private Counsel. Assets under management decreased 13% year over year, mainly due to challenging market conditions and net redemptions of funds. The 2% decrease in assets under advisement from last year was due to market declines, partially offset by net sales and advisor recruitment. Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, exchange-traded funds, pooled funds and assets under advisement, were \$166.2 billion at December 31, 2018, down \$19.6 billion from \$185.7 billion at December 31, 2017.

TABLE 10: TOTAL ASSETS

<i>[billions of dollars]</i>	As at December 31, 2018	As at December 31, 2017	% change
Assets under management	124.4	143.0	(13)
Assets under advisement ¹	41.8	42.7	(2)
Total assets	166.2	185.7	(11)

¹Includes \$25.2 billion and \$25.8 billion of assets managed by CI and held by clients of advisors with Assante and Stonegate in 2018 and 2017, respectively.

After a year of strong performance for capital markets in 2017, investors experienced a bumpier ride in 2018. Downward volatility resurfaced in the first quarter, and though markets moved generally higher through the summer months, a sharp sell-off in the fourth quarter meant that most asset classes registered negative returns for the year. For Canadian investors in foreign markets, losses were mitigated somewhat by the weakness of the Canadian dollar, which declined against most large global currencies, including 8% relative to the U.S. dollar for the year.

U.S. equities posted some of the best results among global assets in 2018, with the S&P 500 Index reaching an all-time high and setting a record for the longest bull market on record in the third quarter. After the fourth quarter sell-off, however, the index finished the year with a loss of 4.4% (a gain of almost 4% in Canadian dollar terms). Canada's S&P/TSX Composite Index, meanwhile, was weighed down by themes that included plunging energy prices as well as weakness in materials and financial services. The Canadian benchmark finished the year with a loss of 8.9%. The MSCI World Index, a broad measure of developed market equities, fell 8.2% in U.S. dollars (-0.2% in Canadian dollars).

The change in AUM during each of the past five quarters is detailed in Table 11 and a breakdown of CI's sales is provided in Table 12.

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE 11: CHANGE IN ASSETS UNDER MANAGEMENT

<i>[billions of dollars]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Mar. 31, 2018	Quarter ended Dec. 31, 2017
Assets under management, beginning	136.526	138.182	139.223	143.028	121.725
Gross sales	3.023	3.015	3.209	5.187	4.251
Redemptions	5.742	5.433	6.028	6.515	5.657
Net sales	(2.719)	(2.418)	(2.819)	(1.328)	(1.406)
Acquisitions (divestitures)	—	—	(1.025)	—	19.019
Fund performance	(9.447)	0.762	2.803	(2.477)	3.690
Assets under management, ending	124.360	136.526	138.182	139.223	143.028
Average assets under management	129.316	138.322	139.487	141.870	142.469

CI's Canadian business, excluding products closed to new investors, had \$2.6 billion in gross sales and \$2.7 billion in net redemptions for the quarter ended December 31, 2018. CI's international business had \$260 million in net sales in the fourth quarter, up \$466 million from the same quarter last year. CI's closed business, comprised primarily of segregated fund contracts that are no longer available for sale, had \$259 million in net redemptions for the quarter.

TABLE 12: SALES BREAKDOWN

<i>[millions of dollars]</i>	Quarter ended December 31, 2018			Year ended December 31, 2018		
	Gross Sales	Redemptions	Net Sales	Gross Sales	Redemptions	Net Sales
Canadian Business						
Retail	2,160	4,491	(2,331)	10,536	18,767	(8,231)
Institutional	414	802	(389)	2,576	3,263	(687)
	2,574	5,294	(2,720)	13,112	22,029	(8,918)
International Business						
Retail	225	76	150	525	298	227
Institutional	209	99	110	729	249	480
	434	175	260	1,254	547	707
Closed Business	15	274	(259)	69	1,142	(1,074)
Total	3,023	5,742	(2,719)	14,434	23,719	(9,285)

MANAGEMENT'S DISCUSSION & ANALYSIS

RESULTS OF OPERATIONS

Year Ended December 31, 2018

For the year ended December 31, 2018, CI reported net income attributable to shareholders of \$617.5 million (\$2.38 per share) versus \$549.1 million (\$2.08 per share) for the year ended December 31, 2017. The year ended December 31, 2017 included two provisions: a \$45 million income tax provision for the settlement of outstanding notices of reassessment relating to the interest rate charged on subordinated notes within CI's income trust structure for the years 2006 to 2008; and a \$39.0 million (\$28.7 million after tax) provision for compensation, legal, and tax costs primarily related to the acquisitions of Sentry and BBS. Last year also included a \$5.6 million fair value adjustment to contingent consideration related to First Asset.

For 2017, net income attributable to shareholders, excluding the provisions and fair value adjustment detailed above, was \$628.4 million (\$2.38 per share). The \$10.9 million decrease in adjusted net income was primarily due to SG&A expenses increasing 13.8%, relative to a 5.6% increase in management fees, each of which is described in further detail below.

CI's total revenue was \$2,236.4 million in 2018, an increase of 5.9% when compared to total revenue of \$2,111.3 million in 2017. The change from last year was primarily due to the increase in management fees as a result of the 8.7% increase in average AUM. Management fees increased at a lower rate relative to average AUM due to fee reductions on certain products and changes to CI's mix of business. CI's acquisition of Sentry in October 2017 drove the positive change in AUM, partially offset by net redemptions of funds.

SG&A expenses for the year ended 2018 were \$522.5 million, compared to \$459.1 million for the year ended 2017. SG&A increased year over year primarily due to the inclusion of Sentry and BBS for a full year. As an annualized percentage of average AUM, SG&A expenses were 0.381%, up from 0.364% last year. The increase in basis points was a result of strategic investments in CI's business.

In 2018, CI paid \$22.1 million in deferred sales commissions, compared with \$31.3 million in 2017. Consistent with the Canadian mutual fund industry, CI's sales into deferred load funds has been steadily decreasing over the past decade.

Interest expense of \$43.1 million was recorded for the year ended December 31, 2018 compared with \$24.9 million for the year ended December 31, 2017. The change in interest expense reflects the changes in average debt levels and interest rates, as discussed under the Liquidity and Capital Resources section.

CI recorded \$225.5 million in income tax expense in 2018, for an effective tax rate of 26.7%, compared to \$258.8 million in 2017. The effective tax rate for 2017 was higher than normal due to \$45 million in current income tax expenses recorded in the second quarter related to the settlement of outstanding notices of reassessment received for the years 2006 to 2008.

CI's effective tax rate may differ from its statutory tax rate, which is currently 26.5%, as a result of some expenses being non-deductible or partially deductible, or some revenue items not being fully taxable.

MANAGEMENT'S DISCUSSION & ANALYSIS

Quarter Ended December 31, 2018

For the quarter ended December 31, 2018, CI reported net income attributable to shareholders of \$140.3 million (\$0.57 per share) versus \$139.4 million (\$0.51 per share) for the quarter ended December 31, 2017 and \$158.2 million (\$0.62 per share) for the quarter ended September 30, 2018. As mentioned earlier, the fourth quarter of 2017 included a \$39.0 million (\$28.7 million after tax) provision for compensation, legal and tax costs primarily related to the acquisitions of Sentry and BBS. The quarter also included a \$5.6 million fair value adjustment to contingent consideration related to First Asset.

For the quarter ended December 31, 2017, net income attributable to shareholders, excluding the provisions and fair value adjustment detailed above, was \$173.7 million (\$0.63 per share). The decrease from the prior year was mainly due to lower management fees resulting from lower average AUM.

CI's total revenue was \$529.2 million in the fourth quarter of 2018, a decrease of 11.0% when compared to total revenue of \$594.4 million in the same period in 2017. On a consecutive quarter basis, total revenue decreased 7.0% from \$569.0 million in the third quarter of 2018. The decrease from both periods was primarily due to lower average AUM.

SG&A expenses for the fourth quarter of 2018 were \$126.2 million, compared to \$130.8 million in the same quarter of 2017 and \$131.4 million in the prior quarter. SG&A decreased from both periods due to lower variable expenses as well as cost containment measures implemented by management. As an annualized percentage of average AUM, SG&A expenses were 0.387%, up from 0.364% for the fourth quarter of last year and up from 0.377% for the prior quarter.

In the fourth quarter of 2018, CI paid \$3.9 million in deferred sales commissions, compared with \$7.3 million in the same quarter of 2017 and \$4.1 million in the prior quarter. Consistent with the Canadian mutual fund industry, CI's sales into deferred load funds has been steadily decreasing over the past decade.

Interest expense of \$12.4 million was recorded for the quarter ended December 31, 2018 compared with \$8.6 million for the quarter ended December 31, 2017 and \$11.6 million for the quarter ended September 30, 2018. The change in interest expense reflects the changes in average debt levels and interest rates, as discussed under the Liquidity and Capital Resources section.

For the fourth quarter of 2018, CI recorded \$51.0 million in income tax expense for an effective tax rate of 26.6% compared to \$53.9 million, or 27.8%, in the fourth quarter of 2017, and \$59.5 million, or 27.3%, in the prior quarter.

MANAGEMENT'S DISCUSSION & ANALYSIS

ASSET MANAGEMENT SEGMENT

The Asset Management segment is CI's principal business segment and its operating results are presented in Table 13.

TABLE 13: RESULTS OF OPERATIONS - ASSET MANAGEMENT SEGMENT

<i>[millions of dollars]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Management fees	474.2	509.9	532.1	2,004.2	1,897.1
Other revenue	(5.0)	0.9	9.6	2.3	14.5
Total revenue	469.2	510.9	541.6	2,006.5	1,911.6
Selling, general and administrative	101.0	107.5	109.6	424.6	380.0
Trailer fees	156.3	168.7	176.0	662.8	616.8
Deferred sales commissions paid	4.1	4.3	7.7	23.1	32.6
Amortization of intangibles	1.6	1.5	1.4	5.9	3.7
Other expenses	3.3	1.0	46.7	8.3	52.0
Total expenses	266.3	282.9	341.3	1,124.7	1,085.2
Non-controlling interest	0.1	0.2	0.2	0.5	(0.2)
Income before taxes and non-segmented items	202.8	227.8	200.1	881.2	826.6

Year Ended December 31, 2018

Revenues

Revenues from management fees were \$2,004.2 million for the year ended December 31, 2018, a change of 5.6% from \$1,897.1 million for the year ended December 31, 2017. The change in management fees from last year was mainly due to the inclusion of Sentry for a full year, offset by net redemptions of funds. Net management fees (management fees less trailer fees and deferred sales commissions) as a percentage of average AUM were 0.961%, down from 0.988% for 2017.

For the year ended December 31, 2018, other revenue was \$2.3 million versus \$14.5 million for the year ended December 31, 2017. The decrease was primarily a result of mark-to-market losses on CI's marketable securities and lower distributions on investments in the fourth quarter.

Expenses

SG&A expenses for the Asset Management segment were \$424.6 million for the year ended December 31, 2018, compared with \$380.0 million for the year ended December 31, 2017. As a percentage of average AUM, SG&A expenses were 0.309% for 2018, up from 0.301% for 2017. The increase as a percentage of average AUM from the prior year was primarily a result of CI reinvesting in its business along with the acquisition of Sentry. Another measure that CI uses to assess its costs is the SG&A efficiency margin, as discussed in the "Non-IFRS Measures" section and as set out in Table 9. CI's SG&A efficiency margin was 67.8% for 2018, compared with 69.5% for 2017.

MANAGEMENT'S DISCUSSION & ANALYSIS

Trailer fees were \$662.8 million for the year ended December 31, 2018, up 7.5% from \$616.8 million for the year ended December 31, 2017. Net of inter-segment amounts, this expense was \$631.2 million for 2018 versus \$587.4 million for 2017. The increase from last year was due to the inclusion of Sentry for a full year.

In 2018, before inter-segment eliminations, CI paid \$23.1 million in deferred sales commissions, compared with \$32.6 million in 2017. CI's sales into deferred load funds has been steadily decreasing over the past decade, consistent with the investment fund industry as a whole.

Other expenses for the year ended December 31, 2018 were \$8.3 million, compared to \$52.0 million last year. In 2017, the primary component of other expenses were the provisions for compensation, legal and tax costs discussed earlier.

For 2018, the asset management margin was 44.6% versus 45.7% for 2017. The decrease in margin was a function of management fees increasing at a lower rate relative to the increase in SG&A. The calculations and definitions of asset management margin can be found in the "Non-IFRS Measures" section and in the trailing 12-month calculations in Table 8.

Income before taxes and non-segmented items for CI's principal segment was \$881.2 million for the year ended December 31, 2018, up from \$826.6 million for the year ended December 31, 2017.

Quarter Ended December 31, 2018

Revenues

Revenues from management fees were \$474.2 million for the quarter ended December 31, 2018, a decrease of 10.9% from \$532.1 million for the quarter ended December 31, 2017 and a decrease of 7.0% from \$509.9 million for the quarter ended September 30, 2018. The decrease in management fees from the fourth quarter of last year was mainly due to the 9.2% decrease in average AUM. Net management fees (management fees less trailer fees and deferred sales commissions) as a percentage of average AUM were 0.963%, down from 0.970% for the fourth quarter last year and from 0.966% for the prior quarter.

