



Annual Financial Report | 2019

The background of the cover is a complex digital-themed abstract. It features a dark blue and black gradient with glowing binary code (0s and 1s) in red and yellow. Overlaid on this are various data visualization elements: a line graph with a magnifying glass over a data point, a bar chart, and a circular gauge. The overall aesthetic is futuristic and data-driven.

# ANNUAL REPORT



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CI Financial Corp. is an independent, publicly traded 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 \$132.1 billion in assets under management and \$49.8 billion in assets under advisement (as at December 31, 2019). 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 has been listed on the Toronto Stock Exchange under the symbol CIX since June 1994.

CI operates primarily through subsidiaries CI Investments Inc., Assante Wealth Management (Canada) Ltd., CI Private Counsel LP, 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 880 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.
- 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 majority stakes in Marret Asset Management Inc., a Toronto-based fixed-income investment manager, and registered investment advisory firm Surevest Wealth Management of Phoenix, Arizona. CI owns 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.



*All amounts in this Annual Report are expressed in Canadian dollars.*

CI FINANCIAL DIRECTORS



**Kurt MacAlpine**  
Chief Executive Officer and Director



**William T. Holland**  
Chairman of the Board



**William (Bill) Butt**  
Director



**Brigette Chang-Addoriso**  
President, Raymond Chang Foundation; Director



**David P. Miller**  
Director



**Tom P. Muir**  
Director



**Sheila A. Murray**  
Director



**Paul J. Perrow**  
Director

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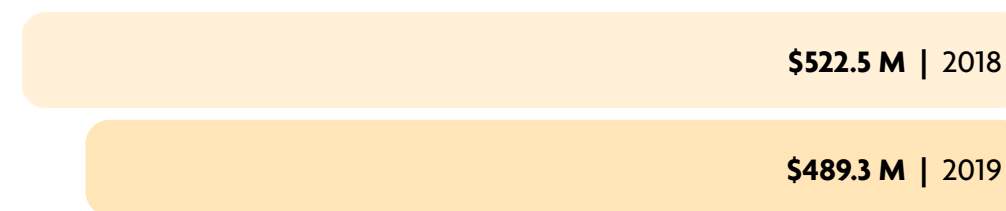
**\$618**  
MILLION  
Returned to  
shareholders

2



**\$2.41**  
RECORD HIGH  
Adjusted earnings  
per share

3



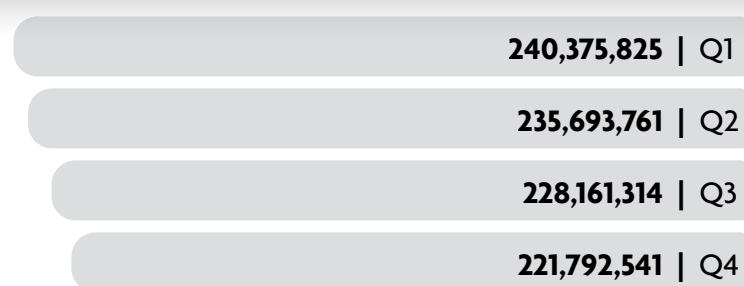
SG&A  
EXPENSES  
**\$33**  
Million decrease

4



FREE CASH  
FLOW  
**\$603**  
Million total

5



SHARES  
OUTSTANDING  
**9.0%**  
Decrease  
Year over year

2019 YEAR  
AT A GLANCE



NEW CORPORATE STRATEGY



MODERNIZE OUR ASSET MANAGEMENT BUSINESS



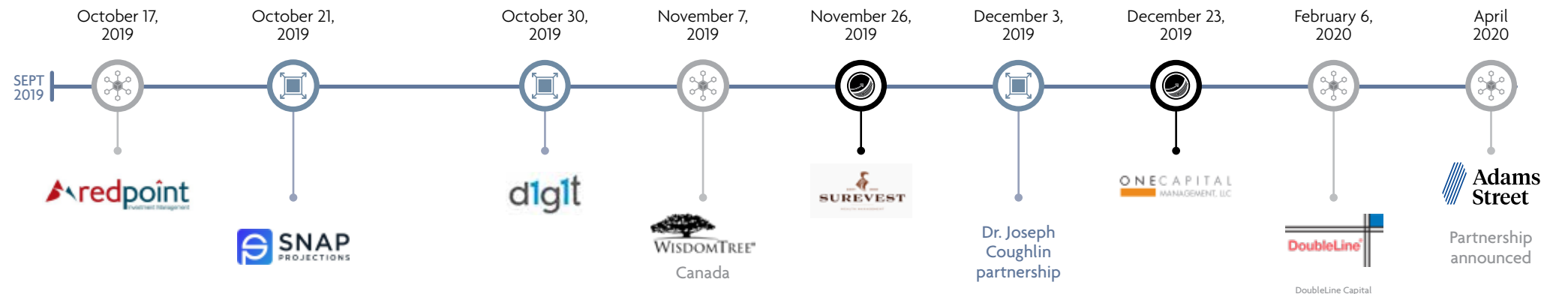
EXPAND OUR WEALTH MANAGEMENT PLATFORM



GLOBALIZE OUR COMPANY

Kurt MacAlpine appointed CEO, Darie Urbanky named President and COO. Announced a **NEW STRATEGIC DIRECTION** for CI with the introduction of **THREE STRATEGIC PRIORITIES**.

STRATEGIC PROGRESS



CI MOSAIC ETF PORTFOLIOS™

CI LIQUID ALTERNATIVES™

- CI Liquid Alternatives **EXCEEDED \$1 BILLION** in assets under management in just 10 months.
- **LAUNCHED** CI First Asset High Interest Savings ETF, which **AMASSED \$1.4 BILLION IN AUM** in less than seven months and was the Canadian ETF industry's most successful launch of 2019.
- ETF lineup experienced **RECORD GROWTH**, with AUM increasing 95% while the Canadian ETF Industry grew by 31%.
- Unveiled **CI MOSAIC ETF PORTFOLIOS**, actively managed mutual funds of ETFs.



- **ADDED OVER \$1 BILLION** to AUA and achieved record assets.
- Unveiled **THIS IS WHY WE'RE HERE** marketing campaign to demonstrate the value of **ASSANTE ADVICE**.
- Along with **WEALTHBAR**, launched Assante Connect, a state-of-the-art digital platform.



This is why we're here.



RANKED #1 IN CANADA

Virtual Brokers ties for first place in a ranking of discount brokerages by the Globe and Mail.



- Grew total AUM by more than 50%.
- Acquired Snap Projections, a maker of financial planning software.

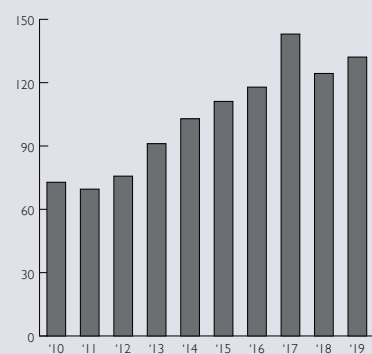
AUM +50%

## HISTORICAL FINANCIAL HIGHLIGHTS

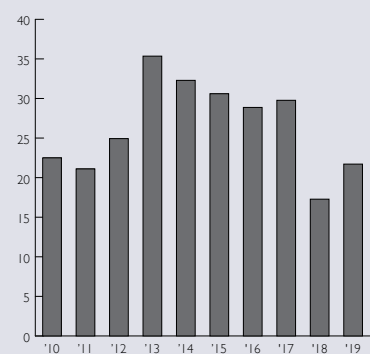
[In millions of dollars, except per share amounts]

(from continuing operations)	Years Ended Dec. 31				Years Ended Dec. 31						
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Assets under management, end of year	132,130	124,360	143,028	117,889	111,124	102,886	91,090	75,723	69,558	72,825	
Assets under advisement <sup>†</sup>	49,759	41,813	42,699	38,235	34,552	31,874	28,766	24,586	22,698	23,645	
<b>Total assets</b>	<b>181,889</b>	<b>166,173</b>	<b>185,727</b>	<b>156,124</b>	<b>145,676</b>	<b>134,761</b>	<b>119,856</b>	<b>100,309</b>	<b>92,257</b>	<b>96,470</b>	
Net sales of funds	(8,169)	(9,285)	(1,464)	(5,916)	3,431	3,928	3,686	973	323	1,059	
Management fees	1,857.9	2,004.2	1,897.1	1,748.7	1,787.9	1,669.1	1,432.6	1,277.7	1,302.8	1,193.0	
Other income	261.3	232.2	214.2	199.6	209.8	206.8	184.1	180.0	193.5	186.8	
<b>Total revenues</b>	<b>2,119.2</b>	<b>2,236.4</b>	<b>2,111.3</b>	<b>1,948.3</b>	<b>1,997.6</b>	<b>1,875.9</b>	<b>1,616.7</b>	<b>1,457.7</b>	<b>1,496.3</b>	<b>1,379.7</b>	
Selling, general and administrative	489.3	512.6	451.6	390.9	364.7	334.1	305.8	277.7	281.0	257.3	
Trailer fees	584.9	631.2	587.4	540.2	553.6	511.6	429.2	374.0	379.5	346.2	
Other expenses	318.2	239.4	257.1	242.6	264.1	272.6	271.5	255.1	281.7	286.8	
<b>Total expenses</b>	<b>1,392.4</b>	<b>1,393.1</b>	<b>1,303.5</b>	<b>1,179.5</b>	<b>1,190.2</b>	<b>1,126.1</b>	<b>1,015.2</b>	<b>915.1</b>	<b>952.1</b>	<b>896.6</b>	
Income taxes	189.3	225.5	258.8	208.1	218.2	201.2	160.9	156.7	154.2	155.9	
Net income	537.5	617.8	548.9	560.6	589.3	548.7	440.6	385.9	390.1	327.2	
Adjusted net income*	565.0	617.5	628.4	590.0	600.3	543.4	440.4	385.9	390.1	327.2	
Adjusted EBITDA*	850.5	906.2	891.8	835.0	849.3	774.8	632.7	579.4	584.9	511.9	
Earnings per share	2.30	2.38	2.08	2.07	2.12	1.93	1.55	1.36	1.36	1.13	
Adjusted earnings* per share	2.41	2.38	2.38	2.18	2.15	1.92	1.55	1.36	1.36	1.13	
Adjusted EBITDA* per share	3.63	3.50	3.37	3.08	3.05	2.73	2.23	2.04	2.04	1.77	
Dividends recorded per share	0.72	1.18	1.40	1.36	1.30	1.190	1.065	0.96	0.89	0.77	
CIX Share Price	21.71	17.28	29.77	28.87	30.60	32.29	35.35	24.93	21.10	22.50	
Shares outstanding, end of year	221,792,541	243,721,650	271,884,495	265,302,141	276,026,778	281,708,663	284,396,101	282,914,642	283,567,039	287,434,257	

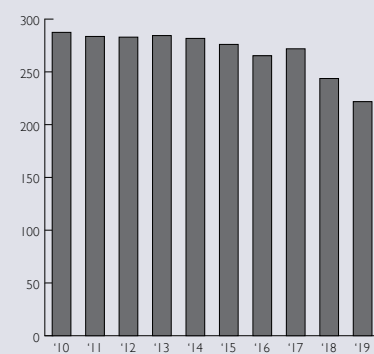
**ASSETS UNDER MANAGEMENT**  
(AS AT FISCAL YEAR-END IN \$ BILLIONS)



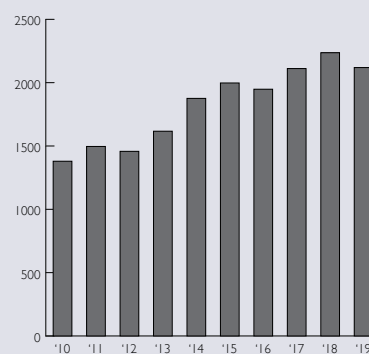
**CIX SHARE PRICE**  
(AS AT FISCAL YEAR-END IN \$)



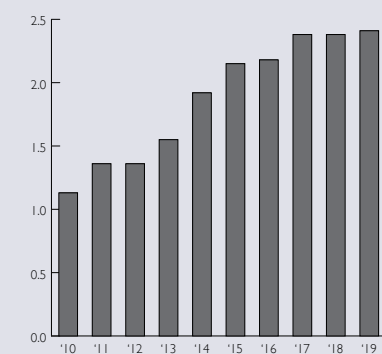
**SHARES OUTSTANDING**  
(AS AT FISCAL YEAR-END, IN MILLIONS)



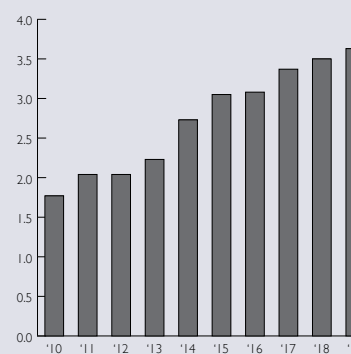
**TOTAL REVENUES**  
(FOR THE FISCAL YEAR IN \$ MILLIONS)



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



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



<sup>†</sup>Includes assets in CI funds 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 43 of this report.

All amounts in this Annual Report are expressed in Canadian dollars.



## DEAR SHAREHOLDERS,

I am writing my first letter to you during an unprecedented period for our society, our economy and the global financial markets. With this in mind, before I review the accomplishments of 2019, I want to address the impacts of the COVID-19 pandemic and the related market volatility, which is occurring as I write.

This illness, along with the lockdowns meant to slow its spread, have prompted a sharp correction in global financial markets and a severe contraction in economic activity. While central banks and governments have been quick to implement supportive financial measures, at this point the pandemic's duration and ultimate impact are unknown. We do know that companies that are financially strong, operate efficiently and were well prepared for a crisis are best placed to withstand the pandemic and prosper once the situation begins to normalize. CI is one of those companies.

### PANDEMIC RESPONSE

During this difficult time, CI has continued operating at a high level, thanks to our crisis planning and preparedness. We formed a Pandemic Response Team in advance of the first case of COVID-19 in Canada and ahead of nearly all other Canadian companies, quickly implementing social distancing and other preventative measures to protect our employees, clients and business partners. Our technology allowed us to transition swiftly and seamlessly to a remote working environment and by mid-March, more than 95% of corporate employees were working from home. For those staff who must be present at our offices, we took additional steps to support them and maintain proper social distancing.

With the technology we have in place, our employees have been working effectively and collaboratively. In particular, our portfolio management teams are able to access information and research, buy and sell securities, interview corporate management teams, and take any other steps necessary to manage their portfolios while working remotely. Our sales teams are actively engaging and supporting their advisor clients. Though our advisory firms closed their offices to the public, they continue to reach out to support and assist clients.

Such clearheaded performance in the midst of a serious and unfamiliar situation demonstrates the quality of talent here at CI and the strength of our company.

I will now turn to our sales and other results. Not surprisingly, the market decline that began in late February and the economic impact of the pandemic led to an increase in redemptions not just at CI, but across the North American asset management industry. Prior to that, our sales for the first quarter had improved dramatically, especially in the important Canadian retail business. While the company was still in net redemptions, this was a significant positive turnaround. We are confident we can resume this trend once the world moves past this crisis.

Despite the events of the first quarter, CI continues to operate efficiently and to generate solid free cash flow. We took steps in the fourth quarter of 2019 and early in the first quarter of 2020 to reduce costs and this contributed to our strong position. We have been utilizing our cash flow to buy back our shares at historically low valuations, pay down our debt, fund our dividend, and make acquisitions as part of our strategic initiatives.

In managing through these challenging times, we remain focused on executing our strategy to reposition the firm. In the next section, I will take you through the strategic priorities we introduced last November, and the initiatives we have undertaken to execute this vision.

### CI'S STRATEGIC PRIORITIES

Our strategy is designed to maintain and extend CI's leadership in the rapidly changing asset and wealth management industries, and is guided by these three strategic priorities:



MODERNIZING OUR  
ASSET MANAGEMENT  
BUSINESS



EXPANDING OUR  
WEALTH MANAGEMENT  
PLATFORM



GLOBALIZING  
THE FIRM

In establishing these priorities, we sought input from a series of critical sources, including employees, clients, shareholders and industry analysts, and incorporated insights from observing market dynamics and industry trends. Each strategic priority builds on CI's existing extensive capabilities to take advantage of opportunities in the marketplace.

To execute on them, we are leveraging our strategic foundation, comprised of people, technology, speed and financial strength. By deploying our human capital and capabilities, driving advanced technology into everything we do, embedding new ways of working to be faster and more nimble, and maximizing the benefits of our financial strength, we intend to maintain and grow our leadership in the asset management and wealth management industries.

