Annual Report 2013

IGM Financial™

IGM FINANCIAL INC. is one of Canada's premier financial services companies with over $131 billion in total assets under management. The Company serves the financial needs of Canadians through multiple businesses, each operating distinctly within the advice segment of the financial services market. The Company is committed to building on its record of delivering long-term growth and value to its clients and shareholders. IGM Financial Inc. is a member of the Power Financial Corporation group of companies and its shares are listed on the Toronto Stock Exchange (IGM).

Caution Regarding Forward-Looking Statements

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

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

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

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

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

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

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

Non-IFRS Financial Measures and Additional IFRS Measures

This report contains non-IFRS financial measures and additional IFRS measures. Net earnings available to common shareholders, which is an additional measure in accordance with International Financial Reporting Standards (IFRS), may be subdivided into two components consisting of:

- Operating earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

Terms by which non-IFRS financial measures are identified include but are not limited to "operating earnings available to common shareholders", "operating earnings per share", "operating return on average common equity" and other similar expressions used to provide management and investors with additional measures to assess earnings performance. As well, "earnings before interest and taxes (EBIT)", "earnings before interest, taxes, depreciation and amortization (EBITDA)" and "adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)" are non-IFRS financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. EBITDA is a common measure used in the asset management industry to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at Adjusted EBITDA. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

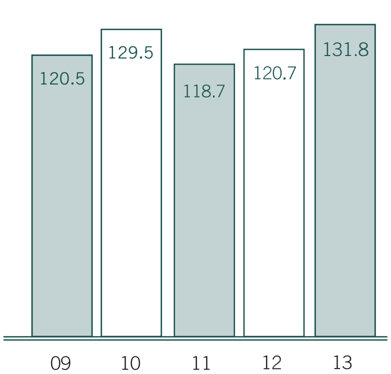
Terms by which additional IFRS measures are identified include "earnings before income taxes and discontinued operations", "net earnings from continuing operations" and "net earnings available to common shareholders". Additional IFRS measures are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

FINANCIAL HIGHLIGHTS

	2013	2012	CHANGE
Earnings available to common shareholders *($ millions)*			
Operating Earnings(1)	**$ 763.5**	$ 746.4	2.3%
Net Earnings	**761.9**	758.8	0.4
Diluted earnings per share			
Operating Earnings(1)	**3.02**	2.92	3.4
Net Earnings	**3.02**	2.97	1.7
Return on equity			
Operating Earnings(1)	**17.3%**	17.3%	
Net Earnings	**17.3%**	17.6%	
Dividends per share	**2.15**	2.15	–
Total assets under management(2) *($ millions)*	**$131,777**	$120,694	9.2%
Investors Group			
Mutual funds	**68,255**	60,595	12.6
Mackenzie			
Mutual funds	*46,024*	*40,394*	
Sub-advisory, institutional and other accounts	*19,291*	*21,083*	
Total	**65,315**	61,477	6.2
Counsel			
Mutual funds	**3,406**	2,950	15.5

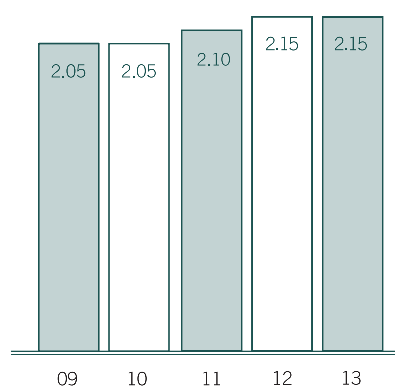
	INVESTORS GROUP	MACKENZIE		COUNSEL	TOTAL(4)
Mutual Funds and Institutional Sales *($ millions)*		*Mutual Funds*	*Total(3)*		
Gross sales	$ 6,668	$ 6,700	$ 12,363	$ 485	$ 17,939
Net sales (redemptions)	159	(487)	(3,566)	52	(3,722)

Total Assets Under Management
As at December 31 *($ billions)*



Operating Earnings(1)(5)
For the financial year *($ millions)*

Dividends Per Share
For the financial year *($)*



(1) *Non-IFRS Financial Measures:*
2013 operating earnings excluded:
- *An after-tax charge of $10.6 million related to restructuring and other charges.*
- *An after-tax benefit of $9.0 million representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s litigation provisions.*

2012 operating earnings excluded:
- *A favourable change in income tax provision estimates of $24.4 million related to certain tax filings.*
- *An after-tax charge of $5.6 million representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s litigation provisions.*
- *A non-cash income tax charge of $6.4 million resulting from increases in Ontario corporate income tax rates and their effect on the deferred income tax liability related to indefinite life intangible assets arising from prior business acquisitions. There is no expectation that the deferred tax liability will become payable as the Company has no intention of disposing of these assets.*

(2) *Total assets under management excluded $5.2 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($4.3 billion at December 31, 2012).*
(3) *In the third quarter of 2013, Waddell & Reed Financial, Inc. internalized a $2.4 billion mandate previously sub-advised by Mackenzie.*
(4) *Total Gross Sales and Net Sales for the twelve months ended December 31, 2013 excluded $1.6 billion and $367 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel.*
(5) *Refer to Ten Year Review for non-IFRS or non-GAAP financial measures related to 2009-2011.*

REPORT TO SHAREHOLDERS

IGM Financial and its operating companies experienced an increase in operating earnings and assets under management in 2013.

Investors Group Inc. and Mackenzie Financial Corporation, the Company's principal businesses, continued to generate business growth through product innovation, improved sales, pricing enhancements, additional investment management resources and overall resource management throughout the year.

The Company is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style.

We believe the vast majority of Canadians are best served through the support of a financial advisor who can help them to plan for and achieve their financial goals. The importance of financial advice continued to be evident as we moved out of several years of volatile equity markets to a stronger period of long-term growth in equity values in the latter part of 2012 and throughout 2013.

In May 2013, Jeffrey R. Carney was appointed President and Chief Executive Officer of Mackenzie Financial Corporation, and Co-President and Chief Executive Officer of IGM Financial Inc. He has more than 25 years of leadership experience at large financial services companies in Canada and the U.S., both in retail and institutional markets.

The scope of our business and our association with other members of the Power Financial Corporation group of companies have placed the Company in a position of leadership and strength in the financial services industry. Together, these elements enable IGM Financial to create long-term value for its clients, consultants, advisors, employees and shareholders over time.

FINANCIAL HIGHLIGHTS

Operating earnings available to common shareholders,[1] excluding other items, for the year ended December 31, 2013, were $763.5 million or $3.02 per share compared to operating earnings available to common shareholders, excluding other items, of $746.4 million or $2.92 per share in 2012.

[1] Please refer to the reconciliation of non-IFRS financial measures to measures prescribed by IFRS in Management's Discussion and Analysis (MD&A) on page 17 of this Annual Report.

Net earnings available to common shareholders for the year ended December 31, 2013, were $761.9 million or $3.02 per share compared to net earnings available to common shareholders of $758.8 million or $2.97 per share in 2012.

Total assets under management at December 31, 2013, totalled $131.8 billion. This compared with total assets under management of $120.7 billion at December 31, 2012, an increase of 9.2%.

Dividends were $2.15 per share for the year, unchanged from the prior year.

INDUSTRY PERSPECTIVE

Most Canadians who invest know, and appreciate, the benefits of working with a financial advisor. In repeated surveys since 2006, the Investment Funds Institute of Canada (IFIC) has found approximately 85% of mutual fund investors prefer to invest through an advisor and they highly rate their advisor's support.

Research shows that Canadians who rely on advice to guide their financial decisions are wealthier, more confident and better prepared for the financial implications of marriage, a new child, their children's education, retirement and other life events.

In 2012, a study from Montreal-based Center for Interuniversity Research and Analysis on Organizations (CIRANO) was published showing that advisors positively affect the level of wealth of Canadian households. After controlling for a host of socio-economic, demographic and attitudinal variables that can affect wealth, the research indicates that advised households have, on average, twice the level of financial assets when compared to their non-advised counterparts, and that this additional wealth is largely attributed to a greater savings discipline.

OPERATING HIGHLIGHTS

Investors Group continued to expand the number of its region offices in 2013, for a total of 109 across Canada. Throughout 2013, our Consultant network grew by 155. As at December 31, 2013, there were 4,673 Consultants working with clients to help them understand the benefits of long-term financial planning.

Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice. In July, we introduced a new Series U of our funds for households with financial assets in excess of $500,000, which provides separate pricing for fund management and an advisory fee charged to client accounts.

Investors Group mutual fund assets under management were $68.3 billion at the end of 2013, compared to $60.6 billion at December 31, 2012. Mutual fund sales were $6.7 billion, up more than 15%, compared to mutual fund sales in 2012 of $5.8 billion. Our redemption rate on long-term mutual funds was 9.4% during 2013, compared to 10.0% during 2012. Net sales of mutual funds in 2013 were $159 million.

Mackenzie undertook several important initiatives in 2013. We simplified and restructured our product lineup to be more relevant and launched in-demand funds to meet the evolving needs of investors and advisors. We also introduced a Series D version of our funds, offering a channel-appropriate fee structure to do-it-yourself investors. Mackenzie maintained its focus on delivering consistent long-term investment performance by attracting key investment management talent and analytical personnel as we continued to support advisors in all aspects of their business.

Mackenzie's total assets under management were $65.3 billion at the end of 2013, compared to $61.5 billion at December 31, 2012. Mutual fund assets under management were $46.0 billion, compared to $40.4 billion at December 31, 2012. Mutual fund gross sales were $6.7 billion, up 22% from the prior year's level of $5.5 billion and reflects our best result in the last five years. Mutual fund net redemptions were $0.5 billion, an improvement of $1.5 billion relative to net redemptions of $2.0 billion during 2012.

IGM Financial continues to build its business through its extensive network of distribution opportunities delivering high-quality advice and innovative, flexible solutions for investors. Our investment in technology and operations continue to help us manage our resources effectively and develop long-term growth in our business. The strength of our businesses, combined with our association with the Power Financial Corporation group of companies, gives IGM Financial a strong foundation to build upon.

CORPORATE SOCIAL RESPONSIBILITY

IGM Financial has a long-standing commitment to act responsibly in everything we do, which is fundamental to long-term profitability and value creation. We conduct our business with an emphasis on good governance, operational integrity and ethical practices, and have adopted an extensive Code of Conduct governing our directors, officers and employees. In 2013, the Board formalized our strategy by establishing a Corporate Social Responsibility (CSR) Statement articulating our enduring values and commitments to responsible management.

Our core business is meeting our clients' needs by assisting them in achieving their financial goals through professional financial advice. We have a disciplined approach to both client wealth management and managing our business, with an emphasis on planning and measured risk-taking with a long-term view. At a broader level, we also believe that advancing financial literacy and financial security of all Canadians is important to society.