For the quarter ended December 31, 2018, other revenue was \$(5.0) million versus \$9.6 million for the quarter ended December 31, 2017 and \$0.9 million for the quarter ended September 30, 2018. The decrease was primarily a result of lower redemption fee revenue, mark-to-market losses on marketable securities, and lower distributions on investments.

Expenses

SG&A expenses for the Asset Management segment were \$101.0 million for the quarter ended December 31, 2018, compared with \$109.6 million for the fourth quarter in 2017 and \$107.5 million for the prior quarter. SG&A decreased from both periods due to lower variable expenses as well as cost containment measures implemented by management. As a percentage of average AUM, SG&A expenses were 0.310% for the quarter ended December 31, 2018, up from 0.305% for the quarter ended December 31, 2017, and up slightly from 0.308% in the quarter ended September 30, 2018. Another measure that CI uses to assess its costs is the SG&A efficiency margin, as discussed in the "Non-IFRS Measures" section and as set out in Table 9. CI's current quarter SG&A efficiency margin was 67.8%, down from 68.6% in the fourth quarter of last year and down slightly from 68.1% in the prior quarter.

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Trailer fees were \$156.3 million for the quarter ended December 31, 2018, down 11.2% from \$176.0 million for the quarter ended December 31, 2017 and down 7.4% from \$168.7 million for the prior quarter. Net of inter-segment amounts, this expense was \$149.1 million for the quarter ended December 31, 2018 versus \$167.8 million for the fourth quarter of 2017 and \$160.6 million for the third quarter of 2018. The decrease from both periods was primarily due to the changes in average AUM.

In the fourth quarter of 2018, before inter-segment eliminations, CI paid \$4.1 million in deferred sales commissions, compared with \$7.7 million in the same quarter of 2017 and \$4.3 million in the prior quarter. CI's sales into deferred load funds has been steadily decreasing over the past decade.

Other expenses for the quarter ended December 31, 2018 were \$3.3 million, compared to \$46.7 million in the same quarter of last year and \$1.0 million in the previous quarter. Other expenses for the fourth quarter of last year included the provisions for compensation, legal and tax costs discussed earlier as well as the \$5.6 million fair value adjustment to contingent consideration payments related to First Asset.

The asset management margin for the fourth quarter of 2018 was 44.9% compared to 44.9% in the fourth quarter of 2017 and 45.0% in the prior quarter. The calculations and definitions of asset management margin can be found in the "Non-IFRS Measures" section.

Income before taxes and non-segmented items for CI's principal segment was \$202.8 million for the quarter ended December 31, 2018, up 1.3% from \$200.1 million in the same period in 2017 and down 11.0% from \$227.8 million in the previous quarter. For the fourth quarter of 2017, income before taxes and non-segmented items, excluding the provisions and fair value adjustment to contingent consideration discussed earlier, was \$244.7 million.

ASSET ADMINISTRATION SEGMENT

The Asset Administration segment operating results are presented in Table 14.

TABLE 14: RESULTS OF OPERATIONS - ASSET ADMINISTRATION SEGMENT

<i>[millions of dollars]</i>	Quarter ended Dec. 31, 2018	Quarter ended Sep. 30, 2018	Quarter ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Administration fees	94.2	94.8	89.5	372.4	341.9
Other revenue	8.3	8.0	6.9	32.3	25.7
Total revenue	102.4	102.8	96.4	404.7	367.6
Selling, general and administrative	25.1	23.9	21.2	97.9	79.1
Investment dealer fees	75.4	76.4	72.4	298.0	279.9
Amortization of intangibles	1.0	1.0	0.9	3.8	2.7
Other expenses	0.1	0.1	0.2	0.3	(0.3)
Total expenses	101.6	101.4	94.7	400.0	361.4
Income before taxes and non-segmented items	0.8	1.4	1.7	4.6	6.3

MANAGEMENT'S DISCUSSION & ANALYSIS

Year Ended December 31, 2018

Revenues

Administration fees were \$372.4 million for the year ended December 31, 2018, an increase of 8.9% from \$341.9 million for the year ended December 31, 2017. The change in administration fees from last year related to the change in assets under administration at Assante as well as the inclusion of BBS for a full year. Net of inter-segment amounts, administration fee revenue was \$197.6 million for the 12 months ended December 31, 2018, up from \$174.0 million for the 12 months ended December 31, 2017.

Other revenue earned by the Asset Administration segment is mainly comprised of non-advisor-related activities. For 2018, other revenue was \$32.3 million, up from \$25.7 million for 2017.

Expenses

Investment dealer fees were \$298.0 million for the year ended December 31, 2018 compared to \$279.9 million for the year ended December 31, 2017. Net of inter-segment amounts, investment dealer fees were \$155.9 million, up from \$142.7 million last year. Investment dealer fees generally fluctuate with Assante's administration fee revenue.

As discussed in the "Non-IFRS Measures" section of this MD&A and as set out in Table 7, dealer gross margin was \$74.3 million or 20.0% of administration fee revenue for the 12 months ended December 31, 2018 compared to \$62.0 million or 18.1% for the 12 months ended December 31, 2017. The increase in dealer gross margin as a percentage of administration fee revenue was mainly due to the inclusion of BBS for a full year, which earns administration fees but does not pay investment dealer fees.

SG&A expenses for the segment were \$97.9 million for 2018 compared to \$79.1 million for 2017. The increase in SG&A expenses from last year was due to the inclusion of BBS for full year, as well as an increase in Assante's discretionary spend.

The Asset Administration segment had income before taxes and non-segmented items of \$4.6 million for the year ended December 31, 2018, compared to \$6.3 million for the year ended December 31, 2017.

Quarter Ended December 31, 2018

Revenues

Administration fees were \$94.2 million for the quarter ended December 31, 2018, an increase of 5.3% from \$89.5 million for the same period a year ago and a decrease of 0.6% from \$94.8 million for the prior quarter. The change in administration fees from the same quarter last year related to the change in assets under administration at Assante as well as the inclusion of BBS for a full quarter. Net of inter-segment amounts, administration fee revenue was \$51.8 million for the quarter ended December 31, 2018, up from \$45.8 million for the quarter ended December 31, 2017 and up from \$50.2 million in the previous quarter.

For the quarter ended December 31, 2018, other revenue was \$8.3 million, up from \$6.9 million in the same quarter of 2017 and up from \$8.0 million in the third quarter of 2018.

MANAGEMENT'S DISCUSSION & ANALYSIS

Expenses

Investment dealer fees were \$75.4 million for the quarter ended December 31, 2018 compared to \$72.4 million for the fourth quarter of 2017 and \$76.4 million for the quarter ended September 30, 2018. Net of inter-segment amounts, investment dealer fees were \$40.5 million, up from \$37.3 million for the same quarter last year and up from \$40.1 million for the quarter ended September 30, 2018.

As discussed in the "Non-IFRS Measures" section of this MD&A and as set out in Table 7, dealer gross margin was \$18.7 million or 19.9% of administration fee revenue for the quarter ended December 31, 2018 compared to \$17.1 million or 19.1% for the fourth quarter of 2017 and \$18.4 million or 19.4% for the previous quarter. The increase in dealer gross margin as a percentage of administration fee revenue from the fourth quarter of 2017 was mainly due to the inclusion of BBS for a full quarter.

SG&A expenses for the segment were \$25.1 million for the quarter ended December 31, 2018 compared to \$21.2 million in the fourth quarter of 2017 and \$23.9 million in the third quarter of 2018. The increase in SG&A expenses from the same period last year was due to the addition of BBS for a full quarter as well as an increase in Assante's discretionary spend.

The Asset Administration segment had income before taxes and non-segmented items of \$0.8 million for the quarter ended December 31, 2018, compared to \$1.7 million for the fourth quarter of 2017 and \$1.4 million for the prior quarter.

LIQUIDITY AND CAPITAL RESOURCES

CI generated \$655.5 million of free cash flow in 2018, compared to \$648.4 million for 2017. Reconciliations of free cash flow to cash provided by operating activities are provided in the "Non-IFRS Measures" section and set out in Table 4.

CI primarily uses cash flow to fund capital expenditures, fund acquisitions, pay down debt, pay dividends on its shares, and repurchase shares through its normal course issuer bid. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and support planned business operations for at least the next 12 months.

CI's cash flows may fluctuate, primarily in the first quarter, as a result of the balance of cash income taxes and incentive compensation being paid at the end of February.

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE 15: SUMMARY OF CASH FLOWS

<i>[millions of dollars]</i>	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Free cash flow	655.5	648.4
Less:		
Investments in marketable securities, net of marketable securities sold	(4.2)	18.7
Capital expenditures	11.7	9.2
Share repurchases, net of shares issued	656.5	413.2
Dividends paid	295.4	368.0
Debt repaid / (drawn)	(384.7)	(358.8)
Working capital and other items	68.2	191.4
	642.9	641.7
Net change in cash	12.6	6.7
Cash at January 1	124.6	117.9
Cash at December 31	137.2	124.6

During 2018, CI invested \$17.8 million in marketable securities and received proceeds of \$22.0 million from the disposition of marketable securities. Excluding BBS' securities owned, at market, the fair value of CI's investments as of December 31, 2018 was \$133.0 million. This was comprised of seed capital investments in CI funds and strategic investments.

During the year ended December 31, 2018, CI invested \$11.7 million in capital assets, up from \$9.2 million in the year ended December 31, 2017. These investments related primarily to technology and leasehold improvements.

During 2018, CI paid dividends of \$295.4 million and repurchased 28.5 million shares under its normal course issuer bid at a total cost of \$656.9 million, or \$23.03 per share. CI's current dividend rate is \$0.18/share per calendar quarter.

The statement of financial position for CI at December 31, 2018 reflected total assets of \$4.292 billion, a decrease of \$53.0 million million from \$4.345 billion at December 31, 2017. This change was primarily due to a decrease in marketable securities, as well as accounts receivable and prepaid expenses, partially offset by an increase in cash and client and trust funds on deposit.

CI's cash and cash equivalents increased by \$12.6 million in 2018 to \$137.2 million as of December 31, 2018. Accounts receivable and prepaid expenses decreased by \$79.6 million to \$156.8 million as of December 31, 2018. Capital assets increased by \$1.7 million during the year ended December 31, 2018 as a result of \$11.7 million in capital additions less \$10.0 million in amortization.

Total liabilities increased by \$419.6 million during the year to \$2.859 billion at December 31, 2018. This change was mainly attributable to a \$385.6 million increase in debt, as well as an increase in dividends payable, as CI declared dividends through to the end of 2019. In total, CI had \$1,225.0 million in outstanding debentures at December 31, 2018 with a weighted average interest rate of 3.16% and a carrying value of \$1,220.2 million.

As of December 31, 2018, CI had drawn \$283.5 million against its \$700 million credit facility. Principal repayments on any drawn amounts are only required at the maturity of the facility. At the beginning of the fourth quarter, CI amended its credit facility agreement, which has a new maturity date of December 11, 2021.

MANAGEMENT'S DISCUSSION & ANALYSIS

Net debt, as discussed in the "Non-IFRS Measures" section and as set out in Table 6, was \$1,255 million at December 31, 2018, up from \$861 million at December 31, 2017. This increase was primarily due to CI returning more cash to shareholders in the form of share repurchases and dividends, relative to the amount of free cash flow that was generated for the period. The average gross debt level for the year ended December 31, 2018 was \$1,415 million, compared to \$966 million for last year.

At December 31, 2018, CI was in a positive working capital position. This, in addition to the availability of its credit facility, reflects the ability of CI to meet its cash flow requirements.

CI's ratios of debt to adjusted EBITDA and net debt to adjusted EBITDA were 1.8 to 1 and 1.5 to 1, respectively. CI was within its financial covenants with respect to its credit facility, which required that the debt to EBITDA ratio remain below 3.0 to 1, and assets under management not fall below \$85 billion, based on a rolling 30-day average.

Shareholders' equity was \$1.430 billion at December 31, 2018, a decrease of \$473.0 million from December 31, 2017.

MANAGEMENT'S DISCUSSION & ANALYSIS

RISK MANAGEMENT

CI is exposed to a number of risks that are inherent in the wealth management business. Some factors which introduce or exacerbate risk are within the control of management and others are, by their nature, outside of CI's direct control but must still be managed. Effective risk management is a key component to achieving CI's business objectives and protecting company and client assets. It is an ongoing process involving the Board of Directors and the company's Risk Management Committee, comprised of senior executives representing CI's business units. The Board has delegated primary responsibility for oversight of risk management to the Audit and Risk Committee of the Board of Directors.

The Risk Management Committee monitors, evaluates and manages risk, and ensures that business strategies and activities are consistent with CI's risk appetite. Regular reports are provided to the Audit and Risk Committee of CI's Board.