In just a few short months, we have made significant strategic progress, with a series of transactions and initiatives. Here I will discuss some of the key developments in 2019 and early 2020 through the lens of each priority.

#### **MODERNIZING OUR ASSET MANAGEMENT BUSINESS**

The rationale behind modernizing our asset management business is that the rate and pace of change in our industry is at an all-time high. This is a result of evolving demographics, shifts in investor preferences, changing client expectations for service and support, and ongoing regulatory change. This environment, which is marked by heightened market volatility, low interest rates, and a growing number of older and retired investors, requires new services, new products and new approaches to meet investors' changing needs.

That is why we are introducing products that are more in tune with these needs and expectations, increasing our presence in higher-growth segments, and making our investment capabilities available in a variety of structures so that clients can invest through their preferred structure – be it mutual funds, pools, or exchange-traded funds (ETFs). We are also making our existing operations and product lineup more efficient and enhancing our service levels to investors and advisors.

One high-potential area in which CI has made a rapid start is liquid alternatives – mutual funds that can use more sophisticated, hedge-fund-like strategies. CI launched its line of liquid alternatives shortly after Canadian securities regulators approved these products and, in just 10 months, our liquid alternative assets under management exceeded \$1 billion – making CI one of the top two managers in this space. This is extremely strong performance for a new

investment category and we have continued to enhance our offering in this area. Furthermore, our liquid alternative funds have performed well during the market downturn, highlighting the value of these strategies.

This success has demonstrated the need and appetite for alternatives within the retail sector. We are moving further into this segment through a relationship with Adams Street Partners, a leader in private equity and private credit investing with over 45 years' experience and a global presence. Working with Adams Street, we will offer private market investment solutions to our high-net-worth and ultra-high-net-worth clients. Typically, such investments are available only to institutional investors.

Another high-growth sector is ETFs, as shown by the success of our CI First Asset business. Through the acquisition of WisdomTree Asset Management Canada, Inc., with nearly \$1 billion in assets under management, we have greatly increased the scale of our ETF business, while adding distinct investment management capabilities. We also launched CI Mosaic ETF Portfolios, a family of mutual funds of ETFs, combining the value-added potential of professionally managed investments with ETFs' cost-effective characteristics and providing access to this market to advisors who cannot sell ETFs.

We announced a partnership with DoubleLine Capital LP, one of the world's foremost fixed-income asset managers. Not only will funds and ETFs managed by DoubleLine be a compelling addition to our lineup, they will highlight CI's overall expertise in fixed income and our extensive lineup of mandates. With about \$40 billion under management in this asset class, we are strengthening our position as a leader in income investing and our ability to meet investors' growing need for high-quality income solutions, particularly for retirement.

On the subject of retirement, we have bolstered our expertise by partnering with Joseph Coughlin, the world's leading thinker on aging, longevity and retirement and their implications for investing and financial planning. Dr. Coughlin is advising CI and financial advisors on how to better serve aging and retired clients, helping position us as the leading provider of retirement solutions to the Canadian marketplace.

Finally, we are doing a great deal of work behind the scenes to improve the efficiency and effectiveness of our business, with one example being the introduction of next-generation analytics to support our sales teams.

## EXPANDING OUR WEALTH MANAGEMENT PLATFORM

The goal of expanding our wealth management platform is driven by our belief that the role of the adviser is more important than ever. The current pandemic and its impact on the economy, markets and personal finances further demonstrate the worth of a trusted advisor to clients – including avoiding emotional decision-making and adapting their financial plans to changed circumstances. The breadth and depth of capabilities that CI has at its disposal today uniquely position us to be a market leader in wealth management.

As our clients' lives become increasingly complex and digital, our vision for the future of wealth management centers on the skills of human advisors enabled by best-in-class technology and using technology to provide a spectrum of advisory options for clients, depending on their needs.

In September 2019, Assante and WealthBar launched Assante Connect, a digital service that provides Assante clients with the simplicity and convenience of online investing with the option for additional, personalized advice.

Through WealthBar, we acquired Snap Projections, which helps wealth professionals build customized wealth and retirement plans for their clients. The simplicity of the tool will allow for basic financial planning for clients who may not have benefited from such a service before.

In our strategic partnership with d1glt, we will utilize their enterprise wealth management platform across our advisory businesses, providing a modern advisory technology solution that supports advanced portfolio analytics for high-net-worth clients. This platform will help us scale up the high-value services that set us apart.

Our Canadian wealth management businesses, Assante, Stonegate and WealthBar, experienced strong sales and asset growth in 2019, ending the year with record assets under advisement. They have also performed in an exemplary fashion during this turbulent first quarter in supporting clients and keeping them informed. This, combined with Assante and Stonegate's comprehensive approach to wealth planning, have kept their clients on course.

## GLOBALIZING OUR COMPANY

Scale is becoming increasingly important in our industry and is difficult to achieve in Canada alone. That is why we are globalizing our company. In addition, we know that many investors, especially high-net-worth clients, have homes and business interests in other countries and they want support in all aspects of their financial lives. This strategy also helps us secure access to global talent to complement our existing capabilities.

We believe the U.S. market provides the most attractive opportunity for global expansion, due to its size, proximity, low barriers to entry and similarity to the Canadian market. As a starting point, we chose to target the registered investment advisor (RIA) sector because it accounts for almost a quarter of the U.S. wealth market and is its fastest-growing segment.

We initiated this strategy with agreements to acquire majority interests in two U.S. RIA firms: Surevest Wealth Management of Phoenix and One Capital Management of Westlake Village, California. We are also making a strategic investment in The Cabana Group of Fayetteville, Arkansas and have signed a letter of intent to acquire another RIA firm.

We believe CI is a natural owner of these businesses for a few reasons. In addition to having extensive experience operating wealth management businesses, we have a unique value proposition compared to others that are currently in the market. We have scale across many of the key functions, can provide financial planning asset allocation and investment management capabilities, and we are well-capitalized and offer a permanent capital solution for these owners.

Our intention is to create the industry's leading RIA platform by selectively pursuing acquisitions of fast-growing firms in strategically attractive markets and market segments, and leveraging economies of scale. Additionally, this initiative will also allow us to provide a true cross-border service experience for our clients.

Our partnerships with Dr. Coughlin, DoubleLine and Adams Street are also part of this globalization initiative, in the sense that we are accessing some of the best specialized expertise in the world to enhance our products and services.

## **COST DISCIPLINE**

As we transform and reposition our company, boosting our efficiency and productivity across the business is critical. Our efforts to attain efficiencies in 2019 were seen in our \$33 million reduction in selling, general and administrative (SG&A) expenses year over year, driven by a structural shift of expenses to align with our strategic priorities. Controlling costs allows us to focus our investments on technology and higher-growth areas and products. Our cost discipline has continued into 2020 and put CI in a strong position ahead of the global downturn resulting from COVID-19.

## **RETURNING MONEY TO SHAREHOLDERS**

CI has an impressive track record of returning money to shareholders through dividends and share repurchases, thanks to our high levels of free cash flow. In 2018, we revised our capital allocation policy to put an increased emphasis on buybacks, given the attractive valuations of our shares. We bought back 22.6 million shares worth \$447.3 million in 2019, decreasing our average share count 9% year over year and bringing the total number of shares repurchased over the last two years to more than 51 million.

We also paid \$170.8 million in dividends in 2019, for a total of \$618 million returned to shareholders during the fiscal year.

## **OUR FUTURE**

Since I joined CI last September, we have worked to strengthen our internal culture and the efficiency of our operations, introduced a new corporate strategy, and launched a series of initiatives to support and execute that strategy.

As we look ahead, we are secure in the breadth and depth of our investment expertise. We have a diverse and comprehensive mix of products and we continue to improve our offerings and enhance our capabilities. We are committed to partnering with advisors to provide investors with the highest-quality advice – the importance of which was recently brought home.

For many companies, the future is now extremely uncertain. However, at CI, our financial strength, cost discipline, investment in high-growth areas and strong free cash flow are allowing us to continue to execute our strategy and we are confident that CI will emerge from the downturn as a stronger, more competitive company.

I would like to thank our employees for their exceptional efforts and dedication at a difficult time, our advisors for their trusted partnership, and you, our shareholders, for your conviction as owners of CI. In spite of the current market environment, I could not be more excited about what the future holds for our firm.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kurt MacAlpine', with a long horizontal flourish extending to the right.

Kurt MacAlpine  
Chief Executive Officer  
March 31, 2020





**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.

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## 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 and 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 the issues of risk management through the board's Audit and Risk Committee, and governance through its Governance, Human Resources and Compensation 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.

## SPOTLIGHT: CI MSCI WORLD ESG IMPACT FUND



In October 2019, CI launched CI First Asset MSCI World ESG Impact ETF (NEO: CESH & NEO: CESH.B) and CI MSCI World ESG Impact Fund. These funds represent further progress on CI's commitment to responsible investing and mark the first time that CI has offered a dedicated solution for our clients aimed at addressing environmental, social and governance areas. The funds also specifically exclude two additional groups: companies that own fossil fuel reserves used for energy purposes and companies that have been involved in severe controversial events. Additionally, the funds invest in companies that are having a positive impact on the environment and society through their products and services. These impact areas are aligned with 15 of the 17 **United Nations Sustainable Development Goals**, which represent a blueprint for stimulating action in areas of critical importance for humanity and the planet through to 2030.

- 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.

## 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 and governance (ESG) factors into the investment decision-making process. In addition, 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.
- CI Investments’ responsible investment program includes our six in-house investment teams: Signature Global Asset Management, Cambridge Global Asset Management, Harbour Advisors, CI Multi-Asset Management, Sentry Investment Management and CI First Asset Investment Management. Approximately 70% of CI Investments’ assets under management are now covered by our Responsible Investment Policy.

### CORE COMPONENTS

- Responsible Investment Policy
- Investment Exclusions
- Minimum ESG Ranking Criteria
- Third-Party ESG Data
- Dedicated Responsible Investment Team



### PROCESS

#### Step 1:

In-house portfolio managers have continual access to third-party ESG data.

#### Step 2:

Investment exclusions list provided to in-house portfolio managers and external sub-advisors on an ongoing basis.

#### Step 3:

In-house portfolio managers provided with customized ESG screens of portfolios with flagged holdings on an ongoing basis by CI’s Responsible Investment Team.

#### Step 4:

In-house portfolio managers review material flagged holdings and document findings.

#### Step 5:

Monitoring by CI’s Responsible Investment Team.

## 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 \$480,000 in employee development and training in 2019.
- Our Women’s Mentoring Program sees high-potential women paired with a senior leader for 18 months. It boasts over 125 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. CI built on the success of this program by launching MentorCity, an additional mentoring program open to men and women.
- Our training initiatives give employees access to a variety of tools and resources to support skills development, including eLearning courses and classroom-based workshops. One example is our Ready to Lead Management Development Program, which has over 170 graduates since 2014.
- 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.
- We provide opportunities for students to gain experience and exposure to the working world. In 2019, we hired over 50 summer students and 35 co-op students.

## SPOTLIGHT: CI DIVERSITY DAY

In 2019, CI hosted a Diversity Day, where employees had the opportunity to share their traditions and heritage with colleagues through cultural items, music and cuisine. Hundreds of our employees attended during their lunch. Said one, “I haven’t had such an amazing work experience in my career.”



## COMMITMENT to Communities

CI is committed to supporting communities across Canada and to being a good corporate citizen. In 2019, we contributed \$800,000 through company and employee donations and sponsorships. 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. Below are a few highlights from CI's community contributions in 2019.

### SickKids GetLoud Rally and March



CI was a Premium Sponsor of **SickKids GetLoud**, a campaign to help build a new SickKids hospital in Toronto, and raised over **\$20,000** from employees across the company.

RAISED OVER  
**\$20,000**



### Second Harvest

CI served as a Platinum Sponsor of **Toronto Taste**, an annual Second Harvest event that supports its mission to feed families, support communities and protect the environment. Throughout the year, CI employees also fundraised and donated **over \$11,500** – enough money for **23,000 meals** for those in need.

DONATED  
OVER  
**\$11,500**



### Niemann-Pick Canada

For the third year in a row, CI was the top sponsor for Niemann-Pick Canada (NP Canada), with employee donations totaling nearly **\$125,000**. Niemann-Pick is a genetic disease that harms critical organs and lowers an individual's quality of life and life expectancy, and NP Canada is currently funding research into this disease at SickKids Hospital in Toronto, the National Institute of Health in Maryland, the University of Michigan in Ann Arbor, and the University of Notre Dame in South Bend. The amount raised in 2019 will cover almost an entire year's cost of the NP Canada lab at SickKids.



RAISED NEARLY **\$125,000**

DONATED  
**\$22,000**

**The Arthritis Society**

In 2019, CI donated \$22,000 to the Arthritis Society and has been a supporter of the organization 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.



Other organizations  
CI and our employees  
supported in 2019  
included:



**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 2019, 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.

**Children's Aid Foundation of Canada**

CI continued to support the Children's Aid Foundation of Canada in 2019, donating a total of \$28,000 in post-secondary scholarships. These scholarships were funded by donations from CI's leadership team and were given to young people who are living in, or have recently left, the care of the child welfare system.

**\$28,000**  
IN POST-SECONDARY SCHOLARSHIPS



DONATED  
**\$50,000,**  
PART OF A LARGER  
**\$500,000**  
COMMITMENT



## SPOTLIGHT: INVESTMENT IN DISRUPTION VENTURES LP

In 2019, CI was proud to invest \$2 million in Disruption Ventures LP, Canada’s first venture capital fund established by women with a focus on supporting female entrepreneurs.

“By investing in female entrepreneurs, we are proudly supporting an overlooked yet dynamic group and helping to foster an innovative and prosperous Canadian economy. Our investment in Disruption Ventures also nurtures the development of a valuable support network for women entrepreneurs and women-led businesses by connecting them to venture capitalists, to each other and to companies such as CI.”

*Sheila Murray,  
Director, CI Financial*



## COMMITMENT to Environmental Sustainability

### SPOTLIGHT: CI WINS A LIVING CITY IMPACT AWARD FOR WORK WITH THE TORONTO AND REGION CONSERVATION FOUNDATION



In 2019, CI continued our partnership with the Toronto and Region Conservation Foundation, the charitable arm of the Toronto and Region Conservation Authority (TRCA), an organization with a vision to create a cleaner, greener and healthier Living City. In 2019, we were proud to be the recipient of the **Living City Impact Award for Business Excellence** as recognition of our contributions towards advancing this vision.

### SPOTLIGHT: 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. **529** employees used their Ray Day to give back to the community in 2019. We also provided employees with three unique opportunities to use their Ray Day in support of environmental causes, an increase from the two opportunities we provided in 2018. A total of **239** employees took part in these events in 2019.



**70 CI employees participated in a Ray Day at The Meadoway, removing invasive species and planting new plants and shrubs.**

The first such opportunity was a **shoreline clean-up**, when 89 employees travelled to Toronto's Marie Curtis Park to cover 1.1 kilometres of the shore, collecting an incredible 620 kilograms of garbage to help preserve the park's natural ecosystem. Following this event, another 80 employees headed to **Tommy Thompson Park** in Toronto to remove invasive plant species and support park maintenance, ensuring the integrity of the park's natural ecosystem, including its native plant species and bird and butterfly populations. The team removed 509 kilograms of *Phragmites Australis*, an invasive species of vegetation

that negatively impacts the biodiversity of the local ecosystem. The third opportunity was at The Meadoway in Toronto, a 16-kilometre stretch of land weaving through a prominent hydro corridor set to be rehabilitated into urban green space to promote community connectivity and increase ecological diversity. 70 employees participated, removing over 363 kilograms of invasive species and planting 1,200 native plants and shrubs.





## CI INVESTMENTS INC.

CI Investments (“CI”) is one of Canada’s largest investment management companies, proudly partnering with more than 30,000 financial advisors to serve over 1.4 million investors who put their trust in us to help them achieve their financial goals. We firmly believe in the value of advice, as well as the benefits of active management and responsible investing.

Our 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, offered through a variety of structures, including exchange-traded funds (“ETFs”), mutual and segregated funds, managed solutions and alternative investments.

Our strength is rooted in 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, CI Multi-Asset Management and CI First Asset Investment Management. We also service the institutional marketplace through our dedicated CI Institutional Asset Management division.