We are committed to managing our environmental footprint responsibly. This was demonstrated in 2013 by reporting on our environmental impacts and strategies for the first time through the Carbon Disclosure Project (CDP) survey. Our efforts were well-recognized, ranking among the top companies in the Canadian financial sector.

In 2013, the Cambridge University Students' Union recognized IGM Financial as an employer of choice in its publication *Strategies For Success: Employers, Education, Excellence & Careers*. Our focus on continuing education, community involvement and employee volunteerism were given significant recognition.

We have an ongoing commitment to contribute to the communities where we operate through a range of philanthropic activities at each of our operating companies.

In the year ahead, we are committed to advancing our CSR strategy and continuing to act responsibly in everything we do.

LOOKING AHEAD

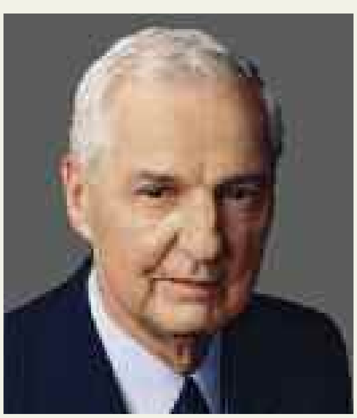
As Canadians look forward to their future financial goals, they will increasingly be focused on making informed decisions to provide for their long-term financial planning needs.

IGM Financial continues to focus on providing quality investment advice and financial products, service innovations, effective management of the Company and long-term value for our clients and shareholders.

On behalf of the Board of Directors,

Murray J. Taylor *Co-President and* *Chief Executive Officer* *IGM Financial Inc.*	Jeffrey R. Carney *Co-President and* *Chief Executive Officer* *IGM Financial Inc.*

February 14, 2014



THE HONOURABLE PAUL DESMARAIS, P.C., C.C., O.Q.

The Honourable Paul Desmarais, former Chairman and Chief Executive Officer of Power Corporation of Canada, passed away on October 8, 2013.

Mr. Desmarais had long and deep ties with the IGM Financial companies, dating back more than 48 years. He joined the Board of Investors Syndicate Limited in 1966 and served as Director on succeeding company boards until 2004 when he was named Director Emeritus of the IGM Financial Board. His foresight, wisdom and leadership played an instrumental role in the development and success of our companies.

Murray J. Taylor
President and Chief Executive Officer
Investors Group Inc.

Investors Group is committed to comprehensive planning delivered through long-term client and Consultant relationships. We provide advice and services through a network of over 4,600 Consultants to nearly one million Canadians.

HIGHLIGHTS

- Our Consultant network grew from 4,518 to 4,673 during 2013. We also added one new region office, bringing the total number of offices to 109, representing office growth of 62.7% since 2004.
- Driven by the strength of our client relationships, the redemption rate for Investors Group's long-term mutual funds was 9.4% for 2013, lower than 2012 and substantially below industry levels.
- Mutual fund sales in 2013 were $6.7 billion, up more than 15% over 2012. Net sales of mutual funds were $159 million.
- Assets under management increased by 12.6% to $68.3 billion at December 31, 2013, a record year-end high for the company.
- Our median client return for the year, net of fees, was 12.2%.

REPORT ON OPERATIONS

In 2013, Investors Group continued to make progress in a number of key areas. More stable equity markets in Canada and around the world has increased investor and Consultant confidence. In 2013, we appointed Jeff Singer as our Chief Investment Officer, who, combined with several other recently hired portfolio managers and analysts, has increased our investment management capabilities and capacity.

CONTINUED CONSULTANT NETWORK STRENGTH

Since a number of improvements were introduced to our training and support programs in mid-2004, the Consultant network has expanded by 46% from 3,207 to 4,673.

In the fourth quarter of 2013, we announced a new program to our field management that will provide Consultants with higher income potential in their first two years with Investors Group. We expect this approach will increase the number, productivity and retention of new Consultants.

Investors Group's commitment to training and support is integral to our Consultants' abilities to deliver effective financial advice. New Consultants refine their skills through an emphasis on experience-based training delivered by experienced field leadership and mentorship from successful senior Consultants. Our annual Apex conference offers advanced financial planning and practice management training to approximately 1,500 Consultants each year.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients. Our clients enhance their financial literacy and gain financial confidence as our Consultants assist them with the development and deployment of their financial plans.

PRODUCTS FOR AN EVOLVING MARKETPLACE

The financial planning needs of Canadians are growing as economic uncertainties are more apparent and retirement and lifestyle decisions become more complex. Investors Group provides an industry-leading range of products and services to meet these diverse needs. We offer investment funds, segregated funds, insurance, securities, mortgage and Solutions Banking† products, along with other financial services to our clients through integrated financial planning.

Our Symphony Strategic Investment Planning™ supports Consultants in building optimized risk-adjusted portfolios for clients and provides enhanced reporting features.

In early 2013, we launched a new balanced fund, the IG Mackenzie Strategic Income Fund. This fund seeks income with the potential for long-term capital growth by investing primarily in fixed-income investments and/or securities that pay equity income.

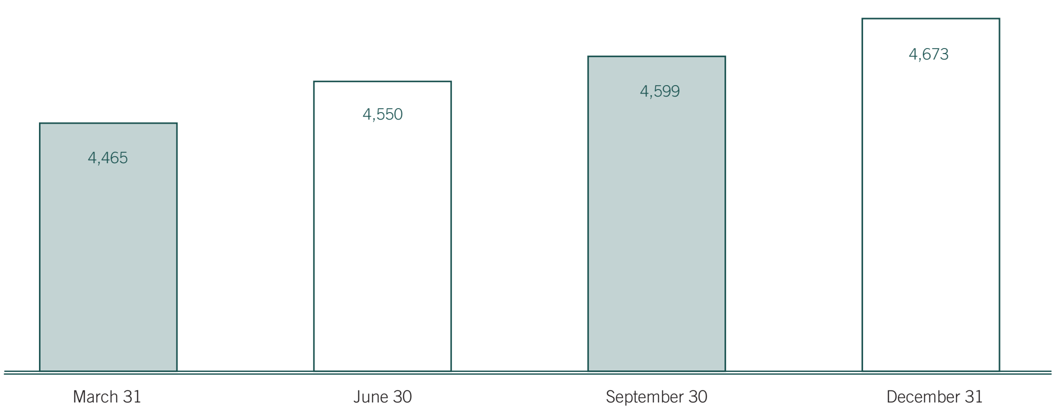
In March 2013, we implemented enhancements to the iProfile™ Managed Asset Program to include *iProfile* Classes in addition to the existing *iProfile* Pools. The *iProfile* Classes provide investors with the flexibility to make changes to their non-registered portfolios while deferring capital gains. We also introduced a new Series T option for *iProfile* clients who wish to receive a regular monthly cash flow via return of capital.

In June 2013, we implemented nine Investors Group fund mergers and changes to the investment objectives of 10 Investors Group Corporate Class funds. These mergers serve to provide more effective management and generally broader investment mandates with more diversification which, in turn, will provide the potential for less volatility in long-term performance.

Finally, in December 2013, we announced the addition of the IG Putnam Low Volatility U.S. Equity Fund and Class and an enhancement to our Corporate Class offering – the Investors Dividend Class.

Investors Group's commitment to the ongoing evolution and expansion of our product and service offering enhances our ability to deliver comprehensive financial planning.

Consultant Network Growth during 2013



CORPORATE SOCIAL RESPONSIBILITY

Investors Group has a long-standing commitment to corporate social responsibility (CSR). Employees and Consultants adhere to a code of conduct and respectful workplace policy to ensure that business is conducted with the highest ethical standards, in a manner worthy of the public's trust and in an environment where all individuals feel they are treated with dignity and respect. Operational integrity, good governance and risk management are fundamental to our business.

In 2013, we had a number of achievements that we are proud of pertaining to CSR.

- Investors Group, together with Mackenzie, was recognized as an employer of choice by the Cambridge University Students' Union. Our Investors Group Institute, which offers industry-leading financial planning and practice management training for our Consultants as well as professional development programs for our employees, was one reason we were recognized. We were also recognized for our community involvement and employee volunteerism. We have a culture of "People Who Care," with a strong focus towards supporting and encouraging the volunteer engagement of employees and advisors across the country.
- The 10th annual Herbert H. Carnegie Community Service Award was presented to Ottawa South Executive Consultant Gerry Doyle. Gerry has been a tireless fundraiser for many children's charities including the Champions for Children Foundation, Ottawa Children's Treatment Centre and Children's Aid Foundation of Ottawa. Herbert Carnegie, an Order of Canada recipient, came to epitomize the qualities of success and caring for others in the community through his 35 years with Investors Group.

We have a culture of "People Who Care," with a strong focus towards supporting and encouraging the volunteer engagement of employees and advisors.

- The President's Lifetime Volunteer Achievement Award went to Michael Klatt, Assistant Vice-President, Product & Financial Management, Banking and Mortgage Operations, for his volunteer commitment to amateur sport.
- As part of the work of a cross-organizational environmental committee, we strived to reduce our environmental impact through continuous improvement objectives.
- We continued to offer a number of responsible product choices for our clients. We were a pioneer in promoting socially responsible investing (SRI), and our Investors Summa SRI™ Fund is the largest SRI fund in Canada. We also offer portfolio options through our Symphony Strategic Investment Planning™ approach which incorporate factors related to environmental sustainability and social responsibility combined with traditional investment analysis. In addition, the Investors Group Charitable Giving Program™ is one of the few of its kind in Canada which can be used by our clients to build an enduring charitable giving legacy while receiving tax benefits today.

- Our Consultants continued to contribute to the financial well-being of our clients through the delivery of comprehensive planning. Through their work and our financial support for programs and curriculum development, we are part of an ongoing effort to advance the financial literacy and financial security of Canadians. Investors Group received the prestigious Investor Education Award, sponsored by the Investment Funds Institute of Canada (IFIC), for our support of the Money and Youth program which is designed to improve the financial literacy of young Canadians.
- Investors Group is committed to making a contribution to the many communities across Canada in which we operate by supporting local and national activities, events and organizations. At the national level, we continued to partner with Free The Children in inspiring youth leadership and volunteerism and we were a major supporter of Imagine Canada and Volunteer Canada in encouraging charitable giving and volunteerism by Canadian companies. We also supported national initiatives for financial literacy and amateur sport.

We are part of an ongoing effort to advance the financial literacy and financial security of Canadians.

BUILDING ON STRENGTH

Investors Group continues to focus on our strengths as building blocks for the future. In 2013, the Consultant network growth, the active engagement of over 1,800 employees, the continual refinement of financial planning, expanded investment management resources and the expanding product and service offerings demonstrate our commitment to meet the evolving financial needs of Canadians.