As noted above, the Risk Management Committee is comprised of senior executives from each core business unit and operating area at CI. CI has developed an enterprise-wide approach to monitoring, evaluating and managing risk. The members of the Risk Management Committee identify and evaluate specific and material risks, applying both a quantitative and a qualitative analysis and then assess the likelihood of occurrence of a particular risk event. Once risks have been identified and rated, strategies and procedures are developed to minimize or avoid negative consequences and these risk mitigation processes are implemented and monitored with each business unit.

The risks described below are not the only risks facing CI. The risks set out below are risks and uncertainties that the Risk Management Committee currently believe could materially affect CI's future financial performance. The reader should carefully consider the risks described below, and the other information contained in this MD&A, including under the heading "Forward-Looking Statements" before making an investment decision.

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 the performance of CI's investment funds 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 meet its financial obligations.

MANAGEMENT'S DISCUSSION & ANALYSIS

MARKET RISK FOR THE ASSET MANAGEMENT SEGMENT

At December 31, 2018, approximately 27% 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 \$6 million in annual pre-tax earnings in the Asset Management segment.

At December 31, 2018, about 50% of CI's assets under management were based in Canadian currency. While CI's concentration in Canadian currency assets reduces its exposure to foreign exchange risk, approximately 27% 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. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of about \$26 million in the Asset Management segment's annual pre-tax earnings.

About 59% of CI's assets under management were held in equity securities at December 31, 2018, 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 \$61 million in annual pre-tax earnings.

CI has a control environment that ensures market risks are reviewed regularly. CI's compliance group reviews and monitors CI's fund and portfolio investments for compliance with investment policies and regulations. CI also reviews investment processes, portfolio positioning and attribution of results of its investment teams on a regular basis.

MARKET RISK FOR THE ASSET ADMINISTRATION SEGMENT

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 reported a gain of \$0.8 million before income taxes and non-segmented items for the quarter ended December 31, 2018). 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 one component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of approximately \$4 million to the Asset Administration segment's annual pre-tax earnings.

POLITICAL AND MARKET RISK

CI's performance is directly affected by financial markets and political conditions, including any political change and uncertainty in the United States and globally. These changes may cause significant volatility and decline in the global economy or specific international, regional and domestic financial markets which are beyond the control of CI. There can be no assurance that financial market performance will be favourable in the future. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance, which could negatively impact CI's business and impede the growth of CI's assets under management and revenue.

MANAGEMENT'S DISCUSSION & ANALYSIS

STRATEGIC RISK

Strategic risks are risks that directly impact the overall direction of CI and the ability of CI to successfully identify growth opportunities and implement proposed solutions. The key strategic risk is the risk that management fails to anticipate, and respond to, changes in the business environment, including demographic, regulatory and competitive changes. CI's performance is directly affected by the 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 ongoing review and assessment of industry and economic trends and changes. Strategies are then designed to effectively respond to any anticipated changes, including identifying acquisition opportunities, developing new business lines, introducing new products, and implementing cost control strategies.

Part of CI's strategy includes strategic acquisitions and investments in growth opportunities. Strategic acquisitions may benefit CI through increasing fee earning assets, broadening CI's distribution relationships, enhancing CI's business capabilities and capturing cost synergies. CI embarks on a thorough due diligence process prior to any acquisition; however, there can be no assurances that the anticipated benefits of any acquisition will be achieved. The success of an acquisition is contingent upon many factors, including retaining key employees, securing assets acquired, obtaining legal and regulatory approvals, integrating operations and vendor relationships, and having favourable economic conditions.

REPUTATION RISK

Reputation risk is the potential negative impact of a deterioration of CI's image or lower public confidence in the CI brand, its senior management or its products and services. Operational errors, poor performance, regulatory investigation or sanctions, litigation or employee misconduct could result in reputational harm to CI. Through its Codes of Conduct, governance practices, risk management programs, policies, procedures and training, CI attempts to prevent and detect any activities by CI officers, directors, and employees that would harm CI's reputation. While all employees, directors and officers are expected to protect the reputation of CI, there can be no assurances that unauthorized or unsuccessful activities may result in damage to CI's reputation, which could adversely affect CI's business and profitability.

COMPETITION RISK

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, 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, and potential future competitors may have, greater technical, financial, marketing, distribution or other resources than CI. The trend toward greater consolidation within the investment management industry has increased the strength of a number of CI's competitors. CI's competitors seek to expand market share by offering different products and services and more competitive pricing than those offered by CI. While CI continues to develop and market new products and services and remains competitive with respect to fees, there can be no assurance that CI will maintain its current standing or market share or investment performance relative to its competitors, which may adversely affect the business, financial condition or operating results of CI.

MANAGEMENT'S DISCUSSION & ANALYSIS

In addition, there are uncertainties involved in the introduction of new products and services, including technical requirements, operational controls and procedures, compliance with regulatory requirements and shifting market preferences. The development and introduction of new products and services may require ongoing support and investment. A failure to manage the risks involved in the implementation of new products and services may lead to operational lapses, increased capital requirements, and competitive alternatives, which could adversely affect CI's standing, market share or investment performance relative to its competitors and negatively impact the business, financial condition or operating results of CI.

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, in the future, enjoy the level of access that it has in the past, which would adversely affect its sales of investment products.

REGULATORY AND LEGAL RISK

CI's business is dependent upon compliance with and continued registration under securities laws in all jurisdictions in which CI and its subsidiaries 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. In addition, the ongoing change in the securities regulatory environment governing CI's business may require additional human resources and operations which will increase costs.

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 corporate laws, securities laws, stock exchange rules and misuse of investors' funds. Some violations of corporate laws, securities laws or stock exchange rules could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's right to carry on an existing business. CI may incur significant costs in connection with such potential liabilities.

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INFORMATION TECHNOLOGY RISK

CI uses information technology and the internet to streamline business operations and to improve the client and advisor experience. However, with the use of information technology and the internet, email messaging and other online capabilities, CI is exposed to information security risk that could potentially have an adverse impact on its business. CI is dependent on its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data that it transmits through its information technology systems. Any information technology event, such as a hacker attack or virus, or internal issue, such as the failure to implement sufficient controls, could result in unauthorized access to sensitive or confidential information, theft, operational disruption, regulatory actions, legal liability or reputational harm. CI actively monitors this risk and continues to develop controls to protect against cyber threats that are becoming more sophisticated and pervasive. In addition, CI has and will continue to implement safeguards to control access to sensitive information, through password protection, encryption of confidential information and other means. Notwithstanding these measures, CI cannot fully mitigate the risk associated with information technology security. If mobile electronic devices, such as laptops or smart phones, are stolen, lost or left unattended, such devices may become exposed to hacking or other unauthorized use. As well, CI is dependent on the efficiency and effectiveness of the technology it uses and keeping pace with a continuously evolving information technology landscape. Malfunctioning of any of the technologies used by CI and being slow to keep pace could disrupt the company's success and negatively impact CI's financial position and reputation.

CI's business is dependent on the physical integrity of its infrastructure, including its office space, storage centers and other facilities. CI has taken precautions to protect the physical security of its infrastructure, and the sensitive information contained therein, through passkey protection, limited after-hours access and clean desk policies. However, a breach of the physical integrity of CI infrastructure may leave sensitive information vulnerable to unauthorized access and use, increasing a possible security risk, which could negatively impact CI's business and reputation.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. The operational risk that CI is exposed to may arise from, technology failures, business disruption, theft and fraud, failure of key third parties, employee errors, processing and execution errors, and inaccurate or incomplete client information. Operational risk may result in a financial loss but can also lead to regulatory sanctions and harm to CI's reputation. Operational risk driven by people and processes are mitigated through human resources policies and practices, and a strong internal control environment. Operational risks driven by systems and services are managed through controls over technology development and change management as well as enhanced procedures for oversight of third-party service providers. While CI continuously monitors its operational risks, there can be no assurances that CI's internal control procedures can mitigate all operational risks.

TAXATION RISK

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. 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 adjustments. While CI regularly assesses the likely outcome of these audits in order to determine the

MANAGEMENT'S DISCUSSION & ANALYSIS

appropriateness of its tax provision, there can be no assurance that CI will accurately predict the outcomes of these audits. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected.

REDEMPTION RISK

CI earns revenue primarily from management fees earned for advising and managing investment fund assets. The level of these assets is dependent on (i) sales; (ii) redemptions; and (iii) investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment preference, or other factors.

Significant redemptions could adversely affect investor fund returns by impacting market values and increasing transaction costs or taxable distributions. Continued large redemptions could negatively impact the prospects and operating results of CI.

KEY PERSONNEL RISK

The success of CI is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel, could adversely affect CI's business. The retention of these key managers and the identification and development of the next generation of managers is an area of focus for CI. CI has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

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 with specialized skills related to, among other things, marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These highly skilled and often highly specialized individuals play an important role in developing, implementing, operating, managing and distributing CI's products and services. Accordingly, the recruitment and retention of skilled personnel, continuous training and transfer of knowledge are key activities that are essential to CI's performance. CI has taken, and will continue to take, steps to encourage our key employees to remain employed at CI, including the implementation of long-service awards, employee engagement strategies and enhanced transparency measures with respect to compensation. In addition, the focus on asset growth and the reliance on investment performance to sell financial products has 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. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could result in a loss of clients and a decline in sales and 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.

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INSURANCE RISK

CI maintains various types of insurance which include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, agents' insurance and general commercial liability insurance. Management evaluates the adequacy of CI's insurance coverage on an ongoing basis. However, there can be no assurance that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the relevant policies. A judgment against CI in excess of available coverage could have a material adverse effect on CI both in terms of damages awarded and the impact on the reputation of CI.

CAPITAL RISK

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.

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 significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of individual counterparties 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.

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.

MANAGEMENT'S DISCUSSION & ANALYSIS

SHARE CAPITAL

As at December 31, 2018, CI had 243,721,650 shares outstanding.

Employee Incentive Share Option Plan: At December 31, 2018, 7.0 million options to purchase shares were outstanding, of which 5.8 million options were exercisable at prices ranging from \$27.44 to \$35.88.

Restricted Share Unit ("RSU") Plan: 663,773 RSUs were outstanding as at December 31, 2018.

Deferred Share Unit ("DSU") Plan: 15,563 DSUs were outstanding as at December 31, 2018.

Additional details about the above Plans can be found in Note 9 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI's contractual obligations at December 31, 2018.

PAYMENTS DUE BY YEAR

<i>[millions of dollars]</i>	Total	1 year or less	2	3	4	5	More than 5 years
Long-term debt	1,508.5	—	450.0	483.5	—	325.0	250.0
Operating leases	90.0	14.1	12.9	12.3	11.8	11.7	27.2
Total	1,598.5	14.1	462.9	495.8	11.8	336.7	277.2

SIGNIFICANT ACCOUNTING ESTIMATES

The December 31, 2018 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 Consolidated Financial Statements. Note 3 provides a discussion regarding the methodology used for business acquisitions. Note 5 provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

NEW ACCOUNTING POLICIES

Effective, January 1, 2018, CI retrospectively adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. Note 2 of the December 31, 2018 Notes to Consolidated Financial Statements provides a discussion regarding the new accounting standards and the impact the adoption had on the Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION & ANALYSIS

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 as defined in National Instrument 52-109 (NI 52-109). Management evaluated, with participation of the CEO and CFO, the effectiveness of the disclosure controls and procedures as at December 31, 2018. Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these disclosure controls and procedures were effective as at December 31, 2018 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 as defined in NI 52-109 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, concluded that the internal controls over financial reporting were effective as at December 31, 2018. 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 quarter ended December 31, 2018, there have been no changes to the internal controls that have materially affected, or are reasonably likely to affect, internal controls over financial reporting

Additional information relating to CI, including the most recent audited annual financial statements, management information circular and annual information form, is available on SEDAR at www.sedar.com and on CI's website at www.cifinancial.com. Information contained in or otherwise accessible through the websites mentioned in this MD&A does not form part of, and is not incorporated by reference into, this MD&A.



Consolidated Financial Statements

December 31, 2018
CI FINANCIAL CORP

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CI FINANCIAL CORP.