# SUBSIDIARY PROFILES

CI offers ETFs through our CI First Asset division, an established leader in the Canadian ETF marketplace, with a track record of introducing market-leading investment methodologies. Its focus is on delivering better risk-adjusted returns than the broad market through a comprehensive suite of smart beta and actively managed ETF solutions. CI 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 CI Investments. In early 2020, CI completed the acquisition of WisdomTree Investments, Inc.'s Canadian ETF business, WisdomTree Asset Management Canada, Inc., and we are now managing these funds as part of our extensive lineup of high-quality ETF solutions through our affiliate, CI ETF Investment Management Inc.

An increasingly competitive landscape – including a growing number of providers and products, as well as record asset levels – demonstrates the interest in ETFs by advisors and their clients. This is seen in the fact that 2019 was the second year in a row in which Canadian ETFs outsold mutual funds. CI is well positioned as an expert in ETFs and is poised for continued growth and leadership in the industry.

### 2019 Operating Highlights

- CI Liquid Alternatives™ reached \$1 billion in assets under management (“AUM”) in September 2019, less than a year after launching. CI’s success in this market has made us one of the top two managers of liquid alternative funds in Canada.
- The CI First Asset ETF lineup posted record growth, with AUM increasing 95% from \$4.2 billion to \$8.6 billion. This outpaced the overall Canadian ETF Industry, which grew by 31%. CI First Asset ETF inflows of \$3.5 billion represented 13% of industry totals.
- CI launched a high interest savings ETF and mutual fund, as well as an ESG-focused mutual fund and ETF, further diversifying our product lineup. CI First Asset High Interest Savings ETF attracted \$1.4 billion in AUM in less than seven months, becoming the Canadian ETF industry’s most successful launch of 2019. These launches represent our practice of launching mandates in multiple structures so that investors can access our expertise in the structure that they prefer.
- CI launched CI Mosaic ETF Portfolios, mutual funds of ETFs that combine actively managed asset allocation and risk management with the diversity and cost-effectiveness of ETFs. This product also allows advisors who cannot sell ETFs to offer their clients access to ETFs.
- As part of CI’s ongoing initiative to streamline our product lineup and operations, making it easier for advisors and investors to do business with us, CI merged 30 funds into other investment mandates and simplified the operation of its preferred pricing program.
- For 2019, CI investments funds continued to be recognized for consistently strong risk-adjusted performance. CI received 38 FundGrade A+ Awards, as presented by Fundata Canada Inc., and seven 2019 Canada Lipper Fund Awards from Refinitiv.



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

Assante Wealth Management (Canada) Ltd. (“Assante”) is one of Canada’s largest professional services firms in wealth management and planning, supporting more than 880 advisors located in communities throughout the country. 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 \$49.1 billion in assets under advisement (“AUA”), as at December 31, 2019. 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.

### 2019 Operating Highlights

- Recruited a number of established advisor teams, adding over \$1 billion to AUA.
- Achieved record assets in 2019 through continued growth in the high-net-worth segment, with the total value of households investing more than \$1 million with us representing 48.4% of our total AUA (as at December 31, 2019).
- Launched a competitive marketing campaign, This is Why We’re Here, to demonstrate the life-changing value of the services provided by Assante advisors.
- Launched digital advice platform Assante Connect, providing another option for the delivery of advice in the Assante network.
- Continued to digitally transform our business through strategic investments in e-signature and workflow technology as well as financial planning software.
- Ranked #1 in the 2019 Investment Executive Dealer Report Card for full-service and mutual fund dealers, and #2 in the 2019 J.D. Power Full-Service Investor Satisfaction Study.
- Kicked off the dIgit wealth management project that will introduce a market-leading wealth management platform powered by institutional-grade analytics and risk management tools, enabling our advisors and investment counsellors to elevate the quality of advice and demonstrate value to clients.

- 
- Reduced Private Client management fees and restructured the Assante private client fee schedule to a “cost-plus” model.
  - Introduced an innovative, tax-efficient, market-leading cash distribution policy.
  - Continued to expand the breadth of investment mandates by introducing three liquid alternative investment options along with other CI fund capabilities, including CI’s new High Interest Savings Account.



### 2019 Operating Highlights

- Total AUM growth of 200% to \$3.0 billion.
- Automation of options settlement and clearing in Canada and the U.S.
  - Recognized by the Globe and Mail as one of the top two discount brokerages in Canada for 2019.
  - Active participant in CI's overall digital transformation roadmap and its digital investment service provider.
    - Elevated mobile app experience and added easy-to-use interface to enhance convenient trading.

### BBS SECURITIES INC. AND VIRTUAL BROKERS

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

Through our online brokerage division, Virtual Brokers, BBS provides services using a proprietary system that offers innovative trading platforms to the retail Canadian market. BBS offers a diverse range of brokerage services, including clearing, custody, settlement and trade execution services for all investment types, multiple trading platforms, access to new issues and IPOs and risk monitoring to a wide range of customers (from registered portfolio managers to retail clients). We leverage our technological capability to provide online brokerage and trade execution services to individual investors, active traders and institutions.

## GSFM PTY LIMITED

GSFM PTY LTD. (“GSFM”) is a leading manager and distributor of investment funds to institutional and retail investors in Australia. The firm was founded in 2007 and today we manage approximately A\$17.7 billion in assets, as at December 31, 2019.

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 eight investment managers – New York-based Epoch Investment Partners, Los Angeles-based Payden & Rygel, London-based Man Group, Toronto-based Cambridge Global Asset Management (a division of CI Investments Inc.), and Australian-based managers Munro Partners, Redpoint Investment Management, Tribeca Investment Partners and Triple3 Partners. Each offers a differentiated investment strategy in their specialist asset classes. These mandates span Australian equities, global equities, fixed income, infrastructure, alternatives and volatility.

CI Financial owns 86% of GSFM, and GSFM executives hold a 14% equity stake.

### 2019 Operating Highlights

- Purchased equity stake in Redpoint Investment Management (“Redpoint”) and commenced distributing Redpoint’s industrials and global infrastructure funds. Redpoint was established in 2011 and the investment team has been managing quantitative Australian and global equity strategies for over 20 years.
- Developed and launched the new GSFM brand.
- Commenced distributing the Munro Concentrated Global Growth Fund and the Man Diversified Alternatives Fund.
- Was awarded new institutional fixed-income mandates totalling \$830 million.





## WEALTHBAR FINANCIAL SERVICES INC.

WealthBar Financial Services Inc. (“WealthBar”) is an online wealth management and financial planning platform that believes the investing experience should not be determined by how much an investor has. Whether it’s \$1,000 or \$1 million, we give clients access to professionally managed investments and financial advice.

Founded in 2014, we have approximately \$400 million in AUM, as at December 31, 2019. Our “hybrid model” combines technology with professional advice for a personalized experience.

Through our online platform, investors can access a mix of ETF and Private Investment Portfolios. These Private Investment Portfolios are unique in the Canadian robo-advisor market and are designed to perform while mitigating risk through enhanced diversification, using a range of asset combinations including equities, bonds, REITs, preferred shares and other financial strategies.

### 2019 Operating Highlights

- Acquired by CI Financial in January 2019 and became an active participant in CI’s overall digital transformation roadmap.
- Grew total AUM by more than 50% to approximately \$400 million.
- Acquired Snap Projections Inc. in October 2019.
- Launched Assante Connect, a new online investing platform specifically designed for clients of Assante Wealth Management advisors.
- Named Best Robo-Advisor as part of the 2019 Benzinga Fintech Listmakers awards.

The firm operates two advisor channels, including Assante Connect, which launched in 2019 exclusively for clients of Assante advisors. This digital wealth management platform pairs seasoned portfolio managers with digital advice services to help advisors scale their business and augment their offerings. The other is PPI Valet, which delivers a far-ranging suite of investment options for PPI advisors and their clients.

We also operate Snap Projections Inc., which offers intuitive financial planning software that helps wealth professionals build customized wealth and retirement plans for their clients. The acquisition of Snap reflects our vision of ensuring all Canadians can access quality financial planning as we continue to expand the advisor side of our business.

WealthBar is majority owned by CI Financial, with WealthBar executives holding a 25% equity stake.





# Management's Discussion and Analysis

December 31, 2019

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, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018		
Assets under management	132,130	129,998	130,186	131,309	124,360	2	6
Assets under advisement	49,759	47,383	46,606	45,644	41,813	5	19
Total assets	181,889	177,381	176,792	176,953	166,173	3	9
 Average assets under management	 130,920	 129,784	 131,133	 128,887	 129,316	 1	 1
Management fees	464.4	465.6	468.5	459.5	474.2	—	(2)
Total revenues	534.7	527.5	530.3	526.8	529.2	1	1
Selling, general & administrative	113.8	124.6	124.8	126.1	123.5	(9)	(8)
Trailer fees	145.7	146.5	148.1	144.6	149.1	(1)	(2)
Net income	147.3	138.8	111.5	140.0	140.4	6	5
Adjusted net income <sup>1</sup>	147.5	139.0	138.5	140.0	140.3	6	5
 Basic earnings per share	 0.66	 0.60	 0.47	 0.58	 0.57	 10	 16
Diluted earnings per share	0.65	0.60	0.47	0.58	0.57	8	14
Adjusted earnings per share <sup>1</sup>	0.66	0.60	0.58	0.58	0.57	10	16
 Free cash flow <sup>1</sup>	 168.3	 144.7	 146.5	 143.5	 156.5	 16	 8
Return on equity <sup>2</sup>	37.8%	37.6%	37.8%	37.7%	37.1%		
 Dividends paid per share	 0.18	 0.18	 0.18	 0.18	 0.18	 —	 —
Dividend yield	3.3%	3.7%	3.4%	3.9%	4.2%		
 Average shares outstanding	 224,961,509	 232,140,211	 238,255,145	 241,946,976	 246,810,100	 (3)	 (9)
Shares outstanding	221,792,541	228,161,314	235,693,761	240,375,825	243,721,650	(3)	(9)
 Share price							
High	22.24	21.97	21.57	19.44	20.68	1	8
Low	18.26	18.00	17.96	16.92	16.47	1	11
Close	21.71	19.33	21.34	18.24	17.28	12	26
Change in share price	12.3%	(9.4%)	17.0%	5.6%	(15.7%)		
Total shareholder return	13.2%	(8.6%)	18.0%	6.6%	(14.9%)		
12-month shareholder return	30.2%	(2.1%)	(5.7%)	(30.6%)	(38.9%)		
Market capitalization	4,815	4,410	5,030	4,384	4,212	9	14
P/E Ratio <sup>2</sup>	9.0	8.3	9.1	7.7	7.3	8	23
 Long-term debt (including the current portion)	 1,604	 1,569	 1,525	 1,529	 1,504	 2	 7
Net debt <sup>1</sup>	1,383	1,341	1,270	1,268	1,255	3	10
Net debt to adjusted EBITDA <sup>1</sup>	1.56	1.62	1.51	1.50	1.51	(4)	3

<sup>1</sup> Adjusted net income, adjusted earnings per share, free cash flow, net debt, EBITDA, and adjusted 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.

<sup>2</sup> Trailing 12 months, calculated using adjusted net income.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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This Management's Discussion and Analysis ("MD&A") dated February 13, 2020 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at December 31, 2019, compared with December 31, 2018, and the results of operations for the quarter and year ended December 31, 2019, compared with the quarter and year ended December 31, 2018 and the quarter ended September 30, 2019.

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 GSFM Pty Limited ("GSFM"). First Asset Investment Management Inc., formerly a subsidiary of CI Investments, was amalgamated on July 1, 2019. 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") and WealthBar Financial Services Inc. ("WealthBar").

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		
	2019	2018	2017
Management fees	\$1,857.9	\$2,004.2	\$1,897.1
Total revenue	\$2,119.2	\$2,236.4	\$2,111.3
Selling, general & administrative	\$489.3	\$512.6	\$451.6
Total expenses	\$1,392.4	\$1,393.1	\$1,303.6
Income before income taxes	\$726.8	\$843.3	\$807.7
Income taxes	\$189.3	\$225.5	\$258.8
Non-controlling interest	-\$0.9	\$0.4	-\$0.2
Net income available to shareholders	\$538.4	\$617.5	\$549.1
Adjusted net income <sup>1</sup>	\$565.0	\$617.5	\$628.4
Free cash flow <sup>1</sup>	\$603.1	\$655.5	\$648.4
Basic earnings per share	\$2.30	\$2.38	\$2.08
Diluted earnings per share	\$2.29	\$2.38	\$2.08
Adjusted earnings per share <sup>1</sup>	\$2.41	\$2.38	\$2.38
Adjusted EBITDA <sup>1</sup>	\$850.5	\$906.2	\$891.8
Total assets	\$4,368	\$4,292	\$4,345
Gross debt	\$1,604	\$1,504	\$1,118
Net debt <sup>1</sup>	\$1,383	\$1,255	\$861
Average shares outstanding	234.3	259.3	264.4
Shares outstanding	221.8	243.7	271.9
Share price	\$21.71	\$17.28	\$29.77
Market capitalization	\$4,815	\$4,212	\$8,094

<sup>1</sup>Adjusted 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]*

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>INCOME STATEMENT DATA</b>								
Management fees	464.4	465.6	468.5	459.5	474.2	509.9	506.3	513.7
Administration fees	59.4	54.9	53.6	52.4	51.8	50.2	47.5	48.1
Other revenues	10.8	7.0	8.2	14.9	3.2	8.9	10.8	11.7
<b>Total revenues</b>	<b>534.7</b>	<b>527.5</b>	<b>530.3</b>	<b>526.8</b>	<b>529.2</b>	<b>569.0</b>	<b>564.6</b>	<b>573.5</b>
Selling, general & administrative	113.8	124.6	124.8	126.1	123.5	128.9	127.3	132.9
Trailer fees	145.7	146.5	148.1	144.6	149.1	160.6	159.6	162.0
Investment dealer fees	46.9	43.2	42.4	40.8	40.5	40.1	37.6	37.7
Deferred sales commissions paid	2.4	2.6	3.1	4.6	3.9	4.1	5.6	8.5
Interest and lease finance	14.2	13.8	13.7	13.7	12.4	11.6	9.9	9.3
Amortization and depreciation	8.2	8.2	8.3	8.2	5.4	5.2	5.1	4.9
Other expenses	2.3	2.4	37.4	1.6	3.1	0.8	1.6	2.1
<b>Total expenses</b>	<b>333.6</b>	<b>341.3</b>	<b>377.9</b>	<b>339.6</b>	<b>337.8</b>	<b>351.2</b>	<b>346.7</b>	<b>357.4</b>
Income before income taxes	201.1	186.2	152.4	187.2	191.3	217.8	218.0	216.2
Income taxes	53.8	47.4	40.9	47.2	51.0	59.5	58.0	57.0
Non-controlling interest	(0.3)	(0.2)	(0.3)	(0.1)	—	0.1	0.1	0.1
<b>Net income attributable to shareholders</b>	<b>147.5</b>	<b>139.0</b>	<b>111.9</b>	<b>140.0</b>	<b>140.3</b>	<b>158.2</b>	<b>159.9</b>	<b>159.0</b>
Earnings per share	0.66	0.60	0.47	0.58	0.57	0.62	0.61	0.59
Diluted earnings per share	0.65	0.60	0.47	0.58	0.57	0.62	0.60	0.59
Dividends paid per share	0.1800	0.1800	0.1800	0.1800	0.1800	0.2350	0.3525	0.3525

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### 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 provides financial advice, tax, retirement, estate and wealth planning services to clients of Assante, CIPC, and WealthBar. In addition, CI 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 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.

As CI evolves to meet the challenges of a rapidly changing investment industry, it continues to make significant investments in key areas of the business to drive growth and broaden revenue opportunities, while prudently controlling expenditures.

These investments are guided by three strategic priorities, announced in November 2019:

- Modernize the asset management business
- Expand the wealth management platform
- Globalize the company.

In executing its strategy, the firm is leveraging its strategic foundation comprised of People, Technology, Speed and Financial Strength. By deploying its human capital and capabilities, driving advanced technology into everything the firm does, embedding new ways of working to be faster and more nimble, and maximizing the benefits of its financial strength, CI intends to maintain and grow its leadership in the asset management and wealth management industries.