Mackenzie Investments

Mackenzie provides investment management services through multiple product offerings utilizing proprietary investment research and experienced investment professionals. We distribute our investment services through industry distribution channels to both retail and institutional investors.

Jeffrey R. Carney
President and Chief Executive Officer
Mackenzie Financial Corporation

HIGHLIGHTS

- Mutual fund assets under management were $46.0 billion at December 31, 2013, an increase of 13.9% from the previous year.
- Mutual fund gross sales were $6.7 billion, up 22% from the prior year's level of $5.5 billion and reflect our best result in the last five years.
- Mutual fund net redemptions were $0.5 billion, an improvement of $1.5 billion relative to net redemptions of $2.0 billion during 2012.
- Total assets under management were $65.3 billion at year-end, up 6.2% from the previous year.

REPORT ON OPERATIONS

In 2013, Mackenzie redefined our strategic direction, enhanced our investment team, streamlined our product lineup and branding, and focused on business growth.

Senior leaders across Mackenzie collaborated to assess our business, both on absolute terms and relative to the competitive landscape. Following extensive research and analysis, a new vision and key strategies emerged.

Our new vision: We are committed to the financial success of investors, through their eyes.

Our new key strategies:

- Get the basics right every time, everywhere
- Deliver competitive and consistent risk-adjusted performance
- Transform distribution to drive sales and market share
- Deliver high-quality products to investors and advisors and actively anticipate their future needs
- Advocate for strong, advice-driven financial solutions for investors
- Build a winning culture

In 2014, we will be investing in a number of key initiatives to execute on our new strategy.

INVESTMENT MANAGEMENT

The quality and depth of investment research, and the talent of Mackenzie's portfolio managers and sub-advisors, have all contributed to our ability to provide clients with consistent long-term investment performance results. As at December 31, 2013, 43% of Mackenzie fund assets were rated 4 or 5 Star by Morningstar,† and 72% were in the first or second quartile relative to their peers over the most recent 10-year period.

Mackenzie earned three Lipper Fund Awards in 2013. For the fifth year in a row, Mackenzie Sentinel Income Fund was the best fund in its category over the past 10-year period. Mackenzie Sentinel Strategic Income Fund and Mackenzie Ivy Enterprise Fund were winners in their respective categories over the past three-year period. Mackenzie was also recognized for winning 18 FundGrade A+ Rating awards that honour funds with consistent strong risk-adjusted returns.

Under the leadership of Chief Investment Officer Tony Elavia, the investment management team continued to grow in depth and breadth as several key investment professionals were added. For instance, the fixed-income team welcomed new expertise in high yield, floating rate and global bonds. We also added a new leader to the Mackenzie Asset Allocation Team and an entirely new Mackenzie Global Equity & Income Team that focuses on the growing investor need for regular cash flow.

PRODUCT FOCUS

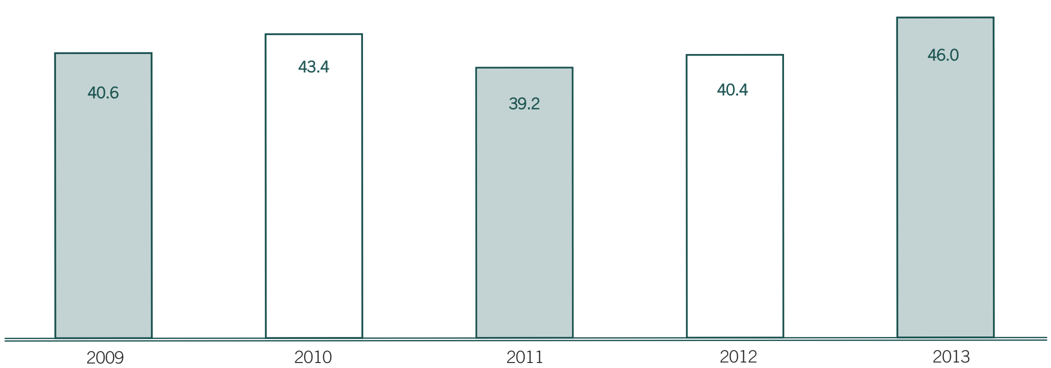
In 2013, through 27 fund mergers and a number of fund enhancements and changes to fund investment objectives, we significantly revitalized our product lineup to meet the evolving needs of investors and their advisors.

We launched Mackenzie Strategic Bond Fund and Mackenzie Floating Rate Income Fund, two in-demand strategies designed to satisfy investors' heightened desire for income and more defensive investing. We also launched Mackenzie All Cap Dividend Class for those investors wanting exposure to the successful all-cap strategy of Mackenzie Canadian All Cap Dividend Fund with a higher degree of foreign content.

Among our fund enhancements, the fixed-income portions of Mackenzie Ivy Global Balanced Fund, Mackenzie Ivy Growth & Income Fund and Mackenzie Cundill Canadian Balanced Fund are now managed by the Mackenzie Fixed Income Team. With the changes, the fixed-income portion of all Mackenzie Investments' balanced funds will be managed by a dedicated fixed-income team.

To help investors and their advisors navigate our product shelf more easily, we changed many fund names to provide better consistency, transparency and clarity of each fund's investment objective. We followed a clear and simple naming logic to make it more convenient for clients to choose an appropriate fund; each fund name adequately describes its investment mandate and objective.

Mutual Fund Assets under Management
As at December 31 *($ billions)*



We launched the Mackenzie Private Wealth Program that offers a continuum of value-added benefits and services – including tiered pricing that becomes more attractive as investment levels increase – designed for households with more than $100,000 to invest. The program provides a convenient, practical way to help investors build, manage and protect capital while working to achieve their long-term financial goals.

To provide do-it-yourself (DIY) investors with a fair option, we created a Series D of our funds for the discount brokerage channel. DIY investors typically pay a fee to the dealer for advice, even though they don't want or receive any advice. With this new Series D option, the advice component of the fee is removed. While our primary focus has always been on supporting advice and the advisors who provide this essential service, for the small percentage of fund investors who choose the DIY route, Series D is a fair solution.

DISTRIBUTION

Mackenzie's distribution efforts cover the market, with teams focused on the retail, strategic alliances and institutional channels, ensuring that we are positioned to serve the needs of different clients.

The strength of our retail distribution network is built on our long-standing and expanding relationships with financial advisors, consultants and representatives across the breadth of our distribution channels. These relationships allow our products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, pension consulting firms and financial institutions, giving us one of the broadest retail distribution platforms in Canada.

> These relationships allow our products to be efficiently distributed, giving us one of the broadest retail distribution platforms in Canada.

Mackenzie proceeded with the second stage of our integrated communications strategy to address investor concerns, under the tagline "Take Control." Through print and online advertising, we acknowledged investor caution and emphasized the importance of financial advice, as well as strategies to address investor needs in a low yield, high volatility environment. The impactful, solutions-based messaging continues to resonate with our clients and helps our sales team work with advisors to meet investor needs. We also continued to enhance our institutional capabilities, building on the 2012 relaunch of our institutional business.

CORPORATE SOCIAL RESPONSIBILITY

In 2013, Mackenzie undertook activities that support our continuing commitment to economic development while improving quality of life for our employees, industry and communities.

Employee initiatives

- From a diversity perspective, we continued our partnership with the Toronto Regional Immigrant Employment Council (TRIEC). Our employees mentored new immigrants and helped them integrate into the labour market.

Operations

- Mackenzie is also committed to environmental issues such as reducing the impact on forests through the responsible use of paper. We encourage clients to receive electronic statements and reports rather than printed copies. We also constantly monitor what materials we print and the quantities printed. Many items are only printed upon specific request. All vendors and paper stock we select are Forest Stewardship Council (FSC) certified.

Industry involvement

- Mackenzie has taken on a leadership role in investment funds and financial services industry affairs through participation in key industry associations. We continue to have representation on the Board of Directors of the Investment Funds Institute of Canada (IFIC) to ensure our voice is heard on key initiatives and issues affecting the industry.
- We also sit on the Board of Directors of the Toronto Financial Services Alliance, a public/private initiative of individuals seeking to enhance and promote the competitiveness of Toronto as a premier North American financial services centre.

Community activities

- We support charities across the country through the Mackenzie Investments Charitable Foundation, our corporate giving and our employee volunteer programs. Our focus is on charities that benefit underprivileged, challenged and sick children, youth and young adults, especially children and youth at risk. We also focus on financial literacy.

Mackenzie remains dedicated to providing clients with high-quality, innovative investment solutions that meet their needs.

- The Mackenzie Charitable Giving Fund offers Canadians a donor-advised giving program designed to manage their ongoing charitable giving and leave their own community legacy. Developed with the Strategic Charitable Giving Foundation, this program builds the capacity of hundreds of charities across Canada.
- In each of the last six years, Mackenzie has named Canada's Top Teen Philanthropist in a coast-to-coast competition. Entrants submit an essay on their volunteering and fundraising activities. By engaging youth, this contest reflects Mackenzie's broader commitment to philanthropy in communities.

Mackenzie remains dedicated to providing clients with high-quality, innovative investment solutions that meet their needs and strives to maintain strong long-term investment performance across our multiple product offerings. We are proud of our track record, our people and our business.

Investment Planning Counsel™
FINANCIAL SOLUTIONS FOR LIFE

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services and advice, while helping them achieve their financial dreams. We are dedicated to providing independent financial advisors with the tools, products and support they need to build a better business.

Investment Planning Counsel is one of the largest financial planning organizations in Canada. Since our inception in 1996, we have continued to evolve and adapt to meet the needs and expectations of our clients and advisors.

HIGHLIGHTS

- Investment Planning Counsel partners with over 900 advisors across the country and we continue to attract advisors into our business model.
- In August, the acquisition of Independent Planning Group was announced, with over 200 financial advisors, $2.2 billion in assets under administration and $44.8 million in mutual fund assets under management.
- Assets under management in Counsel Portfolio Services increased from $2.9 billion to $3.4 billion in 2013, an increase of 15.5%.
- In 2013, Investment Planning Counsel's assets under administration were $21.2 billion, compared to $16.1 billion the previous year, an increase of 31.3%.

STRENGTH IN PARTNERSHIP

The relationship between IGM Financial and Investment Planning Counsel provides a solid foundation for growth and excellence. The scale, strength and expertise of IGM Financial allows Investment Planning Counsel to improve operational efficiencies in various processes such as compliance and back-office infrastructure. This relationship enables us to provide our advisors with a strong and stable operating environment, thereby allowing them to build a better business, while providing enhanced client service.

In addition to investment management solutions, advisors have access to a suite of insurance, securities and mortgage products. The broad product offering gives advisors a range of financial products to service their clients' evolving needs.