Opinion

We have audited the consolidated financial statements of **CI Financial Corp.** and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and January 1, 2017, and the consolidated statements of income and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and January 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

INDEPENDENT AUDITORS' REPORT

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

INDEPENDENT AUDITORS' REPORT

date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

February 7, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>[in thousands of Canadian dollars]</i>	As at December 31, 2018 \$	As at December 31, 2017 \$	As at January 1, 2017 \$
ASSETS			
Current			
Cash and cash equivalents	137,160	124,582	117,899
Client and trust funds on deposit	365,520	327,733	185,424
Investments <i>[note 12]</i>	168,122	200,910	85,013
Accounts receivable and prepaid expenses	156,798	236,356	148,218
Income taxes receivable	8,891	—	—
Total current assets	836,491	889,581	536,554
Capital assets, net <i>[note 4]</i>	44,985	43,241	34,741
Intangibles <i>[note 5]</i>	3,370,341	3,375,840	2,407,966
Other assets <i>[notes 6 and 8]</i>	40,399	36,592	206,735
Total assets	4,292,216	4,345,254	3,185,996
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	253,518	299,004	222,742
Current portion of provision for other liabilities <i>[note 8]</i>	14,591	61,210	37,246
Dividends payable <i>[note 10]</i>	175,290	64,598	61,015
Client and trust funds payable	370,756	375,647	183,148
Income taxes payable	—	1,124	8,586
Current portion of long-term debt <i>[note 7]</i>	—	222,000	—
Total current liabilities	814,155	1,023,583	512,737
Deferred lease inducement	11,320	12,214	11,770
Dividends payable long-term <i>[note 10]</i>	43,822	—	—
Long-term debt <i>[note 7]</i>	1,503,733	896,119	758,658
Provision for other liabilities <i>[note 8]</i>	20,177	37,385	48,063
Deferred income taxes <i>[notes 2 and 11]</i>	466,083	470,393	309,548
Total liabilities	2,859,290	2,439,694	1,640,776
Equity			
Share capital <i>[note 9(a)]</i>	2,125,130	2,360,257	1,885,066
Contributed surplus	25,270	22,058	18,062
Deficit <i>[note 2]</i>	(720,600)	(493,534)	(369,689)
Accumulated other comprehensive income <i>[note 2]</i>	277	14,301	9,148
Total equity attributable to the shareholders of the Company	1,430,077	1,903,082	1,542,587
Non-controlling interests	2,849	2,478	2,633
Total equity	1,432,926	1,905,560	1,545,220
Total liabilities and equity	4,292,216	4,345,254	3,185,996

(see accompanying notes)

On behalf of the Board of Directors:



William T. Holland
Director



Tom P. Muir
Director

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31

	2018	2017
<i>[in thousands of Canadian dollars, except per share amounts]</i>	\$	\$
REVENUE		
Management fees	2,004,151	1,897,061
Administration fees	197,591	174,009
Redemption fees	14,851	15,276
Realized and unrealized (loss) gain on investments <i>[note 2]</i>	(8,115)	1,365
Other income <i>[note 6]</i>	27,887	23,585
	2,236,365	2,111,296
EXPENSES		
Selling, general and administrative <i>[note 18]</i>	522,518	459,103
Trailer fees	631,243	587,408
Investment dealer fees	155,871	142,698
Deferred sales commissions <i>[note 2]</i>	22,113	31,295
Amortization of intangibles	9,645	6,424
Interest <i>[note 7]</i>	43,054	24,926
Other <i>[note 6]</i>	8,621	51,707
	1,393,065	1,303,561
Income before income taxes	843,300	807,735
Provision for (recovery of) income taxes <i>[notes 2 and 11]</i>		
Current	229,009	262,001
Deferred	(3,556)	(3,205)
	225,453	258,796
Net income for the year	617,847	548,939
Net income (loss) attributable to non-controlling interests	371	(155)
Net income attributable to shareholders <i>[note 2]</i>	617,476	549,094
Other comprehensive income, net of tax <i>[note 2]</i>		
Unrealized gain on available-for-sale financial assets, net of income taxes of nil [2017 - \$843]	—	5,515
Reversal of gains to net income on available-for-sale financial assets, net of income taxes of nil [2017 - \$(56)]	—	(407)
Exchange differences on translation of foreign operations	808	45
Total other comprehensive income, net of tax	808	5,153
Comprehensive income for the year	618,655	554,092
Comprehensive income (loss) attributable to non-controlling interests	371	(155)
Comprehensive income attributable to shareholders <i>[note 2]</i>	618,284	554,247
Basic earnings per share attributable to shareholders <i>[note 9(e)]</i>	\$2.38	\$2.08
Diluted earnings per share attributable to shareholders <i>[note 9(e)]</i>	\$2.38	\$2.08

(see accompanying notes)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31

<i>[in thousands of Canadian dollars]</i>	Share capital <i>[note 9(a)]</i>	Contributed surplus	Deficit <i>[note 2]</i>	Accumulated other comprehensive income <i>[note 2]</i>	Total shareholders' equity	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2018	2,360,257	22,058	(478,702)	(531)	1,903,082	2,478	1,905,560
Comprehensive income	—	—	617,476	808	618,284	371	618,655
Dividends declared <i>[note 10]</i>	—	—	(449,919)	—	(449,919)	—	(449,919)
Shares repurchased, net of tax	(243,180)	—	(409,455)	—	(652,635)	—	(652,635)
Issuance <i>[notes 8 and 9]</i>	534	—	—	—	534	—	534
Issuance of share capital for equity-based plans, net of tax	7,519	(7,113)	—	—	406	—	406
Compensation expense for equity-based plans, net of tax	—	10,325	—	—	10,325	—	10,325
Change during the year	(235,127)	3,212	(241,898)	808	(473,005)	371	(472,634)
Balance, December 31, 2018	2,125,130	25,270	(720,600)	277	1,430,077	2,849	1,432,926
Balance, January 1, 2017	1,885,066	18,062	(369,689)	9,148	1,542,587	2,633	1,545,220
Comprehensive income	—	—	549,094	5,153	554,247	(155)	554,092
Dividends declared <i>[note 10]</i>	—	—	(371,578)	—	(371,578)	—	(371,578)
Shares repurchased, net of tax	(108,249)	—	(301,361)	—	(409,610)	—	(409,610)
Business combination <i>[note 3]</i>	576,996	—	—	—	576,996	—	576,996
Issuance <i>[notes 8 and 9]</i>	2,190	—	—	—	2,190	—	2,190
Issuance of share capital for equity-based plans, net of tax	4,254	(4,254)	—	—	—	—	—
Compensation expense for equity-based plans, net of tax	—	8,250	—	—	8,250	—	8,250
Change during the year	475,191	3,996	(123,845)	5,153	360,495	(155)	360,340
Balance, December 31, 2017	2,360,257	22,058	(493,534)	14,301	1,903,082	2,478	1,905,560

(see accompanying notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

<i>[in thousands of Canadian dollars]</i>	2018 \$	2017 \$
OPERATING ACTIVITIES (*)		
Net income for the year	617,847	548,939
Add (deduct) items not involving cash		
Realized and unrealized loss (gain) on investments	8,115	(1,365)
Fair value adjustment to put option and contingent consideration	(1,144)	5,600
Equity-based compensation	13,728	10,228
Amortization of intangibles	9,645	6,424
Amortization and depreciation of other	10,912	8,110
Deferred income taxes	(3,556)	(3,205)
Cash provided by operating activities before net change in operating assets and liabilities	655,547	574,731
Net change in operating assets and liabilities	(47,336)	6,377
Cash provided by operating activities	608,211	581,108
INVESTING ACTIVITIES		
Purchase of investments	(17,768)	(38,343)
Proceeds on sale of investments	21,960	19,676
Additions to capital assets	(11,709)	(9,229)
Decrease (increase) in other assets	(2,824)	125,917
Additions to intangibles	(4,359)	(10,697)
Cash paid to settle put option and contingent liability <i>[note 8]</i>	(13,694)	(11,808)
Interest in joint operation	—	(609)
Acquisition of subsidiary, net of cash acquired <i>[note 3]</i>	—	(226,710)
Cash used in investing activities	(28,394)	(151,803)
FINANCING ACTIVITIES		
Increase (decrease) in amounts drawn on credit facility	(222,000)	110,000
Issuance of debentures	606,667	248,820
Repurchase of share capital	(656,907)	(413,243)
Issuance of share capital	406	—
Share issue expense paid	—	(204)
Dividends paid to shareholders	(295,405)	(367,995)
Cash used in financing activities	(567,239)	(422,622)
Net increase in cash and cash equivalents during the year	12,578	6,683
Cash and cash equivalents, beginning of year	124,582	117,899
Cash and cash equivalents, end of year	137,160	124,582
(*) Included in operating activities are the following:		
Interest paid	38,289	22,015
Income taxes paid	240,519	206,642

(see accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017 • *[in thousands of dollars, except per share amounts]*

CI Financial Corp. ["CI"] is a publicly listed company (TSX: CIX) incorporated under the laws of the Province of Ontario and has its registered office and principal place of business located at 2 Queen Street East, Toronto, Ontario.

CI's primary business is the management and distribution of a broad range of financial products and services, including mutual funds, segregated funds, exchange-traded 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 7, 2019.

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, which is CI's functional currency.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of CI and all its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities over which CI has control, 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.

CI's principal subsidiaries are as follows:

- CI Investments Inc. ["CI Investments"], Assante Wealth Management (Canada) Ltd. ["AWM"], First Asset Capital Corp. ["First Asset"], BBS Securities Inc. ["BBS"] and their respective subsidiaries. Effective, June 1, 2018, Sentry Investments Corp. amalgamated with CI Investments.
- CI holds a controlling 65% interest in Marret Asset Management Inc. ["Marret"]. A non-controlling interest is recorded in the consolidated statements of income and comprehensive income to reflect the non-controlling interest's share of the income and comprehensive income, and a non-controlling interest is recorded within equity in the consolidated statements of financial position to reflect the non-controlling interest's share of the net assets of Marret.
- CI holds a controlling 83% interest in Grant Samuel Funds Management ["GSFM"] and granted a put option to shareholders for the remaining 17% minority interest. CI considers the non-controlling interest in GSFM to have already been acquired and consolidates 100% of the income and comprehensive income in the consolidated statements of income and comprehensive income. GSFM has an interest in a joint arrangement classified as a joint operation. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017 • [in thousands of dollars, except per share amounts]

consolidated financial statements include GSFM's recognition of its share of the joint operation's assets, liabilities, income and comprehensive income.

Hereinafter, CI and its subsidiaries are referred to as CI.

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 totalled \$124.4 billion as at December 31, 2018 [2017 – \$143.0 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.

REVENUE RECOGNITION

Revenue is recognized when control of the goods or services are transferred to CI at an amount that reflects the consideration to which CI expects to be entitled in exchange for those goods or services. 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.

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 security holders 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

Classification and measurement of financial assets

CI classifies its financial assets as fair value through profit or loss ["FVPL"] and amortized cost. CI had no financial assets classified as fair value through other comprehensive income ["FVOCI"] during the year ended December 31, 2018.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and CI's business model for managing them. With the exception of trade receivables, that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"], all financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets classified as FVPL are carried at fair value in the consolidated statements of financial position and any gains or losses are recorded in net income in the period in which they arise. Financial assets classified as FVPL include cash and cash equivalents, investments and other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017 • [in thousands of dollars, except per share amounts]

Financial assets are classified at amortized cost using the effective interest method if they meet the following conditions and are not designated as FVPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets classified at amortized cost include client and trust funds on deposit, accounts receivable and other assets.

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.

Investments

Investments include BBS's securities owned, at market, principally for the purpose of selling or repurchasing in the near term. Securities owned, at market, are classified as FVPL and are initially recognized on the consolidated statements of financial position at fair value with transaction costs expensed as incurred. Subsequent realized and unrealized gains and losses are included in administration fees income in the consolidated statements of income and comprehensive income in the period in which they arise. Securities transactions are recorded on a trade date basis. Market value is based on quoted prices where an active market exists. For securities in non-active markets, market value is based on valuation techniques and management's best estimate of fair value.

Also included in investments are marketable securities that consist of CI's seed capital investments in CI mutual funds and strategic investments. Investments in marketable securities are measured at fair value and recognized on the trade date. Mutual fund securities are valued using the net asset value per unit of each fund. Realized and unrealized gains and losses are recognized

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017 • [in thousands of dollars, except per share amounts]

using average cost and recorded in net income. Distributions from mutual fund securities are recorded as other income. Distributions that are reinvested increase the cost base of the mutual fund investments.

Impairment of financial assets

CI recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 months of expected credit losses. For trade receivables, CI applies the simplified approach to providing for expected credit losses, which allows for the use of a lifetime expected credit loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized.

Classification and measurement of financial liabilities

CI classifies its financial liabilities as FVPL and amortized cost. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the financial liability is classified at FVPL. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognized in net income. Financial liabilities classified at FVPL include derivative financial instruments included in long-term debt and a contingent consideration payable included in provision for other liabilities. All other financial liabilities are measured at amortized cost.

Derivative financial instruments and hedge accounting

CI may use derivative financial instruments such as interest rate swaps and forward foreign exchange contracts to manage its interest rate and foreign currency risk related to long-term debt. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The accounting for subsequent changes depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

CI entered into an interest rate swap designated as a fair value hedge to manage the effect of changes in interest rates relating to its fixed-rate debentures. The swap involves exchanging interest payments without exchanging the notional amount on which the payments are based. The exchange of payments is recorded as an adjustment to interest expense on the hedged item. Changes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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in the fair value of the swap are recorded in the consolidated statements of income and comprehensive income in other expenses, together with any changes in the fair value of the hedged liability attributable to the hedged risk as an offset.