## MANAGEMENT'S DISCUSSION & ANALYSIS

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### 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 gross sales and redemptions of 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, such as a portion of overhead, discretionary spend, and deferred sales commissions. Over the long term, CI manages the level of its discretionary spend to be consistent with, or below, the growth in its revenue. 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, 2019	Quarter ended Sep. 30, 2019	Quarter ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Net Income	147.3	138.8	140.4	537.5	617.8
Add:					
Restructuring provision	—	—	—	26.6	—
Less:					
Non-controlling interest	(0.3)	(0.2)	—	(0.9)	0.4
<b>Adjusted net income</b>	<b>147.5</b>	<b>139.0</b>	<b>140.3</b>	<b>565.0</b>	<b>617.5</b>
<b>Adjusted earnings per share</b>	<b>0.66</b>	<b>0.60</b>	<b>0.57</b>	<b>2.41</b>	<b>2.38</b>

### 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, the timing of interest payments depends on terms in specific debt instruments, 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, 2019	Quarter ended Sep. 30, 2019	Quarter ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Cash provided by operating activities	157.0	127.7	178.3	558.0	608.2
Add:					
Income taxes paid	43.0	69.6	57.7	205.6	240.5
Interest paid	10.8	12.4	12.4	49.5	38.3
Less:					
Net change in non-cash working capital	42.5	65.0	91.8	231.9	231.5
<b>Operating cash flow</b>	<b>168.3</b>	<b>144.7</b>	<b>156.5</b>	<b>581.2</b>	<b>655.5</b>
Add:					
Restructuring provision	—	—	—	21.9	—
<b>Free cash flow</b>	<b>168.3</b>	<b>144.7</b>	<b>156.5</b>	<b>603.1</b>	<b>655.5</b>

### 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 amortization and depreciation. 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. Please note that effective January 1, 2019, CI adopted IFRS 16, an accounting standard that requires lessees to recognize assets and liabilities for leases longer than 12 months. This change impacts EBITDA by replacing lease expense with interest and depreciation, which are not included in EBITDA. This accounting change was not adopted retroactively - further information can be found in Note 2 of the Notes to Interim Condensed Consolidated Financial Statements.

## MANAGEMENT'S DISCUSSION & ANALYSIS

**TABLE 5: EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN**

<i>[millions of dollars, except per share amounts]</i>	Quarter ended Dec. 31, 2019	Quarter ended Sep. 30, 2019	Quarter ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Net Income	147.3	138.8	140.4	537.5	617.8
Add:					
Interest and lease finance	14.2	13.8	12.4	55.4	43.1
Provision for income taxes	53.8	47.4	51.0	189.3	225.5
Amortization and depreciation	8.2	8.2	5.4	32.9	20.5
<b>EBITDA</b>	<b>223.5</b>	<b>208.2</b>	<b>209.1</b>	<b>815.1</b>	<b>906.9</b>
<b>EBITDA per share</b>	<b>0.99</b>	<b>0.90</b>	<b>0.85</b>	<b>3.48</b>	<b>3.50</b>
Add:					
Restructuring provision	—	—	—	35.0	—
Less:					
Non-controlling interest	(0.2)	—	0.1	(0.4)	0.7
<b>Adjusted EBITDA</b>	<b>223.7</b>	<b>208.2</b>	<b>209.0</b>	<b>850.5</b>	<b>906.2</b>
<b>Adjusted EBITDA per share</b>	<b>0.99</b>	<b>0.90</b>	<b>0.85</b>	<b>3.63</b>	<b>3.50</b>
Total revenue	534.7	527.5	529.2	2,119.2	2,236.4
<b>Adjusted EBITDA Margin</b>	<b>41.8%</b>	<b>39.5%</b>	<b>39.5%</b>	<b>40.1%</b>	<b>40.5%</b>

### 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, 2019	As at Dec. 31, 2018
Current portion of long-term debt	449.5	—
Long-term debt	1,155.0	1,503.7
	1,604.5	1,503.7
Less:		
Cash and short-term investments	118.4	137.2
Marketable securities, excluding BBS' securities owned, at market	118.2	133.0
Add:		
Regulatory capital and non-controlling interests	14.7	21.7
<b>Net Debt</b>	<b>1,382.6</b>	<b>1,255.3</b>

### 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

## MANAGEMENT'S DISCUSSION & ANALYSIS

(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, 2019	Quarter ended Sep. 30, 2019	Quarter ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Administration fees	104.9	99.8	94.2	397.4	372.4
Less:					
Investment dealer fees	84.2	80.1	75.4	318.7	298.0
	20.7	19.7	18.7	78.7	74.3
<b>Dealer gross margin</b>	<b>19.7%</b>	<b>19.8%</b>	<b>19.9%</b>	<b>19.8%</b>	<b>20.0%</b>

### 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.

**TABLE 8: ASSET MANAGEMENT MARGIN**

<i>[millions of dollars - trailing 12 months]</i>	Quarter ended Dec. 31, 2019	Quarter ended Sep. 30, 2019	Quarter ended Jun. 30, 2019	Quarter ended Mar. 31, 2019	Quarter ended Dec. 31, 2018
<b>Management fees</b>	<b>1,857.9</b>	<b>1,867.7</b>	<b>1,912.0</b>	<b>1,949.9</b>	<b>2,004.2</b>
Less:					
Deferred sales commissions paid	13.5	15.0	16.5	19.1	23.1
Trailer fees	615.8	618.5	632.8	644.8	662.8
Net management fees	1,228.6	1,234.3	1,262.8	1,286.0	1,318.2
Less:					
SG&A expenses	387.5	397.3	403.7	407.3	414.7
	841.1	836.9	859.1	878.7	903.4
<b>Asset management margin</b>	<b>45.3%</b>	<b>44.8%</b>	<b>44.9%</b>	<b>45.1%</b>	<b>45.1%</b>

### 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. 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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

**TABLE 9: SG&A EFFICIENCY MARGIN**

<i>[millions of dollars - trailing 12 months]</i>	Quarter ended Dec. 31, 2019	Quarter ended Sep. 30, 2019	Quarter ended Jun. 30, 2019	Quarter ended Mar. 31, 2019	Quarter ended Dec. 31, 2018
Management fees	1,857.9	1,867.7	1,912.0	1,949.9	2,004.2
Less:					
Deferred sales commissions paid	13.5	15.0	16.5	19.1	23.1
Trailer fees	615.8	618.5	632.8	644.8	662.8
<b>Net management fees</b>	<b>1,228.6</b>	<b>1,234.3</b>	<b>1,262.8</b>	<b>1,286.0</b>	<b>1,318.2</b>
Less:					
SG&A expenses	387.5	397.3	403.7	407.3	414.7
	841.1	836.9	859.1	878.7	903.4
<b>SG&amp;A efficiency margin</b>	<b>68.5%</b>	<b>67.8%</b>	<b>68.0%</b>	<b>68.3%</b>	<b>68.5%</b>

### ASSETS AND SALES

CI is one of Canada's largest independent investment fund companies with assets under management of \$132.1 billion and assets under advisement of \$49.8 billion at December 31, 2019, 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 increased 6% year over year due to fund performance, partially offset by net redemptions of funds. The 19% increase in assets under advisement from last year was due to fund performance, net sales, advisor recruitment, and the acquisition of WealthBar. Total assets, which include mutual, segregated, separately managed accounts, structured products, exchange-traded funds, pooled funds and assets under advisement, were \$181.9 billion at December 31, 2019, up \$15.7 billion from \$166.2 billion at December 31, 2018.

**TABLE 10: TOTAL ASSETS**

<i>[billions of dollars]</i>	As at December 31, 2019	As at December 31, 2018	% change
Assets under management	132.1	124.4	6
Assets under advisement <sup>1</sup>	49.8	41.8	19
<b>Total assets</b>	<b>181.9</b>	<b>166.2</b>	<b>9</b>

<sup>1</sup>Includes \$29.4 billion and \$25.2 billion of assets managed by CI and held by clients of advisors with Assante and Stonegate in 2019 and 2018, respectively.

Supported by low interest rates and healthy corporate fundamentals, global equity markets advanced in the fourth quarter and registered solid results for 2019, with many finishing the year close to their all-time highs. The MSCI World Index rose 6.5% in Canadian dollar terms during the last three months of 2019, bringing its gain for the year to 22.4%. And despite ongoing trade uncertainty and the developing impeachment process in the United States, the S&P 500 Index, a broad measure of the U.S. equity market, was up 6.9% for the quarter and finished 2019 with an increase of 25.2% (CAD), including dividends.

Canadian equities also advanced in 2019, with supportive business conditions and strong commodity prices boosting results for most sectors. The benchmark S&P/TSX Composite Index climbed 3.2% in the fourth quarter, capping off a 22.8% gain for the year.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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.

**TABLE 11: CHANGE IN ASSETS UNDER MANAGEMENT**

<i>[billions of dollars]</i>	Quarter ended Dec. 31, 2019	Quarter ended Sep. 30, 2019	Quarter ended Jun. 30, 2019	Quarter ended Mar. 31, 2019	Quarter ended Dec. 31, 2018
Assets under management, beginning	129.998	130.186	131.309	124.360	136.526
Gross sales	4.489	3.577	2.908	3.596	3.023
Redemptions	6.388	5.116	5.375	5.860	5.742
Net sales	(1.898)	(1.539)	(2.467)	(2.265)	(2.719)
Acquisitions (divestitures)	—	—	(0.560)	—	—
Fund performance	4.030	1.351	1.904	9.214	(9.447)
<b>Assets under management, ending</b>	<b>132.130</b>	<b>129.998</b>	<b>130.186</b>	<b>131.309</b>	<b>124.360</b>
<b>Average assets under management</b>	<b>130.920</b>	<b>129.784</b>	<b>131.133</b>	<b>128.887</b>	<b>129.316</b>

CI reported \$1.9 billion in overall net redemptions for the fourth quarter of 2019. CI's Canadian retail business, excluding products closed to new investors, had \$0.4 billion in net redemptions, representing an improvement of \$1.0 billion over the third quarter of 2019 and an improvement of \$1.9 billion over the fourth quarter of 2018. CI's Canadian institutional business had \$1.5 billion in net redemptions, a large proportion of which related to a client that brought assets in-house. CI's international business had net sales of \$0.2 billion for the fourth quarter of 2019, while CI's closed business, comprised primarily of segregated fund contracts that are no longer available for sale, had \$0.2 billion in net redemptions for the quarter.

**TABLE 12: SALES BREAKDOWN**

<i>[millions of dollars]</i>	Quarter ended December 31, 2019			Quarter ended December 31, 2018		
	Gross Sales	Redemptions	Net Sales	Gross Sales	Redemptions	Net Sales
Canadian Business						
Retail	3,830	4,241	(411)	2,160	4,491	(2,331)
Institutional	383	1,853	(1,469)	414	802	(389)
	4,213	6,093	(1,881)	2,574	5,294	(2,720)
International Business						
Retail	79	33	46	225	76	150
Institutional	190	8	182	209	99	110
	269	41	228	434	175	260
Closed Business	8	253	(245)	15	274	(259)
<b>Total</b>	<b>4,489</b>	<b>6,388</b>	<b>(1,898)</b>	<b>3,023</b>	<b>5,742</b>	<b>(2,719)</b>

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### RESULTS OF OPERATIONS

#### Year Ended December 31, 2019

For the year ended December 31, 2019, CI reported net income attributable to shareholders of \$538.4 million (\$2.30 per share) versus \$617.5 million (\$2.38 per share) for the year ended December 31, 2018. The second quarter of 2019 included a restructuring provision of \$26.6 million (\$35.0 million before tax) related to severances and technology write downs. Excluding the provision, CI's net income attributable to shareholders was \$565.0 million (\$2.41 per share) for 2019. The year-over-year decrease in adjusted net income was primarily a result of lower management fees due to lower average AUM.

CI's total revenue was \$2,119.2 million in 2019, a decrease of 5.2% when compared to total revenue of \$2,236.4 million in 2018. Similar to net income, the decrease was primarily due to a decrease in management fees, as average AUM declined 5.1%.

For the year ended December 31, 2019, SG&A expenses were \$489.3 million, down 4.5% from \$512.6 million for the year ended 2018. While CI has been selectively investing in high-growth opportunities and other initiatives, the decrease in SG&A from last year was partially a result of management's efforts to contain discretionary expenses in the legacy side of its asset management business. SG&A also decreased due to a change in accounting methodology, which is detailed in Note 2 to the Notes to Consolidated Financial Statements.

As a percentage of average AUM, SG&A expenses were 0.376%, up slightly from 0.374% last year. The increase in the SG&A rate from last year was due to average AUM decreasing at a faster rate than SG&A.

During 2019, CI paid \$12.8 million in deferred sales commissions, compared with \$22.1 million in 2018. Consistent with the Canadian mutual fund industry, CI's sales into deferred load funds have been steadily decreasing over the past decade.

Interest expense of \$55.4 million was recorded for the year ended December 31, 2019 compared with \$43.1 million for the year ended December 31, 2018. The change in interest expense reflected the addition of lease interest expense beginning in the first quarter of 2019 (relating to the adoption of IFRS 16), as well as the changes in average debt levels and interest rates, as discussed under the Liquidity and Capital Resources section.

For 2019, CI recorded \$189.3 million in income tax expense for an effective tax rate of 26.0%, compared to \$225.5 million, or 26.7%, in 2018. The effective tax rate for 2019 was lower due to tax recoveries. Please note that CI's effective tax rate may differ from its statutory tax rate, which is currently 26.5%, as a result of some expenses being nondeductible or partially deductible, or some revenue items not being fully taxable.

#### Quarter Ended December 31, 2019

For the quarter ended December 31, 2019, CI reported net income attributable to shareholders of \$147.5 million (\$0.66 per share) up from \$140.3 million (\$0.57 per share) for the quarter ended December 31, 2018 and from \$139.0 million (\$0.60 per share) for the quarter ended September 30, 2019. The increase from both comparable periods was due to lower SG&A costs, gains on marketable securities, and higher administration fees.



## MANAGEMENT'S DISCUSSION & ANALYSIS

CI's total revenue was \$534.7 million in the fourth quarter of 2019, an increase of 1.0% when compared to total revenue of \$529.2 million in the same period in 2018. On a consecutive quarter basis, total revenue increased 1.4%. The increase for both periods was due to higher administration fees and gains on marketable securities.

For the quarter ended December 31, 2019, SG&A expenses were \$113.8 million, down 7.9% from \$123.5 million in the same quarter of 2018 and down 8.7% from \$124.6 million in the prior quarter. As with the annual results discussed earlier, the change in SG&A from last year was primarily a result of efforts to contain costs, as well as a change in accounting methodology.

As an annualized percentage of average AUM, SG&A expenses were 0.345%, down significantly from 0.379% for the fourth quarter of last year and from 0.381% for the prior quarter.

In the fourth quarter of 2019, CI paid \$2.4 million in deferred sales commissions, compared with \$3.9 million in the same quarter of 2018 and \$2.6 million in the prior quarter. Consistent with the Canadian mutual fund industry, CI's sales into deferred load funds have been steadily decreasing over the past decade.

Interest expense of \$14.2 million was recorded for the quarter ended December 31, 2019 compared with \$12.4 million for the quarter ended December 31, 2018 and \$13.8 million for the quarter ended September 30, 2019. The change in interest expense from the same quarter last year reflected the addition of lease interest expense beginning in the first quarter of 2019 (relating to the adoption of IFRS 16), as well as the changes in average debt levels and interest rates, as discussed earlier.

For the fourth quarter of 2019, CI recorded \$53.8 million in income tax expense for an effective tax rate of 26.8% compared to \$51.0 million, or 26.6%, in the fourth quarter of 2018, and \$47.4 million, or 25.4%, in the prior quarter.

### 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, 2019	Quarter ended Sep. 30, 2019	Quarter ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Management fees	464.4	465.6	474.2	1,857.9	2,004.2
Other revenue	2.0	(2.1)	(5.0)	5.7	2.3
Total revenue	466.4	463.5	469.2	1,863.7	2,006.5
Selling, general and administrative	88.7	98.6	98.4	387.5	414.7
Trailer fees	153.7	154.4	156.3	615.8	662.8
Deferred sales commissions paid	2.6	2.8	4.1	13.5	23.1
Amortization and depreciation	5.6	5.6	4.5	22.3	16.6
Other expenses	1.1	1.8	3.0	38.7	7.4
Total expenses	251.6	263.1	266.3	1,077.9	1,124.7
Non-controlling interest	0.3	0.2	0.1	0.7	0.5
Income before taxes and non-segmented items	214.5	200.2	202.8	785.0	881.2

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### Year Ended December 31, 2019

#### *Revenues*

Revenues from management fees were \$1,857.9 million for the year ended December 31, 2019, a decrease of 7.3% from \$2,004.2 million for the year ended December 31, 2018. The decrease in management fees was mainly due to the 5.1% decrease in average AUM as well as a decline in the management fee rate. The management fee rate has been generally declining due to a change in CI's mix of business towards newer products with lower pricing, products that do not pay trailer fees, as well as new pricing initiatives intended to keep CI's products competitive. Net management fees (management fees less trailer fees and deferred sales commissions) as a percentage of average AUM were 0.944%, down from 0.961% for 2018.