CORPORATE SOCIAL RESPONSIBILITY

Investment Planning Counsel is committed to supporting communities in the areas where we operate. We practice a culture of "giving back to society," supporting numerous local and national charities, events and organizations through our advisor and employee volunteering programs. Our Spirit Committee spearheads the firm's charitable giving initiatives. The group of employee volunteers coordinates fundraising activities, promotes employee volunteering and reviews requests for donations throughout the year. We are a major supporter of Junior Achievement and our advisors and employees volunteer their time and energy to provide financial literacy education to the youth in our communities. Our Go Green Committee is committed to reducing our environmental footprint and has implemented a number of initiatives that aim to reduce the amount of paper we consume each year.

BUILDING FOR THE FUTURE

Investment Planning Counsel continues to improve our product and service offering for advisors and clients. With ongoing improvements to our business fundamentals, we will continue to deliver value to advisors and clients, while building our reputation as a leading network of advisors.

Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2013 and 2012 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2013 is as of February 14, 2014.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars (Note 2 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2013, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 58.6% and 3.7%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

Net earnings available to common shareholders, which is an additional measure in accordance with IFRS, may be subdivided into two components consisting of:

- Operating earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Operating earnings available to common shareholders", "operating diluted earnings per share" (EPS) and "operating return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT), "earnings before interest, taxes, depreciation and amortization" (EBITDA) and "adjusted earnings before interest, taxes, depreciation and amortization" (Adjusted EBITDA) are also non-IFRS financial measures. EBIT, EBITDA and Adjusted EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is a common measure used in the asset management industry to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at Adjusted EBITDA. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before income taxes and discontinued operations", "net earnings from continuing operations" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1 and 2.

IGM Financial Inc.
Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is one of Canada's premier financial services companies. The Company's principal businesses are Investors Group Inc. and Mackenzie Financial Corporation, each operating distinctly primarily within the advice segment of the financial services market.

Total assets under management were $131.8 billion at December 31, 2013, the highest year end level in the history of the Company, and compared with $120.7 billion at December 31, 2012. Average total assets under management for the year ended December 31, 2013 were $126.1 billion compared to $119.9 billion in 2012.

Operating earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2013 were $763.5 million or $3.02 per share compared to operating earnings available to common shareholders of $746.4 million or $2.92 per share in 2012.

Net earnings available to common shareholders for the year ended December 31, 2013 were $761.9 million or $3.02 per share compared to net earnings available to common shareholders of $758.8 million or $2.97 per share in 2012.

Other items of $1.6 million for the year ended December 31, 2013 consisted of a net charge of:

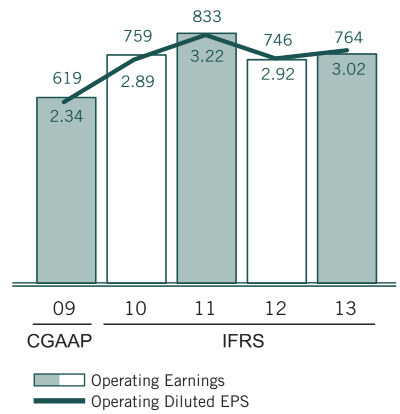
- An after-tax charge of $10.6 million recorded in the fourth quarter related to restructuring and other charges.
- An after-tax benefit of $9.0 million, recorded in the fourth quarter, representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s litigation provisions.

Other items of $12.4 million for the year ended December 31, 2012 consisted of a net benefit of:

- A favourable change in income tax provision estimates of $24.4 million, recorded in the fourth quarter, related to certain tax filings.
- An after-tax charge of $5.6 million, recorded in the fourth quarter, representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s litigation provisions.
- A non-cash income tax charge of $6.4 million, recorded in the second quarter, resulting from increases in Ontario corporate income tax rates and their effect on the deferred income tax liability related to indefinite life intangible assets arising from prior business acquisitions. There is no expectation that the deferred tax liability will become payable as the Company has no intention of disposing of these assets.

Operating Earnings and Operating Earnings per Share

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



2009 excluded net earnings on discontinued operations, a non-cash charge on available for sale equity securities, a non-cash income tax benefit and a premium paid on the redemption of preferred shares.

2010 excluded net earnings on discontinued operations, non-recurring items related to transition to IFRS and the proportionate share of an affiliate's incremental litigation provision.

2011 excluded net earnings on discontinued operations and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

2012 excluded a reduction in income tax estimates related to certain tax filings, the proportionate share of the charge related to the changes in an affiliate's litigation provision, and a non-cash income tax charge.

2013 excluded an after-tax charge related to restructuring and other charges and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

Shareholders' equity was $4.7 billion as at December 31, 2013, compared to $4.4 billion as at December 31, 2012. Return on average common equity based on operating earnings for the year ended December 31, 2013 was 17.3%, unchanged from 2012. The quarterly dividend per common share was 53.75 cents in 2013, unchanged from the end of 2012.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure and internal financial reporting, are:

- Investors Group
- Mackenzie
- Corporate and Other.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

	2013		2012	
($ millions)	EARNINGS	EPS[(1)]	EARNINGS	EPS[(1)]
Operating earnings available to common shareholders – Non-IFRS measure	$ 763.5	3.02	$ 746.4	$ 2.92
Restructuring and other charges, net of tax	(10.6)	(0.04)	-	-
Proportionate share of affiliate's provision	9.0	0.04	(5.6)	(0.02)
Reduction in income tax estimates related to certain tax filings	-	-	24.4	0.10
Non-cash income tax charge	-	-	(6.4)	(0.03)
Net earnings available to common shareholders – IFRS	$ 761.9	$ 3.02	$ 758.8	$ 2.97
Adjusted EBITDA – Non-IFRS measure	$ 1,357.1		$ 1,360.1	
Proportionate share of affiliate's provision	9.0		(5.6)	
Restructuring and other charges	(14.6)		-	
EBITDA – Non-IFRS measure	1,351.5		1,354.5	
Commission amortization	(245.1)		(266.2)	
Amortization of capital assets and intangible assets and other	(32.8)		(38.0)	
Interest expense on long-term debt	(92.2)		(92.2)	
Earnings before income taxes	981.4		958.1	
Income taxes	(210.7)		(190.5)	
Perpetual preferred share dividends	(8.8)		(8.8)	
Net earnings available to common shareholders – IFRS	$ 761.9		$ 758.8	

(1) Diluted earnings per share

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2. Segment operations are discussed in each of their respective Review of Segment Operating Results sections of the MD&A.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt.
- *2013 restructuring and other charges* – includes:
  - Expenses related to Mackenzie's strategic review of its ongoing activities in the fourth quarter, consisting primarily of severance and other costs.
  - Transaction and other costs related to the acquisition of Independent Planning Group Inc. and its subsidiaries by Investment Planning Counsel.
- *Proportionate share of affiliate's provision* – represents changes in litigation provisions recorded by Lifeco. In the fourth quarter of 2013, Lifeco recorded net changes in litigation provisions and the Company's after-tax proportionate share was a benefit of $9.0 million. In the fourth quarter of 2012, Lifeco recorded net changes in litigation provisions and the Company's after-tax proportionate share was a charge of $5.6 million.
- *Income taxes* – changes in the effective tax rates are shown in Table 3.

  Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in operating earnings are reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.
- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	2013	2012	2013	2012	2013	2012	2013	2012
Revenues								
Fee income	$ 1,552.5	$ 1,497.1	$ 779.6	$ 756.9	$ 181.1	$ 170.6	$ 2,513.2	$ 2,424.6
Net investment income and other	61.5	61.6	7.3	2.5	96.8	94.0	165.6	158.1
	1,614.0	1,558.7	786.9	759.4	277.9	264.6	2,678.8	2,582.7
Expenses								
Commission	494.6	488.5	271.7	259.6	119.8	110.2	886.1	858.3
Non-Comission	401.7	377.2	264.6	248.6	47.2	42.7	713.5	668.5
	896.3	865.7	536.3	508.2	167.0	152.9	1,599.6	1,526.8
Earnings before interest and taxes	$ 717.7	$ 693.0	$ 250.6	$ 251.2	$ 110.9	$ 111.7	1,079.2	1,055.9
Interest expense							(92.2)	(92.2)
Restructuring and other charges							(14.6)	-
Proportionate share of affiliate's provision							9.0	(5.6)
Earnings before income taxes							981.4	958.1
Income taxes							210.7	190.5
Net earnings							770.7	767.6
Perpetual preferred share dividends							8.8	8.8
Net earnings available to common shareholders							$ 761.9	$ 758.8
Operating earnings available to common shareholders[(1)]							$ 763.5	$ 746.4

(1) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

TABLE 3: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			TWELVE MONTHS ENDED	
	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31
Income taxes at Canadian federal and provincial statutory rates	26.53 %	26.60 %	26.52 %	26.57 %	26.53 %
Effect of:					
Proportionate share of affiliate's earnings	(2.24)	(2.48)	(2.44)	(2.32)	(2.17)
Loss consolidation[(1)]	(2.01)	(2.02)	(2.18)	(2.06)	(2.09)
Other items	0.04	0.12	-	(0.48)	(0.67)
Effective income tax rate – operating earnings	22.32	22.22	21.90	21.71	21.60
Reduction in income tax estimates related to certain tax filings	-	-	(10.51)	-	(2.55)
Effect of tax rate increases on deferred income taxes related to indefinite life intangible assets	-	-	-	-	0.67
Proportionate share of affiliate's provision	(0.95)	-	0.64	(0.25)	0.16
Effective income tax rate – net earnings	21.37 %	22.22 %	12.03 %	21.46 %	19.88 %

(1) See the Transactions with Related Parties section of this MD&A for additional information.

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT

Total assets under management were $131.8 billion at December 31, 2013 compared to $120.7 billion at December 31, 2012. Changes in total assets under management are detailed in Tables 4 and 5.

Changes in assets under management for Investors Group and Mackenzie are discussed further in each of their respective Review of the Business sections in the MD&A.