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 maximizes the use of observable data when developing estimates and assumptions, 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 consolidated 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 consolidated financial statements on a recurring basis, CI determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

COLLATERALIZED SECURITIES TRANSACTIONS

CI engages in securities lending and borrowing to facilitate the securities settlement process and to maximize revenue by acting as an agent for such transactions. These transactions are typically short-term in nature, with interest being received on the cash delivered. These transactions are collateralized by either cash, letters of credit or other collateral and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. CI manages its credit exposure by establishing and monitoring aggregate limits by counterparty for these transactions. CI's securities lending and borrowing transactions are recorded in accounts receivable and prepaid expenses and accounts payable and accrued liabilities.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation. These assets are depreciated 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

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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 12 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 put option or contingent consideration. Subsequent to the acquisition, the put option and contingent consideration that is based on an earnings measurement 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.

INTANGIBLES

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 indefinite life fund contracts at least annually for potential impairment by comparing the recoverable amount with their carrying amounts. CI will evaluate the carrying amount of fund contracts 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 a period of up to 25 years. Fund management contracts with a finite life are amortized on a straight-line basis over a period of up to 20 years. The amortization period depends 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.

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.

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EQUITY-BASED COMPENSATION

CI uses the fair value method to account for equity-settled employee incentive share options and restricted share units [“RSUs”]. 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. Upon vesting of the RSUs, the amount accumulated in contributed surplus for the RSUs is reclassified to share capital.

CI has a deferred share unit plan for directors. The value of the compensation at the date of grant is recognized immediately as compensation with a corresponding increase in accounts payable and accrued liabilities. At each consolidated statement of financial position date, the liability is revalued with an offset to compensation expense.

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 tax laws enacted or substantively enacted as at the consolidated statement of financial position dates.

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.

PROVISION 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.

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FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions that are denominated in a currency other than the functional currency of the entity are translated as follows: Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect as at the consolidated statement of financial position dates. 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 period. 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 period in which they occur.

(ii) Foreign currency operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at the exchange rate in effect as at the consolidated statement of financial position dates. Revenue and expenses are translated at average rates prevailing during the period. Translation exchange gains and losses are recognized as other comprehensive income and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized. The consolidated statements of cash flows are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate in effect as at the consolidated statement of financial position dates.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(i) Impairment of intangible assets

Finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 judgment regarding market growth rates, fund flow assumptions, expected margins and costs that 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 intangible assets 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 judgment 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.

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(iii) Provision for other liabilities

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, 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 pricing model which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in Note 9[b].

(v) Business combinations

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired and liabilities, put option and contingent consideration liabilities incurred or assumed.

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2. NEW ACCOUNTING STANDARDS

[A] IFRS 15

Effective January 1, 2018, CI retrospectively adopted IFRS 15. IFRS 15 replaces prior guidance, including IAS 18, *Revenue*. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Prior to the adoption of IFRS 15, commissions paid on sales of deferred sales charge mutual funds were capitalized and amortized over the redemption period. CI has determined that these costs are within the scope of IFRS 15 and do not qualify as an incremental cost of acquiring its fund contracts. Accordingly, CI now recognizes the related sales commissions as an expense at the date incurred. The retrospective application of IFRS 15 resulted in the derecognition of previously recognized deferred sales commissions and the related deferred tax liability on CI's consolidated statements of financial position of \$153,644 as at January 1, 2018 (\$202,811 as at January 1, 2017). CI will recognize sales commissions as an expense at the date incurred rather than deferring and recognizing over the redemption period. CI has assessed and determined that there are no other significant impacts resulting from the application of IFRS 15 on its consolidated financial statements.

[B] IFRS 9

Effective January 1, 2018, CI retrospectively adopted IFRS 9, *Financial Instruments* ["IFRS 9"], replacing IAS 39, *Financial Instruments* ["IAS 39"]. IFRS 9 provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held.

Under IFRS 9, financial assets are classified as either FVPL, FVOCI or amortized cost and financial liabilities are categorized as either FVPL or amortized cost. For financial liabilities designated as FVPL, IFRS 9 requires the presentation of the effects of changes in the liability's credit risk in other comprehensive income instead of net income. The application of IFRS 9 resulted in the reclassification of investments of \$117,830 to FVPL as at January 1, 2018, which were previously classified as available-for-sale under IAS 39 as at December 31, 2017. CI recognized a decrease in opening deficit of \$14,832 with a corresponding decrease in the opening accumulated other comprehensive income as at January 1, 2018. The classification of all other assets and liabilities are consistent with previous classification under IAS 39 with the exception that assets previously classified as loans and receivables and other liabilities under IAS 39 are now classified as amortized cost under IFRS 9.

Upon adoption of IFRS 9 on January 1, 2018, CI also applied amendments to IFRS 7, *Financial Instruments: Disclosures*, and elected not to restate comparative information. Prior year comparative information has been presented in accordance with its previous accounting policy.

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[C] APPLICATION IMPACT OF IFRS 9 AND IFRS 15 ON FINANCIAL STATEMENTS:

The following table shows the impact of the application of IFRS 9 and IFRS 15 to deficit and accumulated other comprehensive income balances on the consolidated statements of financial position:

	January 1, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$
Deficit prior to application of IFRS 9 and IFRS 15	(339,890)	(339,890)	(166,878)
Deferred sales commissions	(205,478)	(205,478)	(272,699)
Deferred income taxes	51,834	51,834	69,888
Accumulated other comprehensive income	14,832	—	—
Total adjustment to deficit	(138,812)	(153,644)	(202,811)
Deficit subsequent to application of IFRS 9 and IFRS 15	(478,702)	(493,534)	(369,689)
Accumulated other comprehensive income prior to application of IFRS 9	14,301	14,301	9,148
Accumulated other comprehensive income	(14,832)	—	—
Accumulated other comprehensive income subsequent to application of IFRS 9	(531)	14,301	9,148

The comparative consolidated statements of income and comprehensive income were not restated for the application of IFRS 9. The following table shows the impact of the application of IFRS 15 to the consolidated statements of income and comprehensive income:

	Year ended December 31, 2017
	\$
Net income attributable to shareholders prior to application of IFRS 15	499,927
Amortization of deferred sales commissions	98,515
Deferred sales commissions paid	(31,295)
Deferred income taxes	(18,053)
Differences in net income	49,167
Net income attributable to shareholders subsequent to application of IFRS 15	549,094
Comprehensive income attributable to shareholders prior to application of IFRS 15	505,080
Differences in net income	49,167
Comprehensive income attributable to shareholders subsequent to application of IFRS 15	554,247

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The following table shows the impact of the application of IFRS 15 to the consolidated statements of cash flows:

	Year ended December 31, 2017
	\$
Cash provided by operating activities prior to application of IFRS 15	612,403
Deferred sales commissions paid	(31,295)
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Cash provided by operating activities subsequent to application of IFRS 15	581,108
Cash used in investing activities prior to application of IFRS 15	(183,098)
Deferred sales commissions paid	31,295
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Cash used in investing activities subsequent to application of IFRS 15	(151,803)

3. BUSINESS ACQUISITION

Sentry Investments Corp.

On October 2, 2017, CI completed the acquisition of all outstanding shares of Sentry Investments Corp. and Sentry Investments Inc. [collectively, "Sentry"], a Canadian asset management company, for total consideration of \$807,607, in cash of \$257,607 and CI common shares of \$550,000. The acquisition was accounted for 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 as at October 2, 2017, at fair value, are as follows:

	\$
Cash and cash equivalents	23,897
Accounts receivable and prepaid expenses	33,256
Investments	34,251
Capital assets	5,962
Management contracts	616,750
Income taxes receivable	8,936
Accounts payable and accrued liabilities	(62,544)
Deferred lease inducements	(1,858)
Deferred income taxes	(161,943)
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Fair value of identifiable net assets	496,707
Goodwill on acquisition	310,900
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Total acquired cost	807,607

The acquired fund management contracts with a fair value of \$616,750 include \$612,750 that have an indefinite life and \$4,000 with a finite life. The goodwill on acquisition is not deductible for income taxes. Goodwill of \$310,900 relates to the asset management segment.

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Details of the consideration as at the date of acquisition are as follows:

	\$
Cash consideration, including amounts payable	257,607
Share consideration	550,000
Total consideration	807,607

Cash inflow on acquisition is as follows:

	\$
Net cash acquired (included in cash flows from investing activities)	23,897
Transaction costs (included in cash flows from financing activities)	(158)
Net cash inflow on acquisition	23,739

BBS Securities Inc.

On November 1, 2017, CI completed the acquisition of all outstanding shares and debt obligations of BBS Securities Inc., and associated entities, including Pario Technology Corp. and Virtual Brokers Wealth Management Inc. [collectively, "BBS"], a financial technology company for \$38,369, in cash of \$11,169 and CI common shares of \$27,200. The acquisition was accounted for 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 as at November 1, 2017, at fair value, are as follows:

	\$
Cash and cash equivalents	5,589
Accounts receivable and prepaid expenses	18,861
Client and trust funds on deposit	112,091
Investments	50,805
Capital assets	778
Fund administration contracts	6,900
Intangible - technology	9,100
Other assets	356
Accounts payable and accrued liabilities	(15,200)
Client and trust funds payable	(164,690)
Deferred lease inducement	(99)
Deferred income taxes	(4,135)
Fair value of identifiable net assets	20,356
Goodwill on acquisition	18,013
Total acquired cost	38,369

The acquired fund administration contracts with a fair value of \$6,900 have a finite life. The technology acquired has a fair value of \$9,100 and an estimated useful life of 10 years. The goodwill on acquisition is not deductible for income taxes. Goodwill of \$18,013 relates to the asset administration segment.

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Details of the consideration as at the date of acquisition is as follows:

	\$
Cash consideration, including amounts payable	11,169
Share consideration	27,200
Total consideration	38,369

Cash inflow on acquisition is as follows:

	\$
Net cash acquired (included in cash flows from investing activities)	5,589
Transaction costs (included in cash flows from financing activities)	(46)
Net cash inflow on acquisition	5,543

WealthBar Financial Services Inc.

On December 14, 2018, CI reached an agreement to acquire 75% of all the outstanding shares of WealthBar Financial Services Inc. ["WealthBar"], a leading Canadian online wealth management and financial planning platform, for all cash consideration. The transaction closed on January 23, 2019. The business combination of WealthBar using the acquisition method of accounting is in progress. The estimated fair values of the assets acquired and liabilities assumed will be disclosed in the interim consolidated financial statements as at March 31, 2019 with final figures expected within 12 months of the acquisition date.

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4. CAPITAL ASSETS

Capital assets consist of the following:

	Computer hardware \$	Office equipment \$	Leasehold improvements \$	Total \$
Cost				
Balance, December 31, 2016	9,288	12,703	63,030	85,021
Additions	3,190	1,127	4,912	9,229
Acquired	4,314	2,192	6,510	13,016
Retired	(608)	—	—	(608)
Balance, December 31, 2017	16,184	16,022	74,452	106,658
Additions	3,662	1,938	6,109	11,709
Retired	(2,257)	—	(7)	(2,264)
Balance, December 31, 2018	17,589	17,960	80,554	116,103
Accumulated depreciation				
Balance, December 31, 2016	5,770	10,757	33,753	50,280
Depreciation	2,522	813	4,134	7,469
Acquired	3,208	1,554	1,514	6,276
Retired	(608)	—	—	(608)
Balance, December 31, 2017	10,892	13,124	39,401	63,417
Depreciation	3,466	1,199	5,300	9,965
Retired	(2,257)	—	(7)	(2,264)
Balance, December 31, 2018	12,101	14,323	44,694	71,118
Carrying amounts				
At December 31, 2016	3,518	1,946	29,277	34,741
At December 31, 2017	5,292	2,898	35,051	43,241
At December 31, 2018	5,488	3,637	35,860	44,985

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5. INTANGIBLES

	Goodwill \$	Fund administration contracts \$	Fund management contracts finite life \$	Fund management contracts indefinite life \$	Other intangibles \$	Total \$
Cost						
Balance, December 31, 2016	1,190,464	37,600	46,157	1,167,207	31,283	2,472,711
Acquired	330,576	6,900	4,000	612,750	—	954,226
Translation	278	—	—	—	—	278
Additions	—	—	—	—	19,797	19,797
Retired	—	—	—	—	677	677
Balance, December 31, 2017	1,521,318	44,500	50,157	1,779,957	51,757	3,447,689
Acquired	283	—	—	—	—	283
Translation	(496)	—	—	—	—	(496)
Additions	—	—	—	—	4,359	4,359
Balance, December 31, 2018	1,521,105	44,500	50,157	1,779,957	56,116	3,451,835
Accumulated amortization						
Balance, December 31, 2016	—	19,576	25,610	—	19,559	64,745
Amortization	—	1,648	1,731	—	3,048	6,427
Retired	—	—	—	—	677	677
Balance, December 31, 2017	—	21,224	27,341	—	23,284	71,849
Amortization	—	2,030	2,033	—	5,582	9,645
Balance, December 31, 2018	—	23,254	29,374	—	28,866	81,494
Carrying amounts						
At December 31, 2016	1,190,464	18,024	20,547	1,167,207	11,724	2,407,966
At December 31, 2017	1,521,318	23,276	22,816	1,779,957	28,473	3,375,840
At December 31, 2018	1,521,105	21,246	20,783	1,779,957	27,250	3,370,341
Remaining term	N/A	9.9 – 10.8 yrs	7.9 – 14.9 yrs	N/A	0.1 – 8.8 yrs	

CI has two cash-generating units ["CGUs"] for the purpose of assessing the carrying amount of the allocated goodwill being the asset management and asset administration operating segments as described in Note 16. Goodwill of \$1,310,510 is allocated to the asset management segment and \$210,595 is allocated to the asset administration segment as at December 31, 2018 [2017 - \$1,311,006 and \$210,312, respectively]. Within the asset management segment, CI has three CGUs, being CI Investments, First Asset and GSFM of which each has indefinite life fund management contracts of \$1,611,832, \$87,300 and \$80,825, respectively, as at December 31, 2018 and 2017.