For the twelve months ended December 31, 2019, other revenue was \$5.7 million versus \$2.3 million for the twelve months ended December 31, 2018. The increase in other revenue from the prior year was mainly due to unrealized gains on marketable securities.

#### *Expenses*

SG&A expenses for the Asset Management segment were \$387.5 million for 2019, compared with \$414.7 million for 2018. The decrease from last year was primarily due to ongoing efforts to contain SG&A in the asset management segment, as well as the adoption of IFRS 16. As a percentage of average AUM, SG&A expenses were 0.298% for the year ended December 31, 2019, down slightly from 0.302% for the year ended December 31, 2018.

Trailer fees were \$615.8 million for the twelve months ended December 31, 2019, down from \$662.8 million for the twelve months ended December 31, 2018. Net of inter-segment amounts, this expense was \$584.9 million for the 2019 versus \$631.2 million for 2018. The decrease related to the change in average AUM as well as the change in asset mix towards products that do not pay trailer fees.

In 2019, before inter-segment eliminations, CI paid \$13.5 million in deferred sales commissions, compared with \$23.1 million in 2018. CI's sales into deferred load funds have been steadily decreasing over the past decade.

Other expenses for the year ended December 31, 2019 were \$38.7 million, compared to \$7.4 million for the year ended December 31, 2018. As discussed earlier, the second quarter of 2019 included a restructuring provision, of which \$32.4 million (before tax) related to the asset management segment.

The asset management margin for the 2019 was 45.3% compared to 45.1% in 2018. CI was able to hold the annual margin relatively steady through cost containment measures in response to declining fees. During periods of declining AUM and/or fee rates, CI's management will respond by strategically reducing SG&A. Another measure that CI uses to assess its costs is the SG&A efficiency margin. This measure differs from asset management margin as it is calculated as a percentage of net management fees (management fees less trailers and deferred sales commissions), and measures CI's profitability without regard to purchase option preferences available to clients. CI's 2019 SG&A efficiency margin was 68.5%, unchanged from 68.5% in 2018. The calculations and definitions of asset management margin and SG&A efficiency margin can be found in the "Non-IFRS Measures" section.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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Income before taxes and non-segmented items for CI's principal segment was \$785.0 million for the year ended December 31, 2019, down 10.9% from \$881.2 million for the year ended December 31, 2018. Excluding the restructuring provision discussed earlier, income before taxes and non-segmented items was \$817.4 million for the year ended December 31, 2019.

### **Quarter Ended December 31, 2019**

#### ***Revenues***

Revenues from management fees were \$464.4 million for the quarter ended December 31, 2019, a decrease of 2.1% from \$474.2 million for the quarter ended December 31, 2018 and a decrease of 0.3% from \$465.6 million for the quarter ended September 30, 2019. The decrease in management fees from both quarters was due to a decline in the management fee rate. Net management fees (management fees less trailer fees and deferred sales commissions) as a percentage of average AUM were 0.934%, down from 0.963% for the fourth quarter last year and from 0.943% for the prior quarter.

For the quarter ended December 31, 2019, other revenue was \$2.0 million versus \$(5.0) million for the quarter ended December 31, 2018 and \$(2.1) million for the quarter ended September 30, 2019. The increase in other revenue from the comparable quarters was mainly due to unrealized gains on marketable securities.

#### ***Expenses***

SG&A expenses for the Asset Management segment were \$88.7 million for the quarter ended December 31, 2019, compared with \$98.4 million for the fourth quarter in 2018 and \$98.6 million for the prior quarter. The decrease from the same quarter last year was primarily due to management's efforts to contain costs in this segment, as well as the adoption of IFRS 16. As a percentage of average AUM, SG&A expenses were 0.269% for the quarter ended December 31, 2019, down from 0.302% for the quarter ended December 31, 2018, and down from 0.301% the quarter ended September 30, 2019.

Trailer fees were \$153.7 million for the quarter ended December 31, 2019, down 1.7% from \$156.3 million for the quarter ended December 31, 2018 and down 0.5% from \$154.4 million for the quarter ended September 30, 2019. Net of inter-segment amounts, this expense was \$145.7 million for the quarter ended December 31, 2019 versus \$149.1 million for the fourth quarter of 2018 and \$146.5 million for the third quarter of 2019. The decrease from both comparable periods related to a change in asset mix towards products that do not pay trailer fees.

In the fourth quarter of 2019, before inter-segment eliminations, CI paid \$2.6 million in deferred sales commissions, compared with \$4.1 million in the same quarter of 2018 and \$2.8 million in the prior quarter. CI's sales into deferred load funds have been steadily decreasing over the past decade.

Other expenses for the quarter ended December 31, 2019 were \$1.1 million, compared to \$3.0 million for the quarter ended December 31, 2018 and \$1.8 million for the quarter ended September 30, 2019. The fourth quarter of last year included \$1.2 million in tax-related interest and penalties.

## MANAGEMENT'S DISCUSSION & ANALYSIS

The asset management margin for the fourth quarter of 2019 was 47.3% compared to 45.4% in the fourth quarter of 2018 and 45.1% in the prior quarter. The improvement in CI's quarterly asset management margin was mainly due to cost containment measures in response to declining fees. On a trailing 12-month basis, CI's asset management margin was 45.3%, relatively steady when compared with 45.1% for the same period last year. CI's current quarter SG&A efficiency margin was 71.2%, up from 68.6% in the fourth quarter of last year and from 68.0% in the prior quarter. The calculations and definitions of asset management margin and SG&A efficiency margin can be found in the "Non-IFRS Measures" section.

Income before taxes and non-segmented items for CI's principal segment was \$214.5 million for the quarter ended December 31, 2019, up 5.8% from \$202.8 million in the same period in 2018 and up 7.1% from \$200.2 million in the previous quarter.

### 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, 2019	Quarter ended Sep. 30, 2019	Quarter ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Administration fees	104.9	99.8	94.2	397.4	372.4
Other revenue	8.8	9.1	8.3	35.1	32.3
Total revenue	113.7	108.9	102.4	432.5	404.7
Selling, general and administrative	25.2	26.0	25.1	101.7	97.8
Investment dealer fees	84.2	80.1	75.4	318.7	298.0
Amortization and depreciation	2.7	2.6	1.0	10.5	3.9
Other expenses	1.3	0.6	0.1	5.1	0.3
Total expenses	113.3	109.2	101.6	436.0	400.0
Non-controlling interest	(0.9)	(0.4)	—	(2.1)	—
Income before taxes and non-segmented items	1.4	—	0.8	(1.4)	4.6

#### Year Ended December 31, 2019

##### Revenues

Administration fees were \$397.4 million for 2019, an increase of 6.7% from \$372.4 million for 2018. The change in administration fees from last year related to the change in assets under administration at Assante and the addition of WealthBar in January of this year. Net of inter-segment amounts, administration fee revenue was \$220.4 million for the year ended December 31, 2019, up from \$197.6 million for the year ended December 31, 2018.

For the year ended December 31, 2019, other revenue was \$35.1 million, up from \$32.3 million for the year ended December 31, 2018. Other revenue consists mainly of non-advisor-related activities.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### **Expenses**

Investment dealer fees were \$318.7 million for 2019 compared to \$298.0 million for 2018. Similar to administration fees, investment dealer fees generally fluctuate with assets under administration. Net of inter-segment amounts, investment dealer fees were \$173.3 million, up from \$155.9 million for last year.

As discussed in the "Non-IFRS Measures" section of this MD&A and as set out in Table 7, dealer gross margin was \$78.7 million or 19.8% of administration fee revenue for the year ended December 31, 2019 compared to \$74.3 million or 20.0% for the year ended December 31, 2018.

SG&A expenses for the segment were \$101.7 million for the twelve months ended December 31, 2019 compared to \$97.8 million for the twelve months ended December 31, 2018. The increases in SG&A related to strategic investments in this segment of CI's business.

Other expenses were \$5.1 million for 2019, up from \$0.3 million for 2018. As discussed earlier, the second quarter of 2019 included a restructuring provision, of which \$2.6 million related to the asset administration segment.

The Asset Administration segment had income before taxes and non-segmented items of \$(1.4) million for the year ended December 31, 2019, compared to \$4.6 million for the year ended December 31, 2018.

### **Quarter Ended December 31, 2019**

#### **Revenues**

Administration fees were \$104.9 million for the quarter ended December 31, 2019, an increase of 11.4% from \$94.2 million for the same period a year ago and an increase of 5.1% from \$99.8 million for the prior quarter. The change in administration fees from the fourth quarter last year related to the change in assets under administration at Assante and the addition of WealthBar in January of this year. Net of inter-segment amounts, administration fee revenue was \$59.4 million for the quarter ended December 31, 2019, up from \$51.8 million for the quarter ended December 31, 2018 and up from \$54.9 million for the quarter ended September 30, 2019.

For the quarter ended December 31, 2019, other revenue was \$8.8 million, up from \$8.3 million for the quarter ended December 31, 2018 and down slightly from the prior quarter. Other revenue consists mainly of non-advisor-related activities.

#### **Expenses**

Investment dealer fees were \$84.2 million for the quarter ended December 31, 2019 compared to \$75.4 million for the fourth quarter of 2018 and \$80.1 million for the quarter ended September 30, 2019. Net of inter-segment amounts, investment dealer fees were \$46.9 million, up from \$40.5 million for the same quarter last year and up from \$43.2 million for the prior quarter.

As discussed in the "Non-IFRS Measures" section of this MD&A and as set out in Table 7, dealer gross margin was \$20.7 million or 19.7% of administration fee revenue for the quarter ended December 31, 2019 compared to \$18.7 million or 19.9% for the fourth quarter of 2018 and \$19.7 million or 19.8% for the previous quarter.

## MANAGEMENT'S DISCUSSION & ANALYSIS

SG&A expenses for the segment were \$25.2 million for the quarter ended December 31, 2019 compared to \$25.1 million in the fourth quarter of 2018 and \$26.0 million in the third quarter of 2019. The year-over-year increase in SG&A related to strategic investments in this segment of CI's business.

Other expenses were \$1.3 million for the quarter ended December 31, 2019, up from \$0.1 million in the same quarter of 2018 and from \$0.6 million in the third quarter of 2019.

The Asset Administration segment had income before taxes and non-segmented items of \$1.4 million for the quarter ended December 31, 2019, compared to \$0.8 million for the fourth quarter of 2018 and \$0.0 million for the prior quarter.

### LIQUIDITY AND CAPITAL RESOURCES

CI generated \$603.1 million of free cash flow in 2019, compared to \$655.5 million for 2018. 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 related to the prior year being paid at the end of February.

**TABLE 15: SUMMARY OF CASH FLOWS**

<i>[millions of dollars]</i>	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Free cash flow	603.1	655.5
Less:		
Investments in marketable securities, net of marketable securities sold	(25.2)	(4.2)
Capital expenditures	12.4	11.7
Share repurchases, net of shares issued	447.3	656.5
Dividends paid	170.8	295.4
Debt repaid / (drawn)	(99.5)	(384.7)
Working capital and other items	116.2	68.2
	622.0	642.9
Net change in cash	(18.8)	12.6
Cash at January 1	137.2	124.6
Cash at December 31	118.4	137.2

During 2019, CI invested \$11.5 million in marketable securities and received proceeds of \$36.7 million from the disposition of marketable securities. Excluding BBS' securities owned, at market, the fair value of CI's investments as of December 31, 2019 was \$118.2 million. This was comprised of seed capital investments in CI funds and strategic investments.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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During the year ended December 31, 2019, CI invested \$12.4 million in capital assets, up from \$11.7 million in the year ended December 31, 2018. These investments related primarily to leasehold improvements and technology.

During the twelve months ended December 31, 2019, CI repurchased 22.6 million shares under its normal course issuer bid at a total cost of \$447.3 million, or \$19.76 per share. CI had 221,792,541 shares outstanding at the end of December, which differs from CI's TSX-listed shares outstanding, 222,438,437, due to restricted employee shares held in trust.

CI paid dividends of \$170.8 million during the year. The Board of Directors declared a quarterly dividend of \$0.18 per share, payable on July 15, 2020, to shareholders of record on June 30, 2020.

The statement of financial position for CI at December 31, 2019 reflected total assets of \$4.368 billion, an increase of \$75.6 million from \$4.292 billion at December 31, 2018. This change was primarily due to the lease accounting change discussed earlier and detailed in Note 2 of the Notes to Interim Condensed Consolidated Financial Statements, as well as the addition of WealthBar.

CI's cash and cash equivalents decreased by \$18.8 million in 2019 to \$118.4 million as of December 31, 2019. Accounts receivable and prepaid expenses increased by \$13.4 million to \$170.2 million as of December 31, 2019. Capital assets increased by \$1.0 million during the twelve months ended December 31, 2019 as a result of \$12.4 million in capital additions less \$11.5 million in amortization.

Total liabilities increased by \$9.2 million during the year to \$2.868 billion at December 31, 2019. The largest factors impacting liabilities were an increase in debt and lease liabilities (due to the change in lease accounting discussed earlier), offset by a decrease in dividends payable, as CI had declared six quarters of dividends in August of 2018.

At December 31, 2019, CI had \$1,575.0 million in outstanding debentures with a weighted average interest rate of 3.17% and a carrying value of \$1,569.5 million. During the year, CI issued \$350.0 million debentures due July 22, 2024 at a 3.215% interest rate, which was primarily used to pay down its credit facility at the time. On December 31, 2019, CI had drawn \$35.0 million against its \$700 million credit facility. Principal repayments on any drawn amounts are only required at the maturity of the facility, which is December 11, 2021.

Net debt, as discussed in the "Non-IFRS Measures" section and as set out in Table 6, was \$1,383 million at December 31, 2019, up from \$1,255 million at December 31, 2018. The average gross debt level for the twelve months ended December 31, 2019 was \$1,587 million, compared to \$1,415 million for the same period last year.

At December 31, 2019, 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 1.6 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 \$1.494 billion at December 31, 2019, an increase of \$63.9 million from December 31, 2018.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### 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, comprising senior executives from CI's core business and operating 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 to provide reasonable assurance to the Board that CI's business strategies and activities are consistent with its risk appetite. Risk updates are regularly provided to the Audit and Risk Committee of CI's Board.

CI has developed an enterprise-wide approach to identifying, measuring, monitoring 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 to assess the likelihood and impact of occurrence of a particular risk event. Once risks have been identified and rated, strategies and procedures are developed to minimize, transfer or avoid negative consequences. 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

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### MARKET RISK FOR THE ASSET MANAGEMENT SEGMENT

At December 31, 2019, 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's fund managers invest in a well-diversified portfolio of securities across issuers, durations and maturities, which reduces risk. CI estimates that a 100 basis point change in interest rates across the yield curve would cause a change of approximately \$30 million to \$40 million in annual pre-tax earnings in the Asset Management segment.

At December 31, 2019, about 43% 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 42% 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 approximately \$15 million to \$30 million in the Asset Management segment's annual pre-tax earnings.

About 68% of CI's assets under management were held in equity securities at December 31, 2019, 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 their expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the value of equities would cause a change of approximately \$40 million to \$50 million in annual pre-tax earnings.

Please note that exposures and sensitivities do not account for currency hedging that portfolio managers may employ. There are risks and limitations with relying on models and it is possible that actual results may differ from those presented above.

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 \$1.4 million before income taxes and non-segmented items for the quarter ended December 31, 2019). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it.

### POLITICAL AND MACRO-ECONOMIC RISK

CI's performance is directly affected by the performance of the financial markets which may be influenced by various political, demographic and macro-economic conditions or events, 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

## MANAGEMENT'S DISCUSSION & ANALYSIS

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corresponding decline in performance, which could negatively impact CI's business and impede the growth of CI's assets under management and revenue.

### **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.

### **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.

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.

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### **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.

### **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, which could negatively impact the prospects and operating results of CI.

### **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. CI has, more recently, been expanding its online footprint by automating its product and service delivery systems and acquiring digital platforms. The use of information technology and the internet, email messaging and other online capabilities, however, exposes CI to information security risk that could 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 stores on or transmits through its information technology systems. Any information technology event, such as a cybersecurity breach or intrusion into CI's information technology systems, or failure to implement sufficient controls, could result in unauthorized access to sensitive or confidential information, loss or theft of data, operational disruption, regulatory actions, legal liability or reputational harm.