TABLE 4: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – Q4 2013 VS. Q4 2012

	INVESTORS GROUP		MACKENZIE		INVESTMENT PLANNING COUNSEL		CONSOLIDATED[1]	
THREE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31
Mutual funds								
Gross sales – money market	$ 205.0	$ 153.4	$ 87.9	$ 94.1	$ 15.4	$ 13.9	$ 308.3	$ 261.4
Gross sales – long term	1,489.1	1,264.2	1,931.3	1,756.1	131.3	84.3	3,548.2	3,089.5
Total mutual fund gross sales	$ 1,694.1	$ 1,417.6	$ 2,019.2	$ 1,850.2	$ 146.7	$ 98.2	$ 3,856.5	$ 3,350.9
Net sales – money market	$ 33.8	$ (43.7)	$ (3.7)	$ (24.7)	$ 8.3	$ 10.4	$ 38.4	$ (58.0)
Net sales – long term	25.5	(217.2)	11.7	(518.7)	17.3	(26.3)	56.6	(776.6)
Total mutual fund net sales	$ 59.3	$ (260.9)	$ 8.0	$ (543.4)	$ 25.6	$ (15.9)	$ 95.0	$ (834.6)
Sub-advisory, institutional and other accounts								
Gross sales	$ -	$ -	$ 1,124.2	$ 991.8	$ -	$ -	$ 662.8	$ 712.4
Net sales	-	-	(920.4)	(461.1)	-	-	(1,050.3)	(479.7)
Combined								
Gross sales	$ 1,694.1	$ 1,417.6	$ 3,143.4	$ 2,842.0	$ 146.7	$ 98.2	$ 4,519.3	$ 4,063.3
Net sales	59.3	(260.9)	(912.4)	(1,004.5)	25.6	(15.9)	(955.3)	(1,314.3)
Change in total assets under management								
Net sales	$ 59.3	$ (260.9)	$ (912.4)	$ (1,004.5)	$ 25.6	$ (15.9)	$ (955.3)	$ (1,314.3)
Assets acquired[2]	-	-	-	-	44.8	-	44.8	-
Market and Income	3,761.9	1,263.3	2,956.4	1,474.2	173.6	56.7	6,679.5	2,729.0
Net change in assets	3,821.2	1,002.4	2,044.0	469.7	244.0	40.8	5,769.0	1,414.7
Beginning assets	64,433.5	59,592.1	63,271.2	61,007.7	3,162.0	2,908.8	126,007.5	119,278.8
Ending assets	$ 68,254.7	$ 60,594.5	$ 65,315.2	$ 61,477.4	$ 3,406.0	$ 2,949.6	$131,776.5	$120,693.5

(1) Total Gross sales and Net Sales excluded $465 million and $128 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($295 million and $33 million in 2012).

Total assets under management excluded $5.2 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($4.3 billion at December 31, 2012).

(2) Acquisition of Independent Planning Group Inc. on December 2, 2013.

TABLE 5: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – 2013 VS. 2012

	INVESTORS GROUP		MACKENZIE		INVESTMENT PLANNING COUNSEL		CONSOLIDATED[1]	
TWELVE MONTHS ENDED (*$ millions*)	2013 DEC. 31	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31	2013 DEC. 31	2012 DEC. 31
Mutual funds								
Gross sales – money market	$ 706.0	$ 657.7	$ 382.6	$ 382.6	$ 49.0	$ 62.2	$ 1,137.6	$ 1,102.5
Gross sales – long term	5,961.4	5,120.0	6,317.1	5,107.0	436.0	338.8	12,692.0	10,540.4
Total mutual fund gross sales	$ 6,667.4	$ 5,777.7	$ 6,699.7	$ 5,489.6	$ 485.0	$ 401.0	$ 13,829.6	$ 11,642.9
Net sales – money market	$ 64.6	$ (73.0)	$ (43.6)	$ (99.1)	$ 25.8	$ 44.4	$ 46.8	$ (127.7)
Net sales – long term	94.9	(650.7)	(443.6)	(1,874.7)	25.8	(68.8)	(333.9)	(2,614.8)
Total mutual fund net sales	$ 159.5	$ (723.7)	$ (487.2)	$ (1,973.8)	$ 51.6	$ (24.4)	$ (287.1)	$ (2,742.5)
Sub-advisory, institutional and other accounts								
Gross sales	$ -	$ -	$ 5,663.0	$ 4,479.3	$ -	$ -	$ 4,109.4	$ 3,049.8
Net sales[2]	-	-	(3,078.8)	(2,264.0)	-	-	(3,434.9)	(2,874.5)
Combined								
Gross sales	$ 6,667.4	$ 5,777.7	$ 12,362.7	$ 9,968.9	$ 485.0	$ 401.0	$ 17,939.0	$ 14,692.7
Net sales[2]	159.5	(723.7)	(3,566.0)	(4,237.8)	51.6	(24.4)	(3,722.0)	(5,617.0)
Change in total assets under management								
Net sales[2]	$ 159.5	$ (723.7)	$ (3,566.0)	$ (4,237.8)	$ 51.6	$ (24.4)	$ (3,722.0)	$ (5,617.0)
Assets acquired[3]	-	-	-	-	44.8	-	44.8	-
Market and Income	7,500.7	3,582.9	7,403.8	4,063.2	360.0	162.5	14,760.2	7,597.7
Net change in assets	7,660.2	2,859.2	3,837.8	(174.6)	456.4	138.1	11,083.0	1,980.7
Beginning assets	60,594.5	57,735.3	61,477.4	61,652.0	2,949.6	2,811.5	120,693.5	118,712.8
Ending assets	$ 68,254.7	$ 60,594.5	$ 65,315.2	$ 61,477.4	$ 3,406.0	$ 2,949.6	$131,776.5	$120,693.5

(1) Total Gross Sales and Net Sales excluded $1.6 billion and $367 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($1.5 billion and $631 million in 2012).

Total assets under management excluded $5.2 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($4.3 billion at December 31, 2012).

(2) In the third quarter of 2013, Waddell & Reed Financial, Inc. internalized a $2.4 billion mandate previously sub-advised by Mackenzie.

(3) Acquisition of Independent Planning Group Inc. on December 2, 2013.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 6.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 6, variations in net earnings and total revenues result primarily from changes in average daily mutual fund assets under management. In 2011, mutual fund assets under management increased in the first quarter, but declined in the second half of the year due to declining domestic and international markets. Total mutual fund assets under management increased to $103.9 billion at December 31, 2012 compared to $99.7 billion at the end of 2011. The increase occurred primarily in the first quarter of 2012, partly offset by a decline in mutual fund asset levels in the second quarter of 2012. Mutual fund assets under management increased to $117.6 billion in 2013 as a result of strong equity market conditions during the year. Average mutual fund assets under management for the year ended December 31, 2013

TABLE 6: SELECTED ANNUAL INFORMATION

	2013	2012	2011
Consolidated Statements of Earnings *($ millions)*			
Revenues			
Fee income	$ 2,513.2	$ 2,424.6	$ 2,571.1
Net investment income and other	165.6	158.1	156.4
	2,678.8	2,582.7	2,727.5
Expenses	1,691.8	1,619.0	1,635.2
	987.0	963.7	1,092.3
Restructuring and other charges	(14.6)		
Proportionate share of affiliate's provision	9.0	(5.6)	5.0
Earnings before income taxes and discontinued operations	981.4	958.1	1,097.3
Income taxes	210.7	190.5	250.5
Net earnings from continuing operations	770.7	767.6	846.8
Net earnings from discontinued operations	-	-	62.6
Net earnings	770.7	767.6	909.4
Perpetual preferred share dividends	8.8	8.8	8.8
Net earnings available to common shareholders	$ 761.9	$ 758.8	$ 900.6
Reconciliation of Non-IFRS Financial Measures(1) *($ millions)*			
Operating earnings available to common shareholders - non-IFRS measure	$ 763.5	$ 746.4	$ 833.0
Other items:			
Restructuring and other charges, net of tax	(10.6)	-	-
Proportionate share of affiliate's provision	9.0	(5.6)	5.0
Reduction in income tax estimates related to certain tax filings	-	24.4	-
Non-cash income tax charge	-	(6.4)	-
Net earnings from discontinued operations	-	-	62.6
Net earnings available to common shareholders - IFRS	$ 761.9	$ 758.8	$ 900.6
Earnings per share *($)*			
Operating earnings available to common shareholders(1)			
– Basic	$ 3.03	$ 2.93	$ 3.23
– Diluted	3.02	2.92	3.22
Net earnings available to common shareholders			
– Basic	3.02	2.98	3.49
– Diluted	3.02	2.97	3.48
Dividends per share *($)*			
Common	$ 2.15	$ 2.15	$ 2.10
Preferred, Series B	1.48	1.48	1.48
Average daily mutual fund assets *($ millions)*	$ 110,045	$ 101,972	$ 105,692
Total mutual fund assets under management *($ millions)*	$ 117,649	$ 103,915	$ 99,685
Total assets under management *($ millions)*	$ 131,777	$ 120,694	$ 118,713
Total corporate assets *($ millions)*	$ 12,880	$ 11,962	$ 11,144
Total long-term debt *($ millions)*	$ 1,325	$ 1,325	$ 1,325
Outstanding common shares *(thousands)*	252,310	252,099	256,658

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

were $110.0 billion compared to $102.0 billion in 2012. The impact on earnings and revenues of changes in average daily mutual fund assets under management and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

Total assets under management at December 31, 2013 were $131.8 billion and included mutual fund assets under management totalling $117.6 billion. Net earnings in future periods will largely be determined by the level of mutual fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.15 in 2013, unchanged from 2012. Annual dividends per common share increased by 2.4% in 2012 and in 2011.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 7 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Quarterly operating earnings available to common shareholders are primarily dependent on the level of mutual fund assets under management. Average daily mutual fund assets under management are shown in Table 7. Average daily mutual fund assets under management increased in each of the last six quarters, consistent with the increase in domestic and international markets.