The recoverable amounts for goodwill and indefinite life fund management contracts have been determined based on value in use calculations, using 10 year forecasts and a terminal value for the period thereafter. CI uses a 10 year period to reflect the expected growth strategies for the various contracts acquired in addition to the fact that it may take several years to fully integrate operations and benefit from synergies. The key assumptions used in the forecast calculation include assumptions on market

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appreciation, net sales of funds and operating margins. Market appreciation rates are determined using historical inflation-adjusted index returns adjusted for CI's average management fee. Net sales are determined based on the historical 3 year average as well as management's forecasts for future sales. Inputs to the operating margin include estimates for management and trailer fees using current average fee rates and historical rates for selling, general and administrative costs that are applied to forecasted average assets under management over the 10 year period. 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, 2018 and 2017. A discount rate of 8.3% - 12.5% per annum has been applied to the recoverable amount calculation as at December 31, 2018 [2017 - 8.11%].

The calculation of the recoverable amount exceeds the carrying amount of goodwill and indefinite life fund management contracts as at December 31, 2018 and 2017.

6. OTHER ASSETS, INCOME AND EXPENSE

Other assets as at December 31, 2018 consist mainly of long-term investments, long-term accounts receivable, loans granted under CI's employee share purchase plan and loans extended to investment advisors under CI's hiring and incentive program.

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, 2018, the carrying amount of employee share purchase loans is \$5,188 [2017 – \$5,238] 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, 2018, the shares held as collateral have a market value of approximately \$5,865 [2017 – \$10,104].

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 method to amortize the forgiven amount. The forgiven amount is included in selling, general and administrative expenses. As at December 31, 2018, loans to investment advisors of \$16,039 [2017 – \$10,711] are included in other assets. These loans become due on demand upon early 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 income also includes the fair value adjustment to the put option and contingent consideration discussed in Note 8. Other expenses consist mainly of the expenses incurred by Marret, amortization of debenture transaction costs and provisions as discussed in Note 8.

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7. LONG-TERM DEBT

Long-term debt consists of the following:

	2018	2017
	\$	\$
Credit facility		
Prime rate loan	24,500	—
Bankers' acceptances	—	222,000
LIBOR loan (USD \$193,000)	259,000	—
	283,500	222,000
Debentures		
\$450 million, 2.645% due December 7, 2020	449,032	448,568
\$200 million, 2.775% due November 25, 2021	199,278	199,050
\$325 million, 3.520% due July 20, 2023	323,297	—
\$250 million, 3.904% due September 27, 2027	248,626	248,501
	1,220,233	896,119
Long-term debt	1,503,733	1,118,119
Current portion of long-term debt	—	222,000

CREDIT FACILITY

On October 3, 2018, CI's revolving credit facility was amended to include three Canadian chartered banks. CI may borrow up to \$700,000 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 0.90%. 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 0.90%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.90% on any undrawn portion. As at December 31, 2018 and 2017, CI had not accessed the facility by way of letters of credit.

Loans are made by the banks under a three-year revolving credit facility, with the outstanding principal balance due upon maturity on December 11, 2021.

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 EBITDA ratio remain below 3:1 and that CI's assets under management not fall below \$85 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.

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On December 24, 2018, CI entered into a forward exchange contract with a Canadian chartered bank to pay Canadian dollars \$259,690 and receive U.S. dollars \$193,666 maturing on January 28, 2019. CI has not applied hedge accounting to the forward foreign exchange contract, as the fair value changes are offset in net income with the foreign exchange revaluation of the U.S. denominated debt.

DEBENTURES

On July 20, 2018, CI completed an offering pursuant to which it issued \$325,000 principal amount of debentures due July 20, 2023 at par [the “2023 Debentures”]. Interest on the 2023 Debentures is paid semi-annually in arrears at a rate of 3.520%. Interest attributable to the 2023 Debentures was \$5,143 for the year ended December 31, 2018 [2017 – nil].

The \$250,000 principal amount of debentures issued at par on September 27, 2017 and due September 27, 2027 [the “2027 Debentures”] pay semi-annual interest in arrears at a rate of 3.904% per annum. Interest attributable to the 2027 Debentures was \$9,760 for the year ended December 31, 2018 [2017 – 2,547].

The \$200,000 principal amount of debentures issued at par on November 25, 2016 and due November 25, 2021 [the “2021 Debentures”] pay semi-annual interest in arrears at a rate of 2.775% per annum. On February 2, 2017, CI entered into an interest rate swap agreement with a Canadian chartered bank to swap the semi-annual fixed rate payments on the 2021 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 138.4 basis points. The rates are reset quarterly and paid semi-annually to match the fixed payment obligations of the 2021 Debentures. The swap agreement terminates on the maturity date of the 2021 Debentures unless terminated by CI at an earlier date. As at December 31, 2018, the fair value of the interest rate swap agreement was an unrealized loss of \$4,959 [2017 - \$6,130] and is included in long-term debt in the consolidated statements of financial position. CI has not experienced any hedge ineffectiveness, as the terms of the interest rate swap match the terms of the debenture. Interest attributable to the 2021 Debentures was \$6,402 for the year ended December 31, 2018 [2017 – \$4,967].

The \$450,000 principal amount of debentures issued at par on December 7, 2015 and due December 7, 2020 [the “2020 Debentures”] pay semi-annual interest in arrears at a rate of 2.645% per annum. Interest attributable to the 2020 Debentures was \$11,903 for the year ended December 31, 2018 [2017 – \$12,112].

Issuance costs and the issuance discount are amortized over the term of the debentures using the effective interest method. The amortization expense related to the discount and transaction costs for CI's issued debentures for the year ended December 31, 2018 was \$947 [2017 –\$642], which is included in other expenses.

CI may, at its option, redeem the 2020 Debentures, the 2021 Debentures, the 2023 Debentures and the 2027 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 42.5, 44.0, 36.0 and 44.5 basis points, respectively. 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.

In the event that both a change of control occurs and the rating of the debentures is lowered to below investment grade by two out of three rating agencies as defined as below BBB- by Standard & Poor's, BBB (low) by DBRS Limited and Baa3 by Moody's

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Investor Service, Inc., 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.

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. 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 such contingent consideration, claims, proceedings and investigations as well as for amounts payable in connection with business acquisitions and severance. The movement in amounts provided for contingent liabilities and related expenses during the years ended December 31, are as follows:

	2018	2017
	\$	\$
Provision for other liabilities, beginning of year	98,595	85,309
Additions	3,151	73,244
Amounts used	(54,838)	(52,913)
Amounts reversed	(12,140)	(7,045)
Provision for other liabilities, end of year	34,768	98,595
Current portion of provision for other liabilities	14,591	61,210

Provision for other liabilities primarily include the following:

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 ["OSC"] 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.

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 years ended December 31, 2018 and 2017, no insurance proceeds were received, related to the settlement of legal claims.

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

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a large case file by the Canada Revenue Agency ["CRA"], 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.

During 2017, CI recorded a current income tax expense of \$45,000 as a provision for the settlement of outstanding notices of reassessment received for the years 2006 to 2008 ["NORs"]. During the year ended December 31, 2018, CI reversed \$1,466 related to this provision for the NORs. During 2018, the CRA returned \$8,392 [2017 - \$120,756] from deposits placed with the CRA in 2015. As at December 31, 2018, included in accounts receivable and prepaid expenses is nil [2017 - \$7,130]. Included in provision for other liabilities as at December 31, 2018, is a legal provision of nil related to this matter [2017 - \$27].

PUT OPTION AND CONTINGENT CONSIDERATION

Included in provision for other liabilities as at December 31, 2018, is a provision for the fair value of the put option granted to minority interest shareholders for the acquisition of GSFM of \$11,438, including foreign exchange translation adjustments [2017 - \$16,742]. During 2018, GSFM shareholders exercised their put to CI and a total of 30,000 shares were purchased for an equivalent Canadian cash value of \$2,565. In addition, during 2018, the put option liability was reduced by \$1,167 representing dividends paid by GSFM to non-controlling shareholders. The fair value was reduced \$1,144 during 2018 to reflect lower forecasted earnings estimates with an offset to other income.

During 2018, CI made payments of \$11,663, in cash - \$11,129 and shares - \$534, related to contingent consideration that was payable for the First Asset acquisition [2017 - payments of \$13,997, in cash - \$11,808 and shares - \$2,189]. As at December 31, 2018, all contingent consideration related to this acquisition has been paid [2017 - provision for other liabilities of \$11,603].

RESTRUCTURING

During the year ended December 31, 2017, CI recorded provisions of \$39,000, primarily for restructuring, integration and legal costs related to the acquisition of Sentry and BBS. As at December 31, 2018, a provision of \$5,756 remains [2017 - \$29,776].

REMEDATION

In 2015, CI Investments discovered an administrative error and recorded a provision of \$10,750, net of recoveries for the cost to remediate. As at December 31, 2018, a net recovery of \$3,550 remains [2017 - \$480].

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9. SHARE CAPITAL

A summary of the changes to CI's share capital for the years ended December 31 is as follows:

[A] AUTHORIZED AND ISSUED

	Number of shares [in thousands]	Stated value \$
Authorized		
An unlimited number of common shares of CI		
Issued		
Common shares, balance, December 31, 2016	265,302	1,885,066
Issuance for acquisition of subsidiary, net of issuance costs	21,276	579,186
Issuance of share capital on exercise of share options	96	1,835
Issuance of share capital on vesting of restricted share units	120	2,419
Share repurchases, net of tax	(14,910)	(108,249)
Common shares, balance, December 31, 2017	271,884	2,360,257
Issuance for acquisition of subsidiary, net of issuance costs	17	534
Issuance of share capital on exercise of share options	58	1,700
Issuance of share capital on vesting of restricted share units	283	5,819
Share repurchases, net of tax	(28,521)	(243,180)
Common shares, balance, December 31, 2018	243,721	2,125,130

During the year ended December 31, 2018, 27,951 thousand shares [2017 – 14,410 thousand shares] were repurchased under a normal course issuer bid at an average cost of \$22.93 per share for total consideration of \$640,787 [2017 – \$27.73 per share for total consideration of \$399,625]. Deficit was increased by \$398,278 during the year ended December 31, 2018 [2017 – \$290,714] for the cost of the shares repurchased in excess of their stated value.

During the year ended December 31, 2018, 570 thousand shares [2017 – 500 thousand shares] were repurchased for CI's restricted share unit plan at an average cost of \$28.28 per share for total consideration of \$16,120 [\$11,848 after tax] [2017 – \$27.24 per share for total consideration of \$13,618 [\$9,985 net of tax]]. Deficit was increased by \$11,177 during the year ended December 31, 2018 [2017 – 10,647] for the cost of the shares repurchased in excess of their stated value.

[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 78 thousand options [2017 - 599 thousand options] to employees. The fair value method of accounting is used for the valuation of the 2018 and 2017 share option grants. Compensation expense is recognized over the two and three-year vesting period, assuming an estimated average forfeiture rate of 0.0% for the year [2017 - 0.0%], with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option

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holder are credited to share capital. The fair value of the 2018 and 2017 option grants was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

Year of grant	2018	2017	2017
# of options granted [in thousands]	78	304	295
Vesting terms	1/3 at end of each year	1/3 at end of each year	1/2 at end of each year
Dividend yield	5.044% - 5.085%	5.238% - 5.337%	5.238% - 5.268%
Expected volatility (*)	16%	16%	16%
Risk-free interest rate	2.285% - 2.363%	1.189% - 1.293%	1.189% - 1.229%
Expected life [years]	2.9 - 3.7	2.7 - 3.6	2.7 - 3.0
Forfeiture rate	0%	0%	0%
Fair value per stock option	\$2.23 - \$2.45	\$1.88 - \$2.04	\$1.88 - \$1.94
Exercise price	\$28.67	\$27.44	\$27.44

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

The maximum number of shares that may be issued under the Share Option Plan is 14,000 thousand shares. As at December 31, 2018, there are 6,958 thousand shares [2017 – 8,073 thousand 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 \$27.44 to \$35.88 per share and expire at dates up to 2023.