CI actively monitors this risk and continues to develop and implement technology-enabled controls to protect against cyber threats that are becoming increasingly 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. CI is dependent on the efficiency and effectiveness of the technology it uses to secure its information technology environment and keeping pace with a continuously evolving information technology landscape. Malfunction of any technology used by CI or inability to keep pace with evolving cybersecurity advancements may increase CI's exposure to cybersecurity risk.

CI's business is also 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.

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### 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.

### 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 person" 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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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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, general commercial liability insurance, and cyber 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.

### **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.

### **LIQUIDITY RISK FOR THE ASSET MANAGEMENT SEGMENT**

CI is also exposed to the risk of its investment funds not being able to meet their redemption obligations due to an inability to liquidate the underlying assets in a timely manner. This could be caused by insufficient liquid assets in the fund, an unexpected spike in redemptions triggered by negative market information, sentiment or contagion, adverse liquidity conditions in the financial markets, procedural issues that may delay the liquidation of securities or other factors. Inability to meet its redemption obligations may lead to legal liability, regulatory action and reputational damage. CI has robust mechanisms in place to monitor and maintain adequate liquidity in its investment fund portfolios at all times. However, CI has no control over extreme market events that may result in the sudden loss of liquidity or trigger a run on the funds.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### 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.

### 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 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.

### SHARE CAPITAL

As at December 31, 2019, CI had 221,792,541 shares outstanding.

Employee Incentive Share Option Plan: At December 31, 2019, 5.6 million options to purchase shares were outstanding, of which 4.8 million options were exercisable at prices ranging from \$27.44 to \$35.88.

Restricted Share Unit ("RSU") Plan: 657,304 RSUs were outstanding as at December 31, 2019.

Deferred Share Unit ("DSU") Plan: 21,366 DSUs were outstanding as at December 31, 2019.

Additional details about the above Plans can be found in Note 6 to the Interim Condensed Consolidated Financial Statements.

### CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI's contractual obligations at December 31, 2019.

#### 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	1,610.0	450.0	235.0	—	325.0	350.0	250.0
Leases	82.3	13.9	13.5	12.8	12.7	12.6	16.8
<b>Total</b>	<b>1,692.3</b>	<b>463.9</b>	<b>248.5</b>	<b>12.8</b>	<b>337.7</b>	<b>362.6</b>	<b>266.8</b>

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### **SIGNIFICANT ACCOUNTING ESTIMATES**

The December 31, 2019 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 Interim Condensed 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 provision for other liabilities and contingencies.

### **NEW ACCOUNTING POLICIES**

Effective January 1, 2019, CI adopted IFRS 16 using the modified retrospective approach. Under this approach CI recognized the lease liability based on the remaining lease payments discounted using CI's incremental borrowing rate as at January 1, 2019. CI also recognized 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 were not restated for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. Please refer to Note 2 of the Notes to the Consolidated Financial Statements for more information.

### **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, 2019. 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, 2019 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, 2019. 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, 2019, there have been no changes to the internal controls that have materially affected, or are reasonably likely to affect, internal controls over financial reporting

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*Additional information relating to CI, including the most recent audited annual financial statements, management information circular and annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on CI's website at [www.cifinancial.com](http://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, 2019

CI FINANCIAL CORP.

# INDEPENDENT AUDITORS' REPORT

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## 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 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.

## INDEPENDENT AUDITORS' REPORT

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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.

### **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

## INDEPENDENT AUDITORS' REPORT

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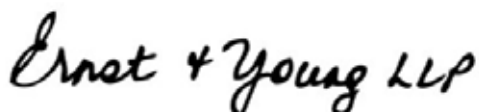
on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the 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.

The signature of Ernst & Young LLP is written in a cursive, handwritten style.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
February 13, 2020

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION


	As at December 31, 2019	As at December 31, 2018
	\$	\$
<i>[in thousands of Canadian dollars]</i>		
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	118,360	137,160
Client and trust funds on deposit	364,964	365,520
Investments <i>[note 12]</i>	138,412	168,122
Accounts receivable and prepaid expenses	170,156	156,798
Income taxes receivable	25,841	8,891
<b>Total current assets</b>	<b>817,733</b>	<b>836,491</b>
Capital assets, net <i>[note 4]</i>	45,954	44,985
Right-of-use assets <i>[note 2]</i>	44,882	—
Intangibles <i>[notes 3 and 5]</i>	3,388,482	3,370,341
Other assets <i>[notes 2 and 8]</i>	70,755	40,399
<b>Total assets</b>	<b>4,367,806</b>	<b>4,292,216</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 2]</i>	245,267	253,518
Current portion of provision for other liabilities <i>[note 8]</i>	14,643	14,591
Dividends payable <i>[note 10]</i>	79,845	175,290
Client and trust funds payable	368,348	370,756
Current portion of long-term debt <i>[note 7]</i>	449,509	—
Current portion of lease liabilities <i>[note 2]</i>	11,348	—
<b>Total current liabilities</b>	<b>1,168,960</b>	<b>814,155</b>
Deferred lease inducement <i>[note 2]</i>	—	11,320
Long-term dividends payable <i>[note 10]</i>	—	43,822
Long-term debt <i>[note 7]</i>	1,154,985	1,503,733
Provision for other liabilities <i>[note 8]</i>	18,493	20,177
Deferred income taxes <i>[notes 2 and 11]</i>	464,841	466,083
Lease liabilities <i>[note 2]</i>	61,171	—
<b>Total liabilities</b>	<b>2,868,450</b>	<b>2,859,290</b>
<b>Equity</b>		
Share capital <i>[note 9(a)]</i>	1,944,311	2,125,130
Contributed surplus	23,435	25,270
Deficit <i>[note 2]</i>	(474,013)	(720,600)
Accumulated other comprehensive income	255	277
<b>Total equity attributable to the shareholders of the Company</b>	<b>1,493,988</b>	<b>1,430,077</b>
<b>Non-controlling interests <i>[note 3]</i></b>	<b>5,368</b>	<b>2,849</b>
<b>Total equity</b>	<b>1,499,356</b>	<b>1,432,926</b>
<b>Total liabilities and equity</b>	<b>4,367,806</b>	<b>4,292,216</b>

*(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

	2019	2018
<i>[in thousands of Canadian dollars, except per share amounts]</i>	\$	\$
<b>REVENUE</b>		
Management fees	1,857,918	2,004,151
Administration fees	220,444	197,591
Redemption fees	11,060	14,851
Realized and unrealized gain (loss) on investments	10,788	(8,115)
Other income <i>[note 6]</i>	19,017	27,887
	<b>2,119,227</b>	<b>2,236,365</b>
<b>EXPENSES</b>		
Selling, general and administrative <i>[note 18]</i>	489,272	512,564
Trailer fees	584,879	631,243
Investment dealer fees	173,350	155,871
Deferred sales commissions	12,814	22,113
Amortization and depreciation <i>[notes 2 and 19]</i>	32,891	20,546
Interest and lease finance <i>[notes 2 and 7]</i>	55,422	43,054
Other <i>[notes 6 and 8]</i>	43,794	7,674
	<b>1,392,422</b>	<b>1,393,065</b>
<b>Income before income taxes</b>	<b>726,805</b>	<b>843,300</b>
<b>Provision for income taxes <i>[notes 2 and 11]</i></b>		
Current	188,831	229,009
Deferred	450	(3,556)
	<b>189,281</b>	<b>225,453</b>
<b>Net income for the year</b>	<b>537,524</b>	<b>617,847</b>
<b>Net income (loss) attributable to non-controlling interests</b>	<b>(872)</b>	<b>371</b>
<b>Net income attributable to shareholders</b>	<b>538,396</b>	<b>617,476</b>
<b>Other comprehensive income (loss), net of tax</b>		
Exchange differences on translation of foreign operations	(22)	808
Total other comprehensive income (loss), net of tax	(22)	808
<b>Comprehensive income for the year</b>	<b>537,502</b>	<b>618,655</b>
<b>Comprehensive income (loss) attributable to non-controlling interests</b>	<b>(872)</b>	<b>371</b>
<b>Comprehensive income attributable to shareholders</b>	<b>538,374</b>	<b>618,284</b>
<b>Basic earnings per share attributable to shareholders <i>[note 9(e)]</i></b>	<b>\$2.30</b>	<b>\$2.38</b>
<b>Diluted earnings per share attributable to shareholders <i>[note 9(e)]</i></b>	<b>\$2.29</b>	<b>\$2.38</b>

*(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	Total shareholders' equity	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, January 1, 2019</b>	2,125,130	25,270	(730,663)	277	1,420,014	2,849	1,422,863
Comprehensive income	—	—	538,396	(22)	538,374	(872)	537,502
Dividends declared <i>[note 10]</i>	—	—	(31,483)	—	(31,483)	(875)	(32,358)
Shares repurchased, net of tax	(193,570)	—	(250,263)	—	(443,833)	—	(443,833)
Business combination <i>[note 3]</i>	—	—	—	—	—	4,266	4,266
Issuance of share capital for equity-based plans, net of tax	12,751	(12,751)	—	—	—	—	—
Compensation expense for equity-based plans, net of tax	—	10,916	—	—	10,916	—	10,916
<b>Change during the year</b>	<b>(180,819)</b>	<b>(1,835)</b>	<b>256,650</b>	<b>(22)</b>	<b>73,974</b>	<b>2,519</b>	<b>76,493</b>
<b>Balance, December 31, 2019</b>	<b>1,944,311</b>	<b>23,435</b>	<b>(474,013)</b>	<b>255</b>	<b>1,493,988</b>	<b>5,368</b>	<b>1,499,356</b>
<b>Balance, January 1, 2018</b>	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
<b>Change during the year</b>	<b>(235,127)</b>	<b>3,212</b>	<b>(241,898)</b>	<b>808</b>	<b>(473,005)</b>	<b>371</b>	<b>(472,634)</b>
<b>Balance, December 31, 2018</b>	<b>2,125,130</b>	<b>25,270</b>	<b>(720,600)</b>	<b>277</b>	<b>1,430,077</b>	<b>2,849</b>	<b>1,432,926</b>

*(see accompanying notes)*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

<i>[in thousands of Canadian dollars]</i>	2019 \$	2018 \$
<b>OPERATING ACTIVITIES (*)</b>		
Net income for the period	537,524	617,847
Add (deduct) items not involving cash		
Realized and unrealized (gain) loss on investments	(10,788)	8,115
Fair value adjustment to put option and contingent consideration	—	(1,144)
Equity-based compensation	14,701	13,728
Amortization and depreciation	32,891	20,557
Deferred income taxes	450	(3,556)
Impairment loss on intangibles <i>[note 8]</i>	6,442	—
Cash provided by operating activities before net change in operating assets and liabilities	581,220	655,547
Net change in operating assets and liabilities	(23,211)	(47,336)
<b>Cash provided by operating activities</b>	<b>558,009</b>	<b>608,211</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(11,503)	(17,768)
Proceeds on sale of investments	36,741	21,960
Additions to capital assets	(12,351)	(11,709)
Increase in other assets	(26,032)	(2,824)
Additions to intangibles	(4,425)	(4,359)
Cash paid to settle put option and contingent liability <i>[note 8]</i>	(2,667)	(13,694)
Acquisition of subsidiary, net of cash acquired <i>[note 3]</i>	(26,077)	—
<b>Cash used in investing activities</b>	<b>(46,314)</b>	<b>(28,394)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(591,500)	(222,000)
Issuance of long-term debt	690,959	606,667
Repurchase of share capital	(447,293)	(656,907)
Issuance of share capital	—	406
Payment of lease liabilities	(11,036)	—
Dividends paid to shareholders <i>[note 10]</i>	(170,750)	(295,405)
Dividends paid to non-controlling interests	(875)	—
<b>Cash used in financing activities</b>	<b>(530,495)</b>	<b>(567,239)</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(18,800)</b>	<b>12,578</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>137,160</b>	<b>124,582</b>
<b>Cash and cash equivalents, end of year</b>	<b>118,360</b>	<b>137,160</b>
(*) Included in operating activities are the following:		
<b>Interest paid</b>	<b>49,548</b>	<b>38,289</b>
<b>Income taxes paid</b>	<b>205,592</b>	<b>240,519</b>
<i>(see accompanying notes)</i>		



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [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 13, 2020.

### 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"], BBS Securities Inc. ["BBS"] and their respective subsidiaries. Effective, July 1, 2019, First Asset Capital 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 86% interest in GSFM Pty Limited ["GSFM"] with put and call options over the remaining 14% 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 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

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 \$132.1 billion as at December 31, 2019 [2018 – \$124.4 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, 2019.

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.

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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 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.

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### *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 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.

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### FAIR VALUE MEASUREMENT

CI uses valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. CI 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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### LEASES

CI assesses at inception whether a contract contains a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

#### *Right-of-use assets*

CI recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

#### *Lease liabilities*

At the commencement date of the lease, CI recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include in substance fixed payments less any lease incentives receivable, variable payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by CI and payments of penalties for terminating a lease, if the lease term reflects CI exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, CI uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases and lease of low-value assets*

CI applies the short-term lease recognition exemption to its short-term leases of equipment and property leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). CI also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

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### *Sub-leases*

CI enters into lease agreements as an intermediate lessor with respect to some of its leased properties. When CI is an intermediate lessor, the head lease and the sub-lease are accounted for as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognized as other assets at the amount of CI's net investment in the leases. Finance lease income is recognized over the lease term using the effective interest rate. Payments received reduce the net investment in the lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### **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.

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### *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.

### **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.

### **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 statements 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



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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.

### 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 statements 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 statements 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 statements 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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.

### *(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.

### *(vi) Leases*

CI determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

CI has the option, under some of its leases to lease the assets for additional terms. CI applies judgment in evaluation whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, CI reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

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### 2. NEW ACCOUNTING STANDARDS

#### [A] IFRS 16

IFRS 16, *Leases* ["IFRS 16"], replaces the previous lease standard, IAS 17, *Leases* ["IAS 17"], and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Effective January 1, 2019, CI adopted IFRS 16 using the modified retrospective approach. Under this approach, CI recognized the lease liability based on the remaining lease payments discounted using CI's incremental borrowing rate as at January 1, 2019. CI also recognized 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 were not restated for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening consolidated statements of financial position on January 1, 2019.

The adoption of IFRS 16 resulted in CI reporting higher interest and depreciation expenses and lower selling, general and administrative expenses as of the effective date. Non-IFRS measures such as earnings before interest, taxes, depreciation and amortization are positively impacted as a result.

Upon adoption of IFRS 16, CI recognized lease liabilities in relation to leases previously classified as operating leases under the principles of IAS 17. CI elected to apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- 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
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

On transition to IFRS 16, CI assessed the classification of its sub-leased properties with reference to the right-of-use asset and concluded that its sub-leased properties previously classified as operating leases under IAS 17 should be accounted for as finance leases under IFRS 16.

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The following summarizes the impact of adopting IFRS 16 as at January 1, 2019:

	January 1, 2019
	\$
<b>Assets</b>	
Right-of-use assets	52,381
Other assets	2,396
<b>Total assets</b>	<b>54,777</b>
<b>Liabilities</b>	
Accounts payable and other liabilities	(1,805)
Current portion of lease liabilities	10,872
Non-current lease liabilities	70,758
Deferred lease inducement	(11,320)
Deferred tax liability	(3,665)
<b>Total liabilities</b>	<b>64,840</b>
<b>Deficit</b>	<b>(10,063)</b>

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

	\$
<b>Operating lease commitments as at December 31, 2018</b>	<b>90,050</b>
Less:	
Lease commitments related to short-term leases	(168)
Add:	
Payments in optional extension periods considered reasonably certain to be exercised	4,507
<b>Gross lease liability as at January 1, 2019</b>	<b>94,389</b>
Weighted average incremental borrowing rate as at January 1, 2019	4.2%
<b>Present value of lease liability recognized as at January 1, 2019</b>	<b>81,630</b>
<b>Current lease liabilities</b>	<b>10,872</b>
<b>Non-current lease liabilities</b>	<b>70,758</b>

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The following shows the carrying amounts of CI's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2019:

	Right-of-use assets			Lease liabilities
	Property leases	Equipment leases	Total	
	\$	\$	\$	
<b>As at January 1, 2019</b>	<b>50,240</b>	<b>2,141</b>	<b>52,381</b>	<b>81,630</b>
Additions	1,291	—	1,291	1,934
Depreciation expense	(7,812)	(970)	(8,782)	—
Interest expense	—	—	—	3,207
Payments	—	—	—	(14,243)
Translation	(8)	—	(8)	(9)
<b>As at December 31, 2019</b>	<b>43,711</b>	<b>1,171</b>	<b>44,882</b>	<b>72,519</b>

CI recognized rent expense from short-term leases of \$886, leases of low-value assets of \$155 and variable lease payments of \$12,869 during the year ended December 31, 2019.