TABLE 7: SUMMARY OF QUARTERLY RESULTS

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Management fees	$ 475.6	$ 462.2	$ 451.9	$ 442.9	$ 434.7	$ 431.5	$ 443.5	$ 456.6
Administration fees	93.7	90.4	87.9	85.6	84.5	83.3	84.0	85.3
Distribution fees	85.6	76.2	79.8	81.4	80.2	75.2	80.6	85.1
Net investment income and other	36.7	38.7	47.4	42.8	38.7	44.1	29.4	46.0
	691.6	667.5	667.0	652.7	638.1	634.1	637.5	673.0
Expenses								
Commission	229.3	219.8	219.0	218.0	213.4	209.7	213.7	221.4
Non-commission	179.9	173.0	182.7	177.9	163.8	162.5	171.2	171.1
Interest	23.3	23.2	22.9	22.8	23.2	23.2	22.9	22.9
	432.5	416.0	424.6	418.7	400.4	395.4	407.8	415.4
Earnings before undernoted	259.1	251.5	242.4	234.0	237.7	238.7	229.7	257.6
Restructuring and other charges	(14.6)	-	-	-	-	-	-	-
Proportionate share of affiliate's provision	9.0	-	-	-	(5.6)	-	-	-
Earnings before income taxes	253.5	251.5	242.4	234.0	232.1	238.7	229.7	257.6
Income taxes	54.2	55.9	49.3	51.3	27.9	50.3	55.8	56.5
Net earnings	199.3	195.6	193.1	182.7	204.2	188.4	173.9	201.1
Perpetual preferred share dividends	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Net earnings available to common shareholders	$ 197.1	$ 193.4	$ 190.9	$ 180.5	$ 202.0	$ 186.2	$ 171.7	$ 198.9
Reconciliation of Non-IFRS financial measures[1] *($ millions)*								
Operating earnings available to common shareholders - non-IFRS measure	$ 198.7	$ 193.4	$ 190.9	$ 180.5	$ 183.2	$ 186.2	$ 178.1	$ 198.9
Other items:								
Restructuring and other charges, net of tax	(10.6)	-	-	-	-	-	-	-
Proportionate share of affiliate's provision	9.0	-	-	-	(5.6)	-	-	-
Reduction in income tax estimates related to certain tax filings	-	-	-	-	24.4	-	-	-
Non-cash income tax charge	-	-	-	-	-	-	(6.4)	-
Net earnings available to common shareholders - IFRS	$ 197.1	$ 193.4	$ 190.9	$ 180.5	$ 202.0	$ 186.2	$ 171.7	$ 198.9
Earnings per share *(¢)*								
Operating earnings available to common shareholders[1]								
– Basic	79	77	76	72	73	73	70	78
– Diluted	79	77	76	72	72	73	69	77
Net earnings available to common shareholders								
– Basic	78	77	76	72	80	73	67	78
– Diluted	78	77	76	72	80	73	67	77
Average daily mutual fund assets *($ billions)*	$ 114.6	$ 110.2	$ 108.4	$ 106.9	$ 102.4	$ 101.0	$ 100.9	$ 103.6
Total mutual fund assets under management *($ billions)*	$ 117.6	$ 111.2	$ 107.6	$ 108.5	$ 103.9	$ 102.2	$ 100.2	$ 105.1
Total assets under management *($ billions)*	$ 131.8	$ 126.0	$ 124.8	$ 125.8	$ 120.7	$ 119.3	$ 118.0	$ 124.1

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

Investors Group
Review of the Business

Investors Group provides a broad range of financial and investment planning services to Canadians through its exclusive network of Consultants across the country.

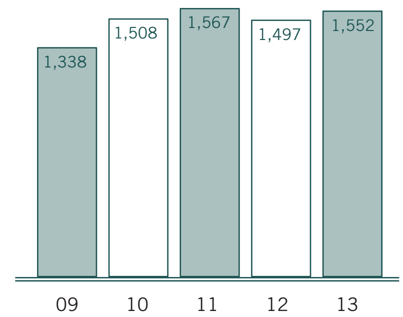
Fee income is primarily generated from the management, administration and distribution of Investors Group mutual funds.

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

Additional revenue is derived from net investment income and other income, based primarily from origination and management of our mortgage business.

Revenues depend largely on the level and composition of mutual fund assets under management. The comprehensive planning approach, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in a mutual fund redemption rate lower than the industry average.

Fee Income – Investors Group
For the financial year *($ millions)*



INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are closely aligned. Investors Group's business strategy is focused on:

- Growing our distribution network by expanding the number of region offices, attracting new Consultants to our industry and supporting existing Consultants in their growth and development.
- Emphasizing the delivery of financial advice, products and services through our exclusive network of Consultants.
- Providing an effective level of administrative support to our Consultants and clients, including active communication during all economic cycles.
- Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
- Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to clients and Consultants and result in increased efficiency and improved control over expenditures.

CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants based in region offices across Canada. One new region office was opened in Winnipeg, Manitoba in 2013 and another office has been announced for Guelph-Milton, Ontario in 2014. These new region offices will expand our network to 110 region offices.

At December 31, 2013, Investors Group had 4,673 Consultants, up from 4,518 at the end of 2012. This is the strongest increase in our Consultant network since 2007.

The number of Consultants with more than four years of Investors Group experience continued to increase to an all time high of 2,797 at December 31, 2013 compared to 2,748 at December 31, 2012.

In the fourth quarter of 2013, Investors Group announced to its field management a new program to provide Consultants with higher income potential in their first two years with Investors Group. This approach is expected to increase the number, productivity, and retention of new Consultants.

Consultant Development

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners. This process is continually reviewed in our efforts to select the most appropriate candidates as new Consultants to improve their likelihood of success in the future.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences where education is tailored to both new and experienced Consultants.

In 2013 we continued to deliver additional phases of a multi-year initiative to enhance our Consultant technology platform, bringing greater efficiencies to our Consultants' contact management and portfolio information and financial planning systems to help them serve our clients more effectively. These efforts include ongoing upgrades to the financial planning software used by Consultants.

Field Management Development

In the fourth quarter of 2013, as part of our continued emphasis on growth and development of our field management and Consultant network, Investors Group refined the development, recognition and compensation of its field leaders to improve recruiting and training effectiveness.

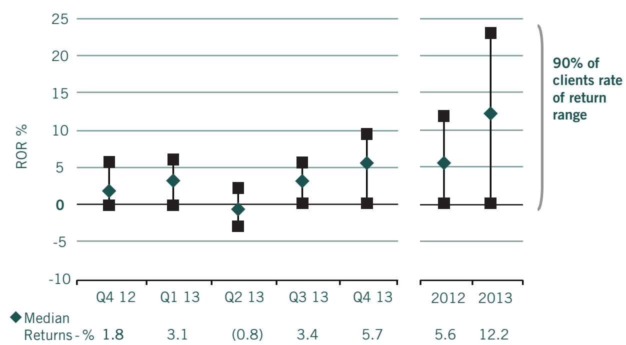
ADMINISTRATIVE SUPPORT AND COMMUNICATION FOR CONSULTANTS AND CLIENTS

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

This administrative support is provided from both Investors Group's Quebec General Office located in Montreal for Consultants and clients residing in Quebec and from Investors Group's head office in Winnipeg, Manitoba for Consultants and clients in the rest of Canada. The Quebec General Office has 248 employees and operating units for most functions supporting both the more than 850 Consultants throughout Quebec and the 19 Quebec region offices. Mutual fund assets under management in Quebec were approximately $11 billion as at December 31, 2013.

Regular communication with our clients includes quarterly reporting of their Investors Group mutual fund holdings and the change in asset values of these holdings during the quarter. Individual clients experience different returns as a result of their net cash flow and fund holdings in each quarter as illustrated on the accompanying chart. This chart reflects in-quarter client account median rates of return for the five most recent quarters and annual median results for the last two years. The chart also illustrates upper and lower ranges of

Client Account Rate of Return (ROR) Experience



rates of return around the median for 90% of Investors Group clients.

For the three months ended December 31, 2013, the client account median rate of return was approximately 5.7% and 99% of clients experienced positive returns. For the twelve months ending December 31, 2013, the client account median rate of return was approximately 12.2% and 96% of clients experienced positive returns.

Consultants maintain a high degree of contact with our clients, continuing to reinforce the importance of long-term planning and a diversified investment portfolio. Ongoing surveys of our clients indicate a strong appreciation of the value of advice provided by our Consultants through varying economic cycles.

ASSETS UNDER MANAGEMENT

The level of mutual fund assets under management is influenced by three factors: sales, redemptions and net asset values of our funds. Changes in assets under management for the periods under review are reflected in Table 8. Assets under management reached $68.3 billion at December 31, 2013, the highest year end record in the history of Investors Group.

Change in Mutual Fund Assets Under Management – 2013 vs. 2012

Investors Group's mutual fund assets under management were $68.3 billion at December 31, 2013, an increase of 12.6% from $60.6 billion at December 31, 2012. Average daily mutual fund assets were $66.6 billion in the fourth quarter of 2013, up 11.4% from $59.8 billion in the fourth quarter of 2012. Average daily mutual fund assets were $63.9 billion for the year ended December 31, 2013, up 8.0% from $59.2 billion for the comparative period in 2012.

TABLE 8: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

THREE MONTHS ENDED *($ millions)*	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
Sales	$ 1,694.1	$ 1,444.6	$ 1,417.6	17.3 %	19.5 %
Redemptions	1,634.8	1,553.1	1,678.5	5.3	(2.6)
Net sales (redemptions)	59.3	(108.5)	(260.9)	N/M	N/M
Market and Income	3,761.9	2,089.7	1,263.3	80.0	197.8
Net change in assets	3,821.2	1,981.2	1,002.4	92.9	281.2
Beginning assets	64,433.5	62,452.3	59,592.1	3.2	8.1
Ending assets	$ 68,254.7	$ 64,433.5	$ 60,594.5	5.9 %	12.6 %
Average daily assets	$ 66,551.1	$ 63,914.2	$ 59,756.1	4.1 %	11.4 %

TWELVE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31	% CHANGE
Sales	$ 6,667.4	$ 5,777.7	15.4 %
Redemptions	6,507.9	6,501.4	0.1
Net sales (redemptions)	159.5	(723.7)	N/M
Market and Income	7,500.7	3,582.9	109.3
Net change in assets	7,660.2	2,859.2	167.9
Beginning assets	60,594.5	57,735.3	5.0
Ending assets	$ 68,254.7	$ 60,594.5	12.6 %
Average daily assets	$ 63,901.7	$ 59,189.0	8.0 %

For the quarter ended December 31, 2013, sales of Investors Group mutual funds through its Consultant network were $1.7 billion, an increase of 19.5% from the comparative period in 2012 and the strongest level of fourth quarter sales in the history of the company. Mutual fund redemptions totalled $1.6 billion, a decrease of 2.6% from 2012. Investors Group's annualized quarterly redemption rate for long-term funds of 8.9% in the fourth quarter of 2013 was lower than the rate of 10.0% in the fourth quarter of 2012. Investors Group's twelve month trailing redemption rate for long-term funds was 9.4% at December 31, 2013 which remains well below the most recently available corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 17.4% at September 30, 2013.

Over the last several years, a growing component of the redemptions included in Investors Group's long-term redemption rate has related to the Cornerstone funds and transfers to Investors Group Series of Guaranteed Investment Funds (GIFs). The Cornerstone funds are income portfolio funds which invest between 30% and 50% of their assets in Investors Premium Money Market Fund. These funds are used by our clients as a substitute for money market funds which have higher redemption activity and, together with the transfers to GIFs, account for 0.5% of our long-term redemption rate at December 31, 2013. Excluding such items, the twelve month trailing redemption rate for long-term funds would have been 8.9%.

Net sales of Investors Group mutual funds for the fourth quarter of 2013 were $59 million compared with net redemptions of $261 million in 2012. Sales of long-term funds were $1.5 billion for the fourth quarter of 2013, compared with $1.3 billion in 2012, an increase of 17.8%. Net sales of long-term funds for the fourth quarter of 2013 were $25 million compared to net redemptions of $217 million in 2012. During the fourth quarter, market and income resulted in an increase of $3.8 billion in mutual fund assets compared to an increase of $1.3 billion in the fourth quarter of 2012.