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

	Number of options [in thousands]	Weighted average exercise price \$
Options outstanding, December 31, 2016	8,640	31.44
Options exercisable, December 31, 2016	3,721	31.46
Options granted	599	27.44
Options exercised (*)	(875)	25.07
Options cancelled	(291)	31.30
Options outstanding, December 31, 2017	8,073	31.84
Options exercisable, December 31, 2017	5,014	33.03
Options granted	78	28.67
Options exercised (*)	(609)	27.42
Options cancelled	(584)	31.98
Options outstanding, December 31, 2018	6,958	32.18
Options exercisable, December 31, 2018	5,789	32.97

(*) Weighted-average share price of options exercised was \$29.54 during the year ended December 31, 2018 [2017 - \$28.54]

The equity-based compensation expense under the Share Option Plan for the year ended December 31, 2018 of \$975 [2017 – \$2,815] has been included in selling, general and administrative expenses.

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Options outstanding and exercisable as at December 31, 2018 are as follows:

Exercise price \$	Number of options outstanding <i>[in thousands]</i>	Weighted average remaining contractual life <i>[years]</i>	Number of options exercisable <i>[in thousands]</i>
27.44	534	3.2	191
28.63	2,143	2.1	1,395
28.67	78	4.2	—
33.96	2,293	1.1	2,293
34.52	229	0.4	229
35.60	1,461	0.1	1,461
35.88	220	1.3	220
27.44 to 35.88	6,958	1.4	5,789

[C] RESTRICTED SHARE UNITS

CI has an employee restricted share unit plan [the “RSU Plan”] for senior executives and other key employees. Compensation expense is recognized and recorded as contributed surplus based upon the market value of the restricted share units [“RSUs”] at the grant date. Forfeitures of RSUs reduce compensation expense to the extent contributed surplus was previously recorded for such awards. On vesting of RSUs, share capital is credited for the amounts initially recorded as contributed surplus to reflect the issuance of share capital.

During the year ended December 31, 2018, CI granted 579 thousand RSUs [2017 - 514 thousand RSUs], including 38 thousand RSUs granted, to reflect dividends declared on the common shares [2017 - 21 thousand]. Also during the year ended December 31, 2018, 284 thousand RSUs were exercised, and 24 thousand RSUs were forfeited [2017 - 120 thousand RSUs exercised, and 1 thousand RSUs forfeited]. During the year ended December 31, 2018, CI credited contributed surplus for \$12,753, related to compensation expense recognized for the RSUs [2017 - \$7,413]. As at December 31, 2018, 664 thousand RSUs are outstanding [2017 - 393 thousand RSUs].

CI uses a Trust to hold CI’s common shares, to fulfill obligations to employees arising from the RSU Plan. The common shares held by the Trust are not considered to be outstanding for the purposes of basic and diluted earnings per share calculations.

[D] DEFERRED SHARE UNITS

The deferred share unit plan [the “DSU Plan”] was established in March 2017, whereby directors may elect to receive all or a portion of their quarterly compensation in either cash or deferred share units [“DSUs”]. The DSUs fully vest on the grant date and an expense is recorded based upon the market value of the DSUs at the grant date with an offset included in accounts payable and accrued liabilities. At the end of each period, the change in the fair value of the DSUs is recorded as an expense with an offset recorded to the liability. DSUs can only be redeemed for cash once the holder ceases to be a director of CI.

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During the year ended December 31, 2018, 2 thousand DSUs were granted, and 12 thousand DSUs were exercised, [2017 - 13 thousand DSUs, and nil exercised]. An expense recovery of \$(217) was recorded during the year ended December 31, 2018, [2017 - \$740]. As at December 31, 2018, included in accounts payable and accrued liabilities, is an accrual of \$269 for amounts to be paid under the DSU Plan [2017 - \$740].

[E] 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>	2018	2017
Numerator:		
Net income attributable to shareholders of the Company basic and diluted	\$617,476	\$549,094
Denominator:		
Weighted average number of common shares - basic	259,253	264,435
Weighted average effect of dilutive stock options and RSU awards (*)	329	157
Weighted average number of common shares - diluted	259,582	264,592
Net earnings per common share attributable to shareholders		
Basic	\$2.38	\$2.08
Diluted	\$2.38	\$2.08

(*) *The determination of the weighted average number of common shares - diluted excludes 6,958 thousand shares related to stock options that were anti-dilutive for the year ended December 31, 2018 [2017 - 7,651 thousand shares].*

[F] MAXIMUM SHARE DILUTION

The following table presents the maximum number of shares that would be outstanding if all the outstanding options were exercised and if all RSU awards vested as at January 31, 2019:

<i>[in thousands]</i>	
Shares outstanding at January 31, 2019	242,363
RSU awards	668
Options to purchase shares	6,928
	249,959

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10. DIVIDENDS

The following dividends were paid by CI during the year ended December 31, 2018:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2017	January 15, 2018	0.1175	31,957
January 31, 2018	February 15, 2018	0.1175	31,736
February 28, 2018	March 15, 2018	0.1175	31,706
March 31, 2018	April 13, 2018	0.1175	31,344
April 30, 2018	May 15, 2018	0.1175	31,170
May 31, 2018	June 15, 2018	0.1175	30,996
June 30, 2018	July 13, 2018	0.1175	30,616
July 31, 2018	August 15, 2018	0.1175	30,513
September 30, 2018	October 15, 2018	0.1800	45,534
Paid during the year ended December 31, 2018			295,572

The following dividends were declared but not paid during the year ended December 31, 2018:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2018	January 15, 2019	0.18	43,824
March 31, 2019	April 15, 2019	0.18	43,822
June 30, 2019	July 15, 2019	0.18	43,822
September 30, 2019	October 15, 2019	0.18	43,822
December 31, 2019	January 15, 2020	0.18	43,822
Declared and accrued as at December 31, 2018			219,112

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The following dividends were paid by CI during the year ended December 31, 2017:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2016	January 13, 2017	0.115	30,587
January 31, 2017	February 15, 2017	0.115	30,504
February 28, 2017	March 15, 2017	0.115	30,428
March 31, 2017	April 13, 2017	0.115	30,223
April 30, 2017	May 15, 2017	0.115	30,081
May 31, 2017	June 15, 2017	0.1175	30,666
June 30, 2017	July 14, 2017	0.1175	30,499
July 31, 2017	August 15, 2017	0.1175	30,266
August 31, 2017	September 15, 2017	0.1175	30,220
September 30, 2017	October 13, 2017	0.1175	30,035
October 31, 2017	November 15, 2017	0.1175	32,280
November 30, 2017	December 15, 2017	0.1175	32,206
Paid during the year ended December 31, 2017			367,995

The following dividends were declared but not paid during the year ended December 31, 2017:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2017	January 15, 2018	0.1175	32,299
January 31, 2018	February 15, 2018	0.1175	32,299
Declared and accrued as at December 31, 2017			64,598

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11. INCOME TAXES

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

	2018	2017
	\$	\$
Consolidated Statements of Income		
Current income tax expense		
Based on taxable income of the current year	229,138	218,423
Adjustments in respect of prior years	(129)	43,578
	229,009	262,001
Deferred income tax expense		
Origination and reversal of temporary differences (net)	(3,556)	(3,267)
Other	—	62
	(3,556)	(3,205)
Income tax expense reported in the consolidated statements of income	225,453	258,796
Consolidated Statements of Comprehensive Income		
Deferred income taxes		
Unrealized gain on available-for-sale financial assets	—	843
Reversal of gains to net income on available-for-sale financial assets	—	(56)
Income tax expense reported in the consolidated statements of comprehensive income	—	787

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

	2018	2017
	\$	\$
Combined Canadian federal and provincial income tax rate	26.5	26.5
Increase in income taxes resulting from		
Recovery of prior years' provisions for settled tax items	—	5.5
Other, net	0.2	—
Income tax expense reported in the consolidated statements of income and comprehensive income	26.7	32.0

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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, 2018:

	Dec. 31, 2017	Recognized in net income	Recognized in other comprehensive income	Recognized in equity and FX	Dec. 31, 2018
	\$	\$	\$	\$	\$
Deferred income tax liabilities					
Fund contracts	488,482	(4,706)	—	—	483,776
Other	1,413	(1,386)	—	—	27
Total deferred income tax liabilities	489,895	(6,092)	—	—	483,803
Deferred income tax assets					
Equity-based compensation	8,762	2,834	—	869	12,465
Non-capital loss carryforwards	3,202	(1,758)	—	—	1,444
Provision for other liabilities	5,099	(2,189)	—	—	2,910
Other	2,439	(1,423)	102	(217)	901
Total deferred income tax assets	19,502	(2,536)	102	652	17,720
Net deferred income tax liabilities	470,393	(3,556)	(102)	(652)	466,083

Significant components of CI's deferred income tax liabilities and assets are as follows at December 31, 2017:

	Dec. 31, 2016	Opening retained earnings adjustments	Recognized in net income	Recognized in other comprehensive income	Business acquisition [note 3]	Recognized in equity and FX	Dec. 31, 2017
	\$	\$	\$	\$	\$	\$	\$
Deferred income tax liabilities							
Fund contracts	322,603	—	1,109	—	164,770	—	488,482
Deferred sales commissions	69,888	(69,888)	—	—	—	—	—
Other	—	—	—	—	1,413	—	1,413
Total deferred income tax liabilities	392,491	(69,888)	1,109	—	166,183	—	489,895
Deferred income tax assets							
Equity-based compensation	5,582	—	1,525	—	—	1,655	8,762
Non-capital loss carryforwards	2,197	—	1,005	—	—	—	3,202
Provision for other liabilities	5,316	—	(217)	—	—	—	5,099
Other	210	—	2,001	(787)	3	1,012	2,439
Total deferred income tax assets	13,305	—	4,314	(787)	3	2,667	19,502
Net deferred income tax liabilities	379,186	(69,888)	(3,205)	787	166,180	(2,667)	470,393

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12. FINANCIAL INSTRUMENTS

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

	IFRS 9 December 31, 2018 \$		IAS 39 December 31, 2017 \$
Financial assets		Financial assets	
<i>Fair value through profit or loss</i>		<i>Fair value through profit or loss</i>	
Cash and cash equivalents	137,160	Cash and cash equivalents	124,582
Investments [note 2]	168,122	Investments [note 2]	83,080
Other assets	9,507	Other assets	6,657
<i>Amortized cost</i>		<i>Loans and receivables</i>	
Client and trust funds on deposit	365,520	Client and trust funds on deposit	327,733
Accounts receivable	137,979	Accounts receivable	219,941
Other assets	23,006	Other assets	22,891
		<i>Available-for-sale</i>	
		Investments [note 2]	117,830
Total financial assets	841,294	Total financial assets	902,714
Financial liabilities		Financial liabilities	
<i>Fair value through profit or loss</i>		<i>Fair value through profit or loss</i>	
Provisions for other liabilities	11,438	Provisions for other liabilities	28,345
<i>Amortized cost</i>		<i>Other financial liabilities</i>	
Accounts payable and accrued liabilities	222,233	Accounts payable and accrued liabilities	282,490
Provisions for other liabilities	23,330	Provisions for other liabilities	70,250
Dividends payable	219,112	Dividends payable	64,598
Client and trust funds payable	370,756	Client and trust funds payable	375,647
Long-term debt	1,503,733	Long-term debt	1,118,119
Total financial liabilities	2,350,602	Total financial liabilities	1,939,449

CI's investments as at December 31, 2018 and 2017 include CI's marketable securities which are comprised of seed capital investments in CI's mutual funds and strategic investments. 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's mutual fund securities that are valued daily are classified as level 1 in the fair value hierarchy. Mutual fund securities and strategic investments that are valued less frequently are classified as level 2 in the fair value hierarchy. CI's investments as at December 31, 2018, also include securities owned, at market, consisting of money market, equity securities and bonds. Money market and equity securities are valued based on quoted prices and are classified as level 1 in the fair value hierarchy. Bonds are valued using a market comparison technique to fair value these instruments using observable broker quotes and are classified as level 2 in the fair value hierarchy. There have been no transfers between level 1 and level 2 during the year.

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Investments consist of the following as at December 31, 2018:

	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Marketable securities	132,953	56,603	72,697	3,653
Securities owned, at market	35,169	35,169	—	—
Total investments	168,122	91,772	72,697	3,653

Investments consist of the following as at December 31, 2017:

	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Marketable securities	145,262	66,687	75,361	3,214
Securities owned, at market	55,648	55,268	380	—
Total investments	200,910	121,955	75,741	3,214

Included in other assets are long-term private equity strategic investments of \$9,507 [2017 - \$6,657] valued using level 3 inputs.