Included in other income is finance income of \$109 received from sub-leasing right-of-use assets.

### [B] IFRIC 23

Effective January 1, 2019, CI adopted IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* ["IFRIC 23"], which clarifies the accounting treatment used to reflect uncertainty in the recognition and measurement of income taxes. IFRIC 23 specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances

CI has considered the impact of IFRIC 23 on the recognition and measurement of uncertainties over income tax treatments across the jurisdictions in which it operates. CI has determined that there is no cumulative effect to opening deficit, or other appropriate components of equity upon adoption.

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### 3. BUSINESS ACQUISITION

#### *WealthBar Financial Services Inc.*

On January 23, 2019, CI acquired 75% of the outstanding shares and debt obligations of WealthBar Financial Services Inc., ["WealthBar"] a leading Canadian online wealth management and financial planning platform, for all cash consideration of \$23,653. 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 January 23, 2019, at fair value, are as follows:

	\$
Cash and cash equivalents	81
Accounts receivable and prepaid expenses	416
Income taxes receivable	226
Capital assets	113
Right-of-use asset	248
Fund administration contracts	4,000
Intangible - technology	15,000
Accounts payable and accrued liabilities	(401)
Lease liability	(262)
Deferred income taxes	(2,356)
<b>Fair value of identifiable net assets</b>	<b>17,065</b>
Non-controlling interest (25% of identifiable net assets)	(4,266)
Goodwill on acquisition	10,854
<b>Total acquired cost</b>	<b>23,653</b>

The acquired fund administration contracts with a fair value of \$4,000 have a finite life of 10 years. The technology acquired has a fair value of \$15,000 and an estimated useful life of 10 years. The goodwill on acquisition is not deductible for income taxes. Goodwill of \$10,854 relates to the asset administration segment.

#### *Snap Projections Inc.*

On October 16, 2019, WealthBar acquired 100% of the outstanding shares of Snap Projections Inc. The acquisition was accounted for using the acquisition method of accounting. The estimated fair values of the assets acquired and liabilities assumed and the results of operations have been consolidated from the date of the transaction.

#### *Surevest Wealth Management*

On January 24, 2020, CI acquired a majority stake in Surevest Wealth Management, a Phoenix-based registered investment advisory firm. The estimated fair values of the assets acquired and liabilities assumed will be included in the interim consolidated financial statements as at March 31, 2020.

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### *WisdomTree*

On November 7, 2019, CI reached an agreement to acquire 100% of the outstanding shares of WisdomTree Asset Management Canada, Inc. [“WisdomTree”], the investment fund manager of WisdomTree’s Canadian exchange-traded funds. The details of the acquisition are being finalized and is expected to close on February 18, 2020.

### *One Capital Management LLC*

On December 23, 2019, CI reached an agreement to acquire a majority stake in One Capital Management, LLC. The details of the acquisition are being finalized and is expected to close in March, 2020.

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### 4. CAPITAL ASSETS

Capital assets consist of the following:

	Computer hardware \$	Office equipment \$	Leasehold improvements \$	Total \$
<b>Cost</b>				
<b>Balance, December 31, 2017</b>	<b>16,184</b>	<b>16,022</b>	<b>74,452</b>	<b>106,658</b>
Additions	3,662	1,938	6,109	11,709
Retired	(2,257)	—	(7)	(2,264)
<b>Balance, December 31, 2018</b>	<b>17,589</b>	<b>17,960</b>	<b>80,554</b>	<b>116,103</b>
Additions	3,151	2,337	6,863	12,351
Acquired	141	51	28	220
Retired	(1,678)	(6)	—	(1,684)
<b>Balance, December 31, 2019</b>	<b>19,203</b>	<b>20,342</b>	<b>87,445</b>	<b>126,990</b>
<b>Accumulated depreciation</b>				
<b>Balance, December 31, 2017</b>	<b>10,892</b>	<b>13,124</b>	<b>39,401</b>	<b>63,417</b>
Depreciation	3,466	1,199	5,300	9,965
Retired	(2,257)	—	(7)	(2,264)
<b>Balance, December 31, 2018</b>	<b>12,101</b>	<b>14,323</b>	<b>44,694</b>	<b>71,118</b>
Depreciation	3,927	1,405	6,159	11,491
Acquired	66	21	20	107
Retired	(1,674)	(6)	—	(1,680)
<b>Balance, December 31, 2019</b>	<b>14,420</b>	<b>15,743</b>	<b>50,873</b>	<b>81,036</b>
<b>Carrying amounts</b>				
<b>At December 31, 2017</b>	<b>5,292</b>	<b>2,898</b>	<b>35,051</b>	<b>43,241</b>
<b>At December 31, 2018</b>	<b>5,488</b>	<b>3,637</b>	<b>35,860</b>	<b>44,985</b>
<b>At December 31, 2019</b>	<b>4,783</b>	<b>4,599</b>	<b>36,572</b>	<b>45,954</b>



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### 5. INTANGIBLES

	Goodwill	Fund administration contracts	Fund management contracts finite life	Fund management contracts indefinite life	Other intangibles	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance, December 31, 2017</b>	<b>1,521,318</b>	<b>44,500</b>	<b>50,157</b>	<b>1,779,957</b>	<b>51,757</b>	<b>3,447,689</b>
Acquired	283	—	—	—	—	283
Translation	(496)	—	—	—	—	(496)
Additions	—	—	—	—	4,359	4,359
<b>Balance, December 31, 2018</b>	<b>1,521,105</b>	<b>44,500</b>	<b>50,157</b>	<b>1,779,957</b>	<b>56,116</b>	<b>3,451,835</b>
Acquired	11,670	5,000	—	—	16,300	32,970
Translation	(1,502)	—	—	—	—	(1,502)
Additions	—	—	—	—	4,425	4,425
Retired	—	—	—	—	(12,664)	(12,664)
<b>Balance, December 31, 2019</b>	<b>1,531,273</b>	<b>49,500</b>	<b>50,157</b>	<b>1,779,957</b>	<b>64,177</b>	<b>3,475,064</b>
<b>Accumulated amortization</b>						
<b>Balance, December 31, 2017</b>	<b>—</b>	<b>21,224</b>	<b>27,341</b>	<b>—</b>	<b>23,284</b>	<b>71,849</b>
Amortization	—	2,030	2,033	—	5,582	9,645
<b>Balance, December 31, 2018</b>	<b>—</b>	<b>23,254</b>	<b>29,374</b>	<b>—</b>	<b>28,866</b>	<b>81,494</b>
Acquired	—	—	—	—	(1,826)	(1,826)
Amortization	—	2,467	2,022	—	6,823	11,312
Retired	—	—	—	—	(4,398)	(4,398)
<b>Balance, December 31, 2019</b>	<b>—</b>	<b>25,721</b>	<b>31,396</b>	<b>—</b>	<b>29,465</b>	<b>86,582</b>
<b>Carrying amounts</b>						
<b>At December 31, 2017</b>	<b>1,521,318</b>	<b>23,276</b>	<b>22,816</b>	<b>1,779,957</b>	<b>28,473</b>	<b>3,375,840</b>
<b>At December 31, 2018</b>	<b>1,521,105</b>	<b>21,246</b>	<b>20,783</b>	<b>1,779,957</b>	<b>27,250</b>	<b>3,370,341</b>
<b>At December 31, 2019</b>	<b>1,531,273</b>	<b>23,779</b>	<b>18,761</b>	<b>1,779,957</b>	<b>34,712</b>	<b>3,388,482</b>
<b>Remaining term</b>	<b>N/A</b>	<b>8.9 – 9.9 yrs</b>	<b>7.3 – 13.9 yrs</b>	<b>N/A</b>	<b>0.3 – 9.8 yrs</b>	

CI has two groups of 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 \$1,309,008 is allocated to the asset management segment and \$222,265 is allocated to the asset administration segment as at December 31, 2019 [2018 – \$1,310,510 and \$210,595, respectively]. Within the asset management segment, CI has indefinite life fund management contracts of \$1,779,957 as at December 31, 2019 and 2018.

The recoverable amounts of the CGUs are based on a fair value less cost to sell calculation. The fair value was determined using the discounted cash flow method, based on estimated future cash flows over a 10-year period with 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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forecast calculation include assumptions on market 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 forecast 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, 2019 and 2018. A discount rate of 11.38% – 13.88% per annum has been applied to the recoverable amount calculation as at December 31, 2019 [2018 – 8.3% – 12.5%].

The calculation of the recoverable amount exceeds the carrying amount of goodwill and indefinite life fund management contracts as at December 31, 2019 and 2018.

### 6. OTHER ASSETS, INCOME AND EXPENSE

Other assets as at December 31, 2019 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, 2019, the carrying amount of employee share purchase loans is \$3,933 [2018 – \$5,188] 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, 2019, the shares held as collateral have a market value of approximately \$4,763 [2018 – \$5,865].

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, 2019, loans to investment advisors of \$19,135 [2018 – \$16,039] 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 in the year ended December 31, 2018, also includes the fair value adjustment to the put option discussed in Note 8. Other expenses consist mainly of the provisions as discussed in Note 8 as well as expenses incurred by Marret.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 7. LONG-TERM DEBT

Long-term debt consists of the following:

				2019	2018
				\$	\$
<b>Credit facility</b>					
Prime rate loan				—	24,500
Bankers' acceptances				35,000	—
LIBOR loan (USD \$193,000)				—	259,000
				<b>35,000</b>	<b>283,500</b>
<b>Debenture principal amount</b>	<b>Interest rate</b>	<b>Issued date</b>	<b>Maturity date</b>		
\$450 million	2.645%	December 7, 2015	December 7, 2020	449,509	449,032
\$200 million	2.775%	November 25, 2016	November 25, 2021	199,512	199,278
\$325 million	3.520%	July 20, 2018	July 20, 2023	323,616	323,297
\$350 million	3.215%	July 22, 2019	July 22, 2024	348,101	—
\$250 million	3.904%	September 27, 2017	September 27, 2027	248,756	248,626
				<b>1,569,494</b>	<b>1,220,233</b>
<b>Long-term debt</b>				<b>1,604,494</b>	<b>1,503,733</b>
<b>Current portion of long-term debt</b>				<b>449,509</b>	<b>—</b>

#### CREDIT FACILITY

CI has a \$700,000 revolving credit facility with three Canadian chartered banks. 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. Amounts may be borrowed 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, 2019 and 2018, CI had not accessed the facility by way of letters of credit.

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.

On January 28, 2019, the forward exchange contract entered into on December 24, 2018 with a Canadian chartered bank to pay Canadian dollars \$259,690 and receive U.S. dollars \$193,666 matured. Hedge accounting was not applied to the forward foreign

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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 22, 2019, CI completed an offering pursuant to which it issued \$350,000 principal amount of debentures due July 22, 2024 at par [the “2024 Debentures”]. Interest on the 2024 Debentures is paid semi-annually in arrears at a rate of 3.215%. The proceeds, net of transaction costs, were used to repay outstanding indebtedness under the credit facility.

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, 2019, the fair value of the interest rate swap agreement was an unrealized loss of \$2,388 [2018 – \$4,959] 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 paid on the debentures is paid semi-annually. During the years ended December 31, 2019 and 2018, interest paid is as follows:

	Interest rate	Issued date	Maturity date	2019 \$	2018 \$
<b>Debenture interest paid</b>					
\$450 million	2.645%	December 7, 2015	December 7, 2020	<b>11,903</b>	11,903
\$200 million	2.775%	November 25, 2016	November 25, 2021	<b>6,841</b>	6,402
\$325 million	3.520%	July 20, 2018	July 20, 2023	<b>11,440</b>	5,143
\$350 million	3.215%	July 22, 2019	July 22, 2024	<b>4,861</b>	—
\$250 million	3.904%	September 27, 2017	September 27, 2027	<b>9,760</b>	9,760
				<b>44,805</b>	33,208

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, 2019 was \$1,302 [2018 – \$947], which is included in other expenses. CI may, at its option, redeem the 2020 Debentures, the 2021 Debentures, the 2023 Debentures, the 2024 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, 44.5 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:

	2019	2018
	\$	\$
<b>Provision for other liabilities, beginning of year</b>	<b>34,768</b>	98,595
Additions	<b>35,214</b>	3,151
Amounts used	<b>(36,504)</b>	(54,838)
Amounts reversed	<b>(342)</b>	(12,140)
<b>Provision for other liabilities, end of year</b>	<b>33,136</b>	34,768
<b>Current portion of provision for other liabilities</b>	<b>14,643</b>	14,591

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 CI 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, 2019 and 2018, no insurance proceeds were received, related to the settlement of legal claims.

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### **PUT OPTION AND CONTINGENT CONSIDERATION**

Included in provision for other liabilities as at December 31, 2019, is a provision for the fair value of the put option granted to minority interest shareholders for the acquisition of GSFM of \$7,573, including foreign exchange translation adjustments [2018 – \$11,438]. During 2019, GSFM shareholders exercised their put to CI and a total of 50 thousand shares were purchased for an equivalent Canadian cash value of \$2,667 [2018 - 30 thousand shares for Canadian cash value of \$2,565]. In addition, during 2019, the put option liability was reduced by \$569 [2018 – \$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. No adjustments to fair value were made during 2019.

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. As at December 31, 2018, all contingent consideration related to this acquisition has been paid.

### **RESTRUCTURING**

During the year ended December 31, 2019, CI recorded a provision for restructuring of \$35,000 related to severance and the write-down of software intangibles that were retired. As at December 31, 2019, a provision of \$6,485 remains.

In 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, 2019, a provision of \$2,400 remains [2018 – \$5,756].

### **REMEDICATION**

In 2015, CI discovered an administrative error and recorded a provision of \$10,750, net of recoveries for the cost to remediate. As at December 31, 2019, a net recovery of \$3,793 remains [2018 – \$3,550].

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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 \$
<b>Authorized</b>		
An unlimited number of common shares of CI		
<b>Issued</b>		
<b>Common shares, balance, December 31, 2017</b>	<b>271,884</b>	<b>2,360,257</b>
Issuance for acquisition of subsidiary	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)
<b>Common shares, balance, December 31, 2018</b>	<b>243,721</b>	<b>2,125,130</b>
Issuance of share capital on vesting of restricted share units	711	12,751
Share repurchases, net of tax	(22,640)	(193,570)
<b>Common shares, balance, December 31, 2019</b>	<b>221,792</b>	<b>1,944,311</b>

During the year ended December 31, 2019, 21,950 thousand shares [2018 – 27,951 thousand shares] were repurchased under a normal course issuer bid at an average cost of \$19.78 per share for total consideration of \$434,236 [2018 – \$22.93 per share for total consideration of \$640,787]. Deficit was increased by \$243,211 during the year ended December 31, 2019 [2018 – \$398,279] for the cost of the shares repurchased in excess of their stated value.

During the year ended December 31, 2019, 690 thousand shares [2018 – 570 thousand shares] were repurchased for CI's restricted share unit plan at an average cost of \$18.92 per share for total consideration of \$13,057 [\$9,597 after tax] [2018 – \$28.28 per share for total consideration of \$16,120 [\$11,848 net of tax]]. Deficit was increased by \$7,052 during the year ended December 31, 2019 [2018 – 11,177] 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 743 thousand options [2018 - 78 thousand options] to employees. The fair value method of accounting is used for the valuation of the 2019 and 2018 share option grants. Compensation expense is recognized over the vesting period, assuming an estimated average forfeiture rate of 12.7% for the year [2018 - 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 holder are credited to share capital. The fair value of the 2019 and 2018 option grants was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

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Year of grant	2019	2019	2018
# of options granted [in thousands]	213	530	78
Vesting terms	At end of year 5	1/3 at end of years 3, 4 and 5	1/3 at end of years 1, 2 and 3
Dividend yield	3.792%	3.792%	5.044% - 5.085%
Expected volatility (*)	17%	17%	16%
Risk-free interest rate	2.238%	2.182% - 2.238%	2.285% - 2.363%
Expected life [years]	6.8	5.2 - 6.8	2.9 - 3.7
Forfeiture rate	0%	13%	0%
Fair value per stock option	\$2.48	\$2.23 - \$2.48	\$2.23 - \$2.45
Exercise price	\$18.99	\$18.99	\$28.67

(\*) 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, 2019, there are 5,584 thousand shares [2018 – 6,958 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 \$18.99 to \$35.88 per share and expire at dates up to 2029.