For the twelve months ended December 31, 2013, sales of Investors Group mutual funds through its Consultant network were $6.7 billion, an increase of

15.4% from 2012. Mutual fund redemptions totalled $6.5 billion, unchanged from 2012. Net sales of Investors Group mutual funds were $159 million compared with net redemptions of $724 million in 2012. Sales of long-term funds for the twelve month period in 2013 were $6.0 billion, compared with $5.1 billion in 2012, an increase of 16.4%. Net sales of long-term funds were $95 million compared to net redemptions of $651 million in 2012. During 2013, market and income resulted in an increase of $7.5 billion in mutual fund assets compared to an increase of $3.6 billion in 2012.

Change in Mutual Fund Assets Under Management – Q4 2013 vs. Q3 2013

Investors Group's mutual fund assets under management were $68.3 billion at December 31, 2013, an increase of 5.9% from $64.4 billion at September 30, 2013. Average daily mutual fund assets were $66.6 billion in the fourth quarter of 2013 compared to $63.9 billion in the third quarter of 2013, an increase of 4.1%.

For the quarter ended December 31, 2013, sales of Investors Group mutual funds through its Consultant network were $1.7 billion, an increase of 17.3% from the third quarter of 2013. Mutual fund redemptions, which totalled $1.6 billion for the fourth quarter, increased 5.3% from the previous quarter and the annualized quarterly redemption rate of 8.9% in the fourth quarter was unchanged from the previous quarter. Net sales of Investors Group mutual funds for the current quarter were $59 million compared with net redemptions of $109 million in the previous quarter. Sales of long-term funds were $1.5 billion for the current quarter compared to $1.3 billion in the previous quarter, an increase of 15.5%. Net sales of long-term funds for the current quarter were $25 million compared to net redemptions of $113 million in the previous quarter.

PRODUCTS AND SERVICES

Investors Group is regarded as a leader in personal financial services in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients access to insurance, mortgages and other financial services.

PFP – Personal Financial Planner

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education, risk management and estate planning.

Symphony Strategic Investment Planning™ Program

Symphony is Investors Group's approach to strategic investment planning. The Symphony program is designed to provide a scientifically constructed investment portfolio, consistent with the client's investment objectives and suited to their risk profile.

Charitable Giving Program

The Investors Group Charitable Giving Program is a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

Mutual Funds

Investors Group had $68.3 billion in mutual fund assets under management at December 31, 2013 in 154 mutual funds covering a broad range of investment mandates. This compared with $60.6 billion in 2012, an increase of 12.6%.

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

Investors Group funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with the investment management capabilities to offer our clients investment management expertise suitable for the widest range of investment objectives. Investors Group also offers a range of partner funds through advisory relationships with other investment management firms. Investors Group oversees these external investment advisors to ensure that their activities are consistent with Investors Group's investment philosophy and with the investment objectives and strategies of the funds that they advise. These advisory relationships include investment managers such as Mackenzie Financial Corporation, Putnam Investments Inc., AGF Investments Inc., Beutel, Goodman &

Company Ltd., Bissett Investment Management, Fidelity Investments Canada ULC, Templeton Investments Corp., LaSalle Investment Management (Securities), L.P., Allianz Global Investors U.S. LLC and Eagle Boston Investment Management, Inc.

Fund Performance

At December 31, 2013, 40% of Investors Group mutual funds (Investors, partner and portfolio funds) had a rating of three stars or better from the Morningstar† fund ranking service and 12% had a rating of four or five stars. This compared to the Morningstar† universe of 66% for three stars or better and 28% for four and five star funds at December 31, 2013. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Pricing and Product Enhancements

In the second quarter of 2012, Investors Group announced a number of changes in the pricing of its mutual funds and product enhancements designed to expand its services to clients. These changes became fully annualized in the third quarter of 2013.

In July 2013, Investors Group introduced a new Series U of our funds for households with financial assets in excess of $500,000. This new Series provides separate pricing for fund management and an advisory fee charged to client accounts.

Additions to Mutual Fund Product Offering

Investors Group continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to the long-term diverse needs of Canadian investors.

- January – Investors Group launched a new balanced fund, IG Mackenzie Strategic Income Fund, which seeks income with the potential for long-term capital growth by investing primarily in fixed income investments and/or securities that pay equity income. The new mandate pursues a flexible approach to investing in fixed income and/or equity asset classes with no geographic restriction.
- March – Investors Group enhanced the *i*Profile Managed Asset Program with the addition of new *i*Profile Classes that provide investors with exposure to the *i*Profile Program within the Corporate Class structure. In addition, new Series T options were added to the *i*Profile Program for clients who wish to receive a regular monthly cash flow via return of capital.
- June – nine Investors Group fund mergers became effective. These mergers provide securityholders of these funds with more effective portfolio management and generally broader investment mandates with more diversification which, in turn, provides the potential for less volatility and improved long-term performance.
- December – Investors Group launched a new mandate, IG Putnam Low Volatility U.S. Equity Fund and Class, which seeks to provide long-term capital growth by investing primarily in U.S. equity securities, usually across all sectors, while seeking to provide lower volatility over a full market cycle.

Managed Asset and Multi-Manager Investment Programs

Investors Group Corporate Class Inc.™ is a broad tax advantaged fund structure which features the ability to switch on a fee-free basis among 59 funds within the group of funds with no immediate tax consequences. These funds include 30 funds advised by I.G. Investment Management, 20 funds sub-advised by external investment advisors, five Corporate Class portfolios and four funds that are part of the *i*Profile program. At the end of 2013, the Corporate Class funds totalled $4.9 billion in assets compared with $4.0 billion in 2012.

In December 2013, a new Investors Group Corporate Class offering, Investors Dividend Class, was introduced and will emulate Investors Dividend Fund. Investors Dividend Class will seek to obtain above-average income yield on its investments, protect the value of its investments, and achieve long-term capital appreciation.

Investors Group provides clients with access to a growing selection of asset allocation opportunities which include:

- **Allegro Portfolios™**: The seven Allegro Portfolios provide a single-step investment solution offering geographic, investment style, asset class, and investment advisor diversification based on Symphony asset allocation recommendations. Fund assets were $3.6 billion as of December 31, 2013 compared with $3.2 billion in the previous year.
- **Allegro Corporate Class Portfolios™**: The five portfolio classes offer clients a single-step, tax efficient approach for their investments. The series T option further benefits investors with monthly tax-deferred distributions in the form of return of capital. These diversified portfolios have something to offer for each category of the risk/return spectrum. Fund assets were $680 million as of December 31, 2013 compared with $462 million in the previous year.

- **Alto Portfolios™**: The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification based on Symphony asset allocation recommendations. The eleven portfolios include Investors Group funds and funds sub-advised by Mackenzie. Assets in the portfolios were $4.2 billion as of December 31, 2013 compared with $3.6 billion in the previous year.
- **Investors Group Portfolios**: These funds have assets of $9.9 billion as at December 31, 2013, compared with $9.1 billion in the previous year. The program is comprised of ten funds which invest in 16 underlying Investors Group funds to provide a high level of diversification.
- ***iProfile*™**: This is a unique portfolio management program that is available for households with assets over $250,000. *i*Profile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of global money management firms: I.G. Investment Management, Toron Capital Markets Inc., JPMorgan Asset Management (Canada) Inc., Jarislowsky, Fraser Limited, Allianz Global Investors U.S. LLC, Philadelphia International Investment Advisors LP, Baring International Investment Limited, and Ivy Investment Management Company (a subsidiary of Waddell & Reed Financial, Inc.). This program had $721 million in assets as at December 31, 2013 compared with $461 million in 2012.

Segregated Funds

Investors Group has offered segregated funds since 2001 and introduced the Investors Group Series of Guaranteed Investment Funds (GIFs) in November 2009. GIFs are segregated fund policies issued by The Great-West Life Assurance Company and include 14 fund-of-fund segregated portfolios and 6 individual segregated funds. These segregated funds provide for long-term investment growth potential combined with risk management, full and partial maturity and death benefit guarantee features, potential creditor protection and estate planning efficiencies. Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by Investors Group. At December 31, 2013, total segregated fund assets were $1.5 billion compared to $1.3 billion at December 31, 2012.

Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

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

Sales of insurance products as measured by new annualized premiums were $73 million for the year ended December 31, 2013, an increase of 3.7% over $71 million in 2012. The average number of policies sold by each insurance-licensed Consultant was 10.0 in 2013, compared to 10.1 in 2012. Distribution of insurance products is enhanced through Investors Group's insurance specialists, located throughout Canada, who assist Consultants with the selection of insurance solutions.

Securities Operations

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

In 2013, we continued to enhance our services to accommodate individual stocks and bonds owned by our clients within their financial plan. This involved further development of our systems and the addition of a number of securities specialists who work alongside our Consultants and are licensed to advise on individual securities. In addition, more of our Consultants completed the transition of their registration to the Investment Industry Regulatory Organization of Canada (IIROC). These Consultants remain within our region offices and continue to operate in our established business model which has a managed asset focus delivered within a financial planning context.

Mortgage Operations

Investors Group is a national mortgage lender that offers a full suite of residential mortgage options to new and existing Investors Group clients. Short and long term, variable and fixed rate mortgages with competitive pricing and features are offered to clients as part of a comprehensive financial plan. Investors Group mortgage planning specialists are located throughout each province in Canada, and work with our clients and their Consultants as permitted by the regulations to develop mortgage strategies that meet the individual needs and goals of each client. At December 31, 2013, there were 96 individuals in the mortgage specialist network compared to 92 at December 31, 2012.

Through its mortgage banking operations, mortgages originated by Investors Group mortgage planning specialists are sold to the Investors Mortgage and Short Term Income Fund, Investors Canadian Corporate Bond Fund, securitization programs, and institutional investors. Certain subsidiaries of Investors Group are Canada Mortgage and Housing Corporation (CMHC)-approved issuers of National Housing Act Mortgage-Backed Securities (NHA MBS) and are approved sellers of NHA MBS into the Canada Mortgage Bond Program (CMB Program). Securitization programs that these subsidiaries participate in also include certain bank-sponsored asset-backed commercial paper (ABCP) programs. Residential mortgages are also held by Investors Group's intermediary operations.

Mortgage originations for the twelve months ended December 31, 2013 were $2.2 billion, compared to $2.0 billion in 2012, an increase of 6.6%. At December 31, 2013, mortgages serviced by Investors Group related to its mortgage banking operations totalled $8.5 billion compared to $7.3 billion at December 31, 2012.

Solutions Banking†

Investors Group's Solutions Banking† continues to experience high rates of utilization by Consultants and clients. The offering consists of a wide range of products and services provided by the National Bank of Canada under a long-term distribution agreement and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions for our clients through a broad financial planning platform.

Additional Products and Services

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

Investors Group's earnings before interest and taxes are presented in Table 9.