Included in provision for other liabilities, as at December 31, 2018 is contingent consideration of nil [2017 - \$11,603] and put option payable on non-controlling interest of \$11,438 [2017 - \$16,742] carried at fair value and classified as level 3 in the fair value hierarchy. Long-term debt as at December 31, 2018 includes debentures with a fair value of \$1,208,715 [2017 - \$906,418], as determined by quoted market prices, which have been classified as level 2 in the fair value hierarchy.

13. RISK MANAGEMENT

Risk management is an integrated process with independent oversight. Management has developed an enterprise-wide approach to risk management that involves executives in each core business unit and operating area of CI. Using a quantitative and qualitative analysis, risk factors are assessed and procedures are implemented to mitigate the various events 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. The corporate finance group reviews the exposure to interest rate risk, foreign exchange risk and price 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 loss due to the volatility of interest rates.
- Foreign exchange risk is the risk of loss due to volatility of foreign exchange rates.
- Price risk is the risk of loss due to changes in prices and volatility of financial instruments.

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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 \$283,500 [2017 – \$222,000] is borrowed at a floating interest rate. In 2017, CI entered into an interest rate swap agreement with a Canadian chartered bank to swap the semi-annual fixed rate payments on the 2021 Debentures \$200,000 principal amount for floating rate payments.

Based on the amount borrowed under the credit facility and the 2021 Debentures as at December 31, 2018, each 0.50% increase or decrease in interest rates would result in annual interest expense increasing or decreasing by \$2,418 [2017 – \$2,110], respectively.

(ii) Foreign exchange risk

CI is exposed to foreign exchange risk primarily from its investment in foreign subsidiaries operating in the United States and Australia and from CI's investments denominated in U.S. dollars.

The following table provides the impact on net income and other comprehensive income ["OCI"] of a 10% change in the value of foreign currencies with respect to CI's net financial assets as at December 31, 2018:

	10% strengthening of foreign exchange rate on net income	10% strengthening of foreign exchange rate on OCI	10% weakening of foreign exchange rate on net income	10% weakening of foreign exchange rate on OCI
United States dollar	10,213	—	(10,213)	—
Australian dollar	485	(584)	(485)	584

The following table provides the impact on net income and OCI of a 10% change in the value of foreign currencies with respect to CI's net financial assets as at December 31, 2017:

	10% strengthening of foreign exchange rate on net income	10% strengthening of foreign exchange rate on OCI	10% weakening of foreign exchange rate on net income	10% weakening of foreign exchange rate on OCI
United States dollar	5,210	3,817	(5,210)	(3,817)
Australian dollar	(1,357)	667	1,357	(667)

[iii] Price risk

CI incurs price risk through its investments of \$168,122 [2017 – \$200,910]. Based on the carrying amount of these assets, an increase or decrease in prices by 10% would result in estimated gains or losses of \$16,812 [2017 - \$20,091], respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[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	2019	2020	2021	2022	2023	2027
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	222,233	222,233	—	—	—	—	—
Dividends payable	219,112	175,290	43,822	—	—	—	—
Client and trust funds payable	370,756	370,756	—	—	—	—	—
Long-term debt	1,508,500	—	450,000	483,500	—	325,000	250,000
Put option and contingent consideration	11,438	3,365	2,691	2,691	2,691	—	—
Total	2,332,039	771,644	496,513	486,191	2,691	325,000	250,000

[C] 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. Expected credit losses associated with CI's financial assets are insignificant.

As at December 31, 2018, financial assets of \$536,012 [2017 – \$577,222], represented by client and trust funds on deposit of \$365,520 [2017 – \$327,733], accounts receivable of \$137,979 [2017 – \$219,941] and other assets of \$32,513 [2017 – \$29,548], 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. 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's accounts receivable consist primarily of management fees receivable, amounts due to CI from the government agencies with respect to input tax credits and other short-term receivables due within 90 days.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Securities lending and borrowing agreements consist of the following as at December 31, 2018:

	Cash	Securities
	\$	\$
Loaned or delivered as collateral	4,898	5,535
Borrowed or received as collateral	11,618	11,506

Securities lending and borrowing agreements consist of the following as at December 31, 2017:

	Cash	Securities
	\$	\$
Loaned or delivered as collateral	11,676	21,488
Borrowed or received as collateral	10,996	20,076

CI uses securities lending and borrowing to facilitate the securities settlement process. These transactions are typically short-term in nature, fully collateralized by either cash or securities and subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. CI manages its credit exposure by establishing and monitoring aggregate limits by counterparty for these transactions. Cash loaned or delivered as collateral is included in accounts receivable and cash borrowed or received as collateral is included in accounts payable and accrued liabilities.

Other assets consist mainly of long-term investments, long-term accounts receivable, 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

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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 the current portion of long-term debt).

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, 2018, cash and cash equivalents of \$20,226 [2017 - \$12,124] 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, 2018 and 2017, CI met its capital requirements.

CI's capital consists of the following:

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Shareholders' equity	1,430,077	1,903,082
Long-term debt	1,503,733	1,118,119
Total capital	2,933,810	3,021,201

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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:

	\$
2019	14,053
2020	12,911
2021	12,324
2022	11,790
2023	11,729
2024 and thereafter	27,243

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

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16. 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, First Asset, GSFM and Marret, which derive their revenues principally from the fees earned on the management of several families of mutual funds, segregated funds and exchange traded funds.

The asset administration segment includes the operating results and financial position of BBS and 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.

Segmented information as at and for the year ended December 31, 2018 is as follows:

	Asset management \$	Asset administration \$	Intersegment eliminations \$	Total \$
Management fees	2,004,151	—	—	2,004,151
Administration fees	—	372,357	(174,766)	197,591
Other income	2,308	32,315	—	34,623
Total revenue	2,006,459	404,672	(174,766)	2,236,365
Selling, general and administrative	424,594	97,924	—	522,518
Trailer fees	662,829	—	(31,586)	631,243
Investment dealer fees	—	298,024	(142,153)	155,871
Deferred sales commissions	23,140	—	(1,027)	22,113
Amortization of intangibles	5,850	3,795	—	9,645
Other expenses	8,333	288	—	8,621
Total expenses	1,124,746	400,031	(174,766)	1,350,011
Income before income taxes and non-segmented items	881,713	4,641	—	886,354
Interest expense				(43,054)
Provision for income taxes				(225,453)
Net income for the year				617,847
Identifiable assets	432,264	558,890	—	991,154
Indefinite life intangibles				
Goodwill	1,310,510	210,595	—	1,521,105
Fund contracts	1,779,957	—	—	1,779,957
Total assets	3,522,731	769,485	—	4,292,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Segmented information as at and for the year ended December 31, 2017 is as follows:

	Asset management \$	Asset administration \$	Intersegment eliminations \$	Total \$
Management fees	1,897,061	—	—	1,897,061
Administration fees	—	341,940	(167,931)	174,009
Other income	14,533	25,693	—	40,226
Total revenue	1,911,594	367,633	(167,931)	2,111,296
Selling, general and administrative	380,012	79,091	—	459,103
Trailer fees	616,761	—	(29,353)	587,408
Investment dealer fees	—	279,948	(137,250)	142,698
Deferred sales commissions	32,623	—	(1,328)	31,295
Amortization of intangibles	3,744	2,680	—	6,424
Other expenses	52,050	(343)	—	51,707
Total expenses	1,085,190	361,376	(167,931)	1,278,635
Income before income taxes and non-segmented items	826,404	6,257	—	832,661
Interest expense				(24,926)
Provision for income taxes				(258,796)
Net income for the year				548,939
Identifiable assets	511,436	532,543	—	1,043,979
Indefinite life intangibles				
Goodwill	1,311,006	210,312	—	1,521,318
Fund contracts	1,779,957	—	—	1,779,957
Total assets	3,602,399	742,855	—	4,345,254

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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17. COMPENSATION OF KEY MANAGEMENT

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

	2018	2017
	\$	\$
Salaries	6,453	6,438
Equity-based compensation	2,847	4,493
Total	9,300	10,931

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Included in selling, general and administrative expenses ["SG&A"] are salaries and benefits of \$279,728 for the year ended December 31, 2018 [2017 - \$242,006]. Also included in SG&A is depreciation of capital assets of \$9,954 for the year ended December 31, 2018 [2017 - \$7,463]. Other SG&A of \$232,836 for the year ended December 31, 2018, primarily includes marketing, lease and information technology expenses as well as professional and regulatory fees [2017 - \$209,634].

19. FUTURE ACCOUNTING POLICY CHANGES

The following standards have been issued, but are not yet effective on the date of issuance of CI's consolidated financial statements.

IFRIC 23:

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, *Uncertainty over Income Tax Treatments* ["IFRIC 23"], which is mandatory for annual periods on or after January 1, 2019. IFRIC 23 clarifies the accounting treatment used to reflect uncertainty in the recognition and measurement of income taxes. CI expects the impact of the application of this standard to be insignificant.

IFRS 16:

IFRS 16, *Leases* ["IFRS 16"] was issued in January 2016 and will replace the previous lease standard, IAS 17, *Leases*, and related Interpretations. The new standard requires lessees to recognize assets and liabilities for most leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

CI has substantially completed a detailed impact assessment of IFRS 16 and plans to use the modified retrospective approach. Under this approach, CI will recognize the lease liability based on the remaining lease payments discounted using CI's incremental borrowing rate as at January 1, 2019. CI will also recognize the right-of-use asset as at the date of initial application, as if IFRS 16 had always been applied since the commencement date of the lease, discounted using CI's incremental rate of borrowing as at January 1, 2019. Comparative figures will not be restated, and instead the cumulative effect of initial application will be recorded as an adjustment to the opening deficit as at January 1, 2019.

In addition, CI plans to elect to apply the following practical expedients as follows:

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

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- Not recognize leases whose term ends within 12 months of initial application
- Exclude initial direct costs from the measurement of the right-of-use assets as at the date of initial application
- Not recognize leases of low value

CI estimates the right-of-use asset (including prepaids and net of deferred tax) to be in the range of \$46,000 - \$50,000, and the corresponding liability (net of deferred tax) to be in the range of \$58,000 - \$62,000, with the difference to be an adjustment to opening deficit. The right-of-use asset will be further reduced by approximately \$13,000 due to the reclassification of leasehold inducements from its current presentation as a liability in the consolidated statements of financial position. Net income before tax is not expected to be materially impacted.

The adoption of IFRS 16, will require an increase in the maintenance of liquid assets for regulatory purposes approximately equivalent to the current lease liability in the range of \$8,000-\$12,000.

20. COMPARATIVE FIGURES

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

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.

CORPORATE DIRECTORY

CI Financial

DIRECTORS

Peter W. Anderson
President, Chief Executive Officer
and Director

William T. Holland
Chairman of the Board

Tom P. Muir
Director

William (Bill) Butt
Director

David P. Miller
Director

Sheila A. Murray
Director

Brigette Chang-Addorisio
President,
Raymond Chang Foundation;
Director

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

Paul J. Perrow
Director

EXECUTIVE TEAM

Peter W. Anderson
President, Chief Executive Officer
and Director

Steven J. Donald
Executive Vice-President and
Chief Risk Officer

Rohit D. Mehta
Executive Vice-President;
President, First Asset Investment
Management Inc.

Sean Etherington
President, Assante Wealth
Management (Canada) Limited

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

Roy Ratnavel
Executive Vice-President and
National Sales Manager,
CI Investments Inc.

Daric Urbanky
Executive Vice-President and
Chief Operating Officer

Jamie Ross
President, CI Private Counsel

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
100 Adelaide Street West
Toronto, Ontario M5H 1S3

Registrar and Transfer Agent

Computershare Investor Services Inc.
8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
Telephone: 1 800 564-6253

Normal Course Issuer Bid

Effective June 14, 2018, the Toronto Stock Exchange (the "TSX") accepted CI's notice of intention to commence a normal course issuer bid through the facilities of the TSX. On December 13, 2018, the Toronto Stock Exchange (the "TSX") accepted CI's amended notice of intention to make a normal course issuer bid through the facilities of the TSX or alternative Canadian trading systems. Under the amended bid, CI may purchase up to 25,356,405, of its shares at the prevailing market price. Common shares may be purchased by CI or purchased by a trustee to satisfy obligations under equity-based compensation plans for CI. All common shares purchased by CI (but not those purchased by such a trustee) will be cancelled. Purchases under the bid will terminate on June 17, 2019, or on such earlier date as CI completes its purchases or provides notice of termination. As of February 28, 2019, CI has acquired an aggregate of 20,391,600 shares under the normal course issuer bid at an average price of \$20.25 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 June 18, 2019, subject to receipt of approval from the TSX.

Digital Report

This Annual Report can be downloaded from CI's website at www.cifinancial.com under "Financial Information".

Annual General Meeting

This Annual General Meeting of Shareholders will be held at 2 p.m. ET on June 24, 2019 at 15 York Street, Second Floor, Toronto.

As described in greater detail in the MD&A section of this Annual Report, 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, including the risks described under the heading "Risk Management" in the MD&A section of this Annual Report.