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

	Number of options [in thousands]	Weighted average exercise price \$
<b>Options outstanding, December 31, 2017</b>	<b>8,073</b>	<b>31.84</b>
<b>Options exercisable, December 31, 2017</b>	<b>5,014</b>	<b>33.03</b>
Options granted	78	28.67
Options exercised (*)	(609)	27.42
Options cancelled	(584)	31.98
<b>Options outstanding, December 31, 2018</b>	<b>6,958</b>	<b>32.18</b>
<b>Options exercisable, December 31, 2018</b>	<b>5,789</b>	<b>32.97</b>
Options granted	743	18.99
Options cancelled	(2,117)	34.28
<b>Options outstanding, December 31, 2019</b>	<b>5,584</b>	<b>29.63</b>
<b>Options exercisable, December 31, 2019</b>	<b>4,758</b>	<b>31.26</b>

(\*) Weighted-average share price of options exercised was nil during the year ended December 31, 2019 [2018 - \$29.54]

The equity-based compensation expense under the Share Option Plan for the year ended December 31, 2019 of \$513 [2018 – \$975] has been included in selling, general and administrative expenses.



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Options outstanding and exercisable as at December 31, 2019 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>
18.99	704	9.2	—
27.44	477	2.2	389
28.63	2,001	1.1	2,001
28.67	51	3.2	17
33.96	2,131	0.1	2,131
35.88	220	0.3	220
<b>18.99 to 35.88</b>	<b>5,584</b>	<b>1.8</b>	<b>4,758</b>

### [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, 2019, CI granted 736 thousand RSUs [2018 - 579 thousand RSUs], including 39 thousand RSUs granted, to reflect dividends declared on the common shares [2018 - 38 thousand RSUs]. Also during the year ended December 31, 2019, 711 thousand RSUs were exercised, and 32 thousand RSUs were forfeited [2018 - 284 thousand RSUs exercised, and 24 thousand RSUs forfeited]. During the year ended December 31, 2019, CI credited contributed surplus for \$14,188, related to compensation expense recognized for the RSUs [2018 - \$12,753]. As at December 31, 2019, 657 thousand RSUs are outstanding [2018 - 664 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.

During the year ended December 31, 2019, 6 thousand DSUs were granted, and nil DSUs were exercised, [2018 - 2 thousand DSUs, and 12 thousand exercised]. An expense of \$195 was recorded during the year ended December 31, 2019, [2018 - \$(217)]. As at December 31, 2019, included in accounts payable and accrued liabilities, is an accrual of \$464 for amounts to be paid under the DSU Plan [2018 - \$269].

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### [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>	<b>2019</b>	<b>2018</b>
<b>Numerator:</b>		
Net income attributable to shareholders of the Company basic and diluted	<b>\$538,396</b>	\$617,476
<b>Denominator:</b>		
Weighted average number of common shares - basic	<b>234,273</b>	259,253
Weighted average effect of dilutive stock options and RSU awards (*)	<b>976</b>	329
<b>Weighted average number of common shares - diluted</b>	<b>235,249</b>	259,582
<b>Net earnings per common share attributable to shareholders</b>		
<b>Basic</b>	<b>\$2.30</b>	\$2.38
<b>Diluted</b>	<b>\$2.29</b>	\$2.38

(\*) *The determination of the weighted average number of common shares - diluted excludes 5,584 thousand shares related to stock options that were anti-dilutive for the year ended December 31, 2019 [2018 - 6,958 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, 2020:

<i>[in thousands]</i>	
Shares outstanding at January 31, 2020	220,239
RSU awards	577
Options to purchase shares	5,495
	<b>226,311</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

### 10. DIVIDENDS

The following dividends were paid by CI during the year ended December 31, 2019:

Record date	Payment date	Cash dividend per share	Total dividend amount
		\$	\$
December 31, 2018	January 15, 2019	0.18	43,899
March 31, 2019	April 15, 2019	0.18	43,285
June 30, 2019	July 15, 2019	0.18	42,461
September 30, 2019	October 15, 2019	0.18	41,105
<b>Paid during the year ended December 31, 2019</b>			<b>170,750</b>

The following dividends were declared but not paid as at December 31, 2019:

Record date	Payment date	Cash dividend per share	Total dividend amount
		\$	\$
December 31, 2019	January 15, 2020	0.18	39,923
March 31, 2020	April 15, 2020	0.18	39,922
<b>Declared and accrued as at December 31, 2019</b>			<b>79,845</b>

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
<b>Paid during the year ended December 31, 2018</b>			<b>295,572</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following dividends were declared but not paid as at 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
<b>Declared and accrued as at December 31, 2018</b>			<b>219,112</b>

### 11. INCOME TAXES

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

	2019	2018
	\$	\$
<b>Consolidated Statements of Income</b>		
Current income tax expense		
Based on taxable income of the current year	<b>189,438</b>	229,138
Adjustments in respect of prior years	<b>(607)</b>	(129)
	<b>188,831</b>	229,009
Deferred income tax expense		
Origination and reversal of temporary differences (net)	<b>450</b>	(3,556)
	<b>450</b>	(3,556)
<b>Income tax expense reported in the consolidated statements of income</b>	<b>189,281</b>	225,453

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

	2019	2018
	%	%
<b>Combined Canadian federal and provincial income tax rate</b>	<b>26.5</b>	26.5
Increase in income taxes resulting from		
Recovery of prior years' provisions for settled tax items	<b>(0.6)</b>	—
Other, net	<b>0.1</b>	0.2
<b>Income tax expense reported in the consolidated statements of income and comprehensive income</b>	<b>26.0</b>	26.7

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

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, 2019:

	December 31, 2018	Opening retained earnings adjustments [note 2]	Recognized in net income	Business acquisition [note 3]	Recognized in equity and FX	December 31, 2019
	\$	\$	\$	\$	\$	\$
<b>Deferred income tax liabilities</b>						
Fund contracts	483,776	—	(2,425)	1,345	—	482,696
Right-of-use assets	—	17,267	(5,401)	—	—	11,866
Other	27	635	6,392	4,404	—	11,458
<b>Total deferred income tax liabilities</b>	<b>483,803</b>	<b>17,902</b>	<b>(1,434)</b>	<b>5,749</b>	<b>—</b>	<b>506,020</b>
<b>Deferred income tax assets</b>						
Equity-based compensation	12,465	—	785	—	(300)	12,950
Non-capital loss carryforwards	1,444	—	912	2,760	—	5,116
Provision for other liabilities	2,910	—	(220)	—	—	2,690
Lease liabilities	—	21,567	(2,404)	—	—	19,163
Other	901	—	(957)	—	1,316	1,260
<b>Total deferred income tax assets</b>	<b>17,720</b>	<b>21,567</b>	<b>(1,884)</b>	<b>2,760</b>	<b>1,016</b>	<b>41,179</b>
<b>Net deferred income tax liabilities</b>	<b>466,083</b>	<b>(3,665)</b>	<b>450</b>	<b>2,989</b>	<b>(1,016)</b>	<b>464,841</b>

Significant components of CI's deferred income tax liabilities and assets are as follows at December 31, 2018:

	December 31, 2017	Recognized in net income	Recognized in other comprehensive income	Recognized in equity and FX	December 31, 2018
	\$	\$	\$	\$	\$
<b>Deferred income tax liabilities</b>					
Fund contracts	488,482	(4,706)	—	—	483,776
Other	1,413	(1,386)	—	—	27
<b>Total deferred income tax liabilities</b>	<b>489,895</b>	<b>(6,092)</b>	<b>—</b>	<b>—</b>	<b>483,803</b>
<b>Deferred income tax assets</b>					
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
<b>Total deferred income tax assets</b>	<b>19,502</b>	<b>(2,536)</b>	<b>102</b>	<b>652</b>	<b>17,720</b>
<b>Net deferred income tax liabilities</b>	<b>470,393</b>	<b>(3,556)</b>	<b>(102)</b>	<b>(652)</b>	<b>466,083</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

### 12. FINANCIAL INSTRUMENTS

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

	December 31, 2019	December 31, 2018
	\$	\$
<b>Financial assets</b>		
<i>Fair value through profit or loss</i>		
Cash and cash equivalents	118,360	137,160
Investments	138,412	168,122
Other assets	26,856	9,507
<i>Amortized cost</i>		
Client and trust funds on deposit	364,964	365,520
Accounts receivable	159,760	137,979
Other assets	39,564	23,006
<b>Total financial assets</b>	<b>847,916</b>	<b>841,294</b>
<b>Financial liabilities</b>		
<i>Fair value through profit or loss</i>		
Provisions for other liabilities	8,650	11,438
<i>Amortized cost</i>		
Accounts payable and accrued liabilities	242,176	222,233
Provision for other liabilities	24,486	23,330
Dividends payable	79,845	219,112
Client and trust funds payable	368,348	370,756
Long-term debt	1,604,494	1,503,733
<b>Total financial liabilities</b>	<b>2,327,999</b>	<b>2,350,602</b>

CI's investments as at December 31, 2019 and 2018 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, 2019, 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

Investments consist of the following as at December 31, 2019:

	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Marketable securities	118,243	40,588	74,003	3,653
Securities owned, at market	20,169	20,169	—	—
<b>Total investments</b>	<b>138,412</b>	<b>60,757</b>	<b>74,003</b>	<b>3,653</b>

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	—	—
<b>Total investments</b>	<b>168,122</b>	<b>91,772</b>	<b>72,697</b>	<b>3,653</b>

Included in other assets are long-term private equity strategic investments of \$26,856 [2018 - \$9,507] valued using level 3 inputs.

Included in provision for other liabilities, as at December 31, 2019 is put option payable on non-controlling interest of \$7,573 [2018 - \$11,438] carried at fair value and classified as level 3 in the fair value hierarchy. Long-term debt as at December 31, 2019 includes debentures with a fair value of \$1,586,136 [2018 - \$1,208,715], 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

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 \$35,000 [2018 – \$283,500] 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, 2019, each 0.50% increase or decrease in interest rates would result in annual interest expense increasing or decreasing by \$1,175 [2018 – \$2,418], respectively.

### (ii) Foreign exchange risk

CI is exposed to foreign exchange risk primarily from its investment in foreign subsidiaries operating in the United States, Australia and Hong Kong 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, 2019:

	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	12,489	—	(12,489)	—
Australian dollar	645	(313)	(645)	313
Hong Kong dollar	106	—	(106)	—

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, 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
Hong Kong dollar	104	—	(104)	—

### [iii] Price risk

CI incurs price risk through its investments of \$138,412 [2018 – \$168,122]. Based on the carrying amount of these assets, an increase or decrease in prices by 10% would result in estimated gains or losses of \$13,841 [2018 - \$16,812], respectively.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • *[in thousands of dollars, except per share amounts]*

### [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	2020	2021	2022	2023	2024	2027
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	242,176	242,176	—	—	—	—	—
Dividends payable	79,845	79,845	—	—	—	—	—
Client and trust funds payable	368,348	368,348	—	—	—	—	—
Long-term debt	1,610,000	450,000	235,000	—	325,000	350,000	250,000
Put option	7,573	2,525	2,524	2,524	—	—	—
<b>Total</b>	<b>2,307,942</b>	<b>1,142,894</b>	<b>237,524</b>	<b>2,524</b>	<b>325,000</b>	<b>350,000</b>	<b>250,000</b>

### [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, 2019, financial assets of \$591,144 [2018 – \$536,012], represented by client and trust funds on deposit of \$364,964 [2018 – \$365,520], accounts receivable of \$159,760 [2018 – \$137,979] and other assets of \$66,420 [2018 – \$32,513], 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, 2019:

	Cash	Securities
	\$	\$
Loaned or delivered as collateral	10,958	11,176
Borrowed or received as collateral	13,051	13,657

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

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.

### 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 comprise 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, 2019, cash and cash equivalents of \$12,810 [2018 - \$20,226] were 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, 2019 and December 31, 2018, CI met its capital requirements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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CI's capital consists of the following:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Shareholders' equity	1,493,988	1,430,077
Long-term debt	1,604,494	1,503,733
<b>Total capital</b>	<b>3,098,482</b>	<b>2,933,810</b>

### 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:

	\$
2020	13,939
2021	13,461
2022	12,808
2023	12,692
2024	12,647
2025 and thereafter	16,780

#### 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

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

### 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, 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 WealthBar, 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, 2019 is as follows:

	Asset management \$	Asset administration \$	Intersegment eliminations \$	Total \$
Management fees	1,857,918	—	—	1,857,918
Administration fees	—	397,396	(176,952)	220,444
Other income	5,738	35,127	—	40,865
<b>Total revenue</b>	<b>1,863,656</b>	<b>432,523</b>	<b>(176,952)</b>	<b>2,119,227</b>
Selling, general and administrative	387,534	101,738	—	489,272
Trailer fees	615,786	—	(30,907)	584,879
Investment dealer fees	—	318,683	(145,333)	173,350
Deferred sales commissions	13,526	—	(712)	12,814
Amortization and depreciation	22,350	10,541	—	32,891
Other expenses	38,714	5,080	—	43,794
<b>Total expenses</b>	<b>1,077,910</b>	<b>436,042</b>	<b>(176,952)</b>	<b>1,337,000</b>
<b>Income before income taxes and non-segmented items</b>	<b>785,746</b>	<b>(3,519)</b>	<b>—</b>	<b>782,227</b>
Interest and lease finance				(55,422)
Provision for income taxes				(189,281)
<b>Net income for the year</b>				<b>537,524</b>
Identifiable assets	473,075	583,501	—	1,056,576
Indefinite life intangibles				
Goodwill	1,309,008	222,265	—	1,531,273
Fund contracts	1,779,957	—	—	1,779,957
<b>Total assets</b>	<b>3,562,040</b>	<b>805,766</b>	<b>—</b>	<b>4,367,806</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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
<b>Total revenue</b>	2,006,459	404,672	(174,766)	2,236,365
Selling, general and administrative	414,742	97,822	—	512,564
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 and depreciation	16,649	3,897	—	20,546
Other expenses	7,386	288	—	7,674
<b>Total expenses</b>	1,124,746	400,031	(174,766)	1,350,011
<b>Income before income taxes and non-segmented items</b>	881,713	4,641	—	886,354
Interest				(43,054)
Provision for income taxes				(225,453)
<b>Net income for the year</b>				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
<b>Total assets</b>	3,522,731	769,485	—	4,292,216

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018 • [in thousands of dollars, except per share amounts]

### 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:

	2019	2018
	\$	\$
Salaries	6,976	6,453
Equity-based compensation	1,827	2,847
<b>Total</b>	<b>8,803</b>	<b>9,300</b>

### 18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Included in selling, general and administrative expenses ["SG&A"] are salaries and benefits of \$265,908 for the year ended December 31, 2019 [2018 - \$279,728]. Other SG&A of \$223,364 for the year ended December 31, 2019, primarily includes marketing and information technology expenses as well as professional and regulatory fees [2018 - \$232,836].

### 19. AMORTIZATION AND DEPRECIATION

The following table provides details of amortization and depreciation:

	2019	2018
	\$	\$
Depreciation of capital assets	11,491	9,954
Depreciation of right-of-use assets	8,786	—
Amortization of intangibles	11,312	9,645
Amortization of debenture transaction costs	1,302	947
<b>Total amortization and depreciation</b>	<b>32,891</b>	<b>20,546</b>

### 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.*

## 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, 2019, 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. Under the bid, CI may purchase up to 21,728,299 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, 2020, or on such earlier date as CI completes its purchases or provides notice of termination. As of April 30, 2020, CI has acquired an aggregate of 20,792,487 shares under the normal course issuer bid at an average price of \$20.00 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, 2020, subject to receipt of approval from the TSX.

## Digital Report

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

## Annual General Meeting

Virtual-only Annual Meeting of Shareholders

This Annual General Meeting of Shareholders will be held at 2 p.m. EDT on June 18, 2020. The meeting will be held in a virtual-only format by way of live audio webcast.

Instructions on how to access the webcast and vote at the virtual meeting will be posted on [www.cifinancial.com](http://www.cifinancial.com).

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*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.*