2013 VS. 2012

Fee Income

Fee income is generated from the management, administration and distribution of Investors Group mutual funds. The distribution of insurance and Solutions Banking† products and the provision of securities services provide additional fee income.

Investors Group earns management fees for investment management services provided to its mutual funds, which depend largely on the level and composition of mutual fund assets under management. Management fees were $294.3 million in the fourth quarter of 2013, an increase of $27.7 million or 10.4% from $266.6 million in 2012. For the twelve months ended December 31, 2013, management fees were $1,123.0 million, an increase of $36.9 million or 3.4% from $1,086.1 million in 2012.

The net increase in management fees in the fourth quarter was primarily due to the increase in average daily mutual fund assets of 11.4% for the quarter, as shown in Table 8. This was offset in part by the decrease in the management fee rate to 175.4 basis points of average daily mutual fund assets in 2013 from 177.5 basis points in 2012 as a result of the pricing and product enhancements as discussed in the Investors Group Review of the Business section of this MD&A.

TABLE 9: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED *($ millions)*	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
Revenues					
Management fees	$ 294.3	$ 283.2	$ 266.6	3.9 %	10.4 %
Administration fees	64.4	61.2	55.8	5.2	15.4
Distribution fees	49.6	43.7	49.1	13.5	1.0
	408.3	388.1	371.5	5.2	9.9
Net investment income and other	11.0	12.5	13.5	(12.0)	(18.5)
	419.3	400.6	385.0	4.7	8.9
Expenses					
Commission	71.0	68.0	71.4	4.4	(0.6)
Asset retention bonus and premium	56.0	55.0	51.8	1.8	8.1
Non-commission	103.5	96.0	94.5	7.8	9.5
	230.5	219.0	217.7	5.3	5.9
Earnings before interest and taxes	$ 188.8	$ 181.6	$ 167.3	4.0 %	12.9 %

TWELVE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31	% CHANGE
Revenues			
Management fees	$ 1,123.0	$ 1,086.1	3.4 %
Administration fees	242.3	220.2	10.0
Distribution fees	187.2	190.8	(1.9)
	1,552.5	1,497.1	3.7
Net investment income and other	61.5	61.6	(0.2)
	1,614.0	1,558.7	3.5
Expenses			
Commission	275.1	277.9	(1.0)
Asset retention bonus and premium	219.5	210.6	4.2
Non-commission	401.7	377.2	6.5
	896.3	865.7	3.5
Earnings before interest and taxes	$ 717.7	$ 693.0	3.6 %

The net increase in management fees in the twelve month period was primarily due to the increase in average daily mutual fund assets of 8.0%, as shown in Table 8. The increase was offset in part by:

- The decrease in the management fee rate to 175.6 basis points of average daily mutual fund assets in 2013 from 183.5 basis points in 2012 related primarily to the pricing and product enhancements as discussed in the Investors Group Review of the Business section of this MD&A.
- A decrease of $2.8 million due to one less calendar day in 2013 compared to 2012.

Management fee income and average management fee rates for all of the periods under review also reflected the effect of Investors Group having waived a portion of the investment management fees on its money market funds to ensure that these funds maintained a positive yield. For the three and twelve month periods in 2013, these waivers totalled $0.8 million and $3.3 million, respectively, compared to $1.0 million and $3.8 million in the prior year.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds, which also depend largely on the level and composition of mutual fund assets under management. Administration fees totalled $64.4 million in the current quarter compared to $55.8 million a year ago, an increase of 15.4%. Administration fees were $242.3 million for the twelve month period ended December 31, 2013 compared to $220.2 million in 2012, an increase of 10.0%. The increase in both periods resulted primarily from the change in average daily mutual fund assets under management.

Distribution fees are primarily earned from:

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

Distribution fee income of $49.6 million for the fourth quarter of 2013 increased by $0.5 million from $49.1 million in 2012. For the twelve month period, distribution fee income of $187.2 million decreased by $3.6 million from $190.8 million in 2012. The net increase in the three month period was due to increases in distribution fee income from insurance products offset in part by a decline in redemption fees and decreases in distribution fee income from banking products. The decrease in the twelve month period was due to a decline in redemption fees, the impact of pricing changes in portfolio fund distribution fees made during the third quarter of 2012, and decreases in distribution fee income from banking products. The decreases in the twelve month period were offset in part by increases in distribution fee income from insurance products. Redemption fee income varies depending on the level of deferred sales charge attributable to fee-based redemptions.

Net Investment Income and Other

Net investment income and other includes income related to mortgage banking operations, interest earned on cash and cash equivalents, securities and mortgage loans related to intermediary operations, as well as interest expense on deposit liabilities and interest on bank indebtedness, if any.

Net investment income and other was $11.0 million in the fourth quarter of 2013, a decrease of $2.5 million from $13.5 million in 2012. For the twelve months ended December 31, 2013, net investment income and other totalled $61.5 million, a decrease of $0.1 million from $61.6 million in 2012.

Net investment income related to Investors Group's mortgage banking operations totalled $10.8 million for the fourth quarter of 2013 compared to $12.9 million in 2012, a decrease of $2.1 million. Net investment income related to Investors Group's mortgage banking operations totalled $59.6 million for the twelve months ended December 31, 2013 compared to $60.4 million in 2012, a decrease of $0.8 million. A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 10. The changes in mortgage banking income were due to:

- Net interest income on securitized loans – which decreased by $0.8 million and $6.6 million for the three and twelve month periods ended December 31, 2013 to $10.9 million and $42.6 million, respectively, compared to 2012. The decrease resulted from lower prepayment penalties due to lower prepayment activity as well as a decline in the proportion of certain securitized loans in the ABCP programs, which currently have a higher interest income margin than loans securitized in the CMB Program.

TABLE 10 : MORTGAGE BANKING OPERATIONS – INVESTORS GROUP

($ millions)	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
AS AT					
Mortgages serviced	$ 8,478	$ 8,242	$ 7,330	2.9 %	15.7 %
Mortgage warehouse[1]	$ 317	$ 609	$ 238	(47.9) %	33.2 %
THREE MONTHS ENDED					
Average mortgages serviced					
CMB/MBS Programs	$ 3,585	$ 3,365	$ 3,068	6.5 %	16.9 %
Bank-sponsored ABCP programs	1,541	1,429	1,264	7.8	21.9
Securitizations	5,126	4,794	4,332	6.9	18.3
Other	3,249	3,275	2,866	(0.8)	13.4
	$ 8,375	$ 8,069	$ 7,198	3.8 %	16.4 %
Mortgage originations[2]	$ 431	$ 578	$ 396	(25.4) %	8.8 %
Mortgage sales to:[3]					
Securitizations	$ 888	$ 545	$ 572	62.9 %	55.2 %
Other[4]	250	191	263	30.9	(4.9)
	$ 1,138	$ 736	$ 835	54.6 %	36.3 %
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	$ 40.4	$ 38.4	$ 36.9	5.2 %	9.5 %
Interest expense	29.5	27.7	25.2	6.5	17.1
Net interest income	10.9	10.7	11.7	1.9	(6.8)
Gains on sales[5]	3.0	1.8	4.3	66.7	(30.2)
Fair value adjustments and other income	(3.1)	(0.2)	(3.1)	N/M	-
	$ 10.8	$ 12.3	$ 12.9	(12.2) %	(16.3) %

TWELVE MONTHS ENDED ($ millions)	2013 DEC. 31	2012 DEC. 31	% CHANGE
Average mortgages serviced			
CMB/MBS Programs	$ 3,374	$ 2,815	19.9 %
Bank-sponsored ABCP programs	1,403	1,219	15.1
Securitizations	4,777	4,034	18.4
Other	3,108	2,758	12.7
	$ 7,885	$ 6,792	16.1 %
Mortgage originations[2]	$ 2,179	$ 2,044	6.6 %
Mortgage sales to:[3]			
Securitizations	$ 2,334	$ 2,297	1.6 %
Other[4]	972	986	(1.4)
	$ 3,306	$ 3,283	0.7 %
Total mortgage banking income			
Net interest income on securitized loans			
Interest income	$ 152.6	$ 145.4	5.0 %
Interest expense	110.0	96.2	14.3
Net interest income	42.6	49.2	(13.4)
Gains on sales[5]	16.9	19.0	(11.1)
Fair value adjustments and other income	0.1	(7.8)	101.3
	$ 59.6	$ 60.4	(1.3) %

(1) *Warehouse activities include mortgage fundings, mortgage renewals and mortgage refinances.*
(2) *Excludes renewals and refinances.*
(3) *Represents principal amounts sold.*
(4)(5) *Represents sales to institutional investors through private placements, to Investors Mortgage and Short Term Income Fund, and to Investors Canadian Corporate Bond Fund as well as gains realized on those sales.*

- Gains realized on the sale of residential mortgages – which decreased by $1.3 million and $2.1 million for the three and twelve month periods ended December 31, 2013 to $3.0 million and $16.9 million, respectively, compared to 2012. The decrease in gains resulted from lower volumes of sales to institutional investors.
- Fair value adjustments and other income – which increased by $7.9 million for the twelve month period ended December 31, 2013 to $0.1 million, compared to 2012. The twelve month increase related primarily to improvements in fair value adjustments on certain securitization related financial instruments.

Expenses

Investors Group incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. The expense for deferred selling commissions consists of the amortization of the asset over its useful life and the reduction of the unamortized deferred selling commission asset associated with redemptions. Commissions paid on the sale of mutual funds are deferred and amortized over a maximum period of seven years. Commission expense was $71.0 million for the fourth quarter of 2013, a decrease of $0.4 million from $71.4 million in 2012. For the twelve month period, commission expense decreased by $2.8 million to $275.1 million compared with $277.9 million in 2012. The decrease was primarily due to decreases in mutual fund commission amortization and lower write-offs of the unamortized balance of deferred selling commissions, related to lower redemptions in the period. This was offset in part by increases in compensation related to the distribution of other financial services and products.

Asset retention bonus and premium expense is comprised of the following:

- Asset retention bonus, which is based on the value of certain assets under management, increased by $4.0 million and $7.2 million for the three and twelve month periods ended December 31, 2013 to $47.7 million and $185.8 million, respectively, compared to 2012. The change in both periods was due to an increase in average assets under management, offset by the impact of Investors Group Consultant compensation changes related to the pricing and product enhancements introduced in the second quarter of 2012.
- Asset retention premium, which is a deferred component of compensation designed to promote Consultant retention, is based on assets under management at each year-end. Asset retention premium expense increased by $0.2 million and $1.7 million in the three and twelve month periods to $8.3 million and $33.7 million, respectively, compared to 2012.

Non-commission expenses incurred by Investors Group primarily related to the support of the Consultant network, the administration, marketing and management of its mutual funds and other products, as well as sub-advisory fees related to mutual funds under management. Non-commission expenses were $103.5 million for the fourth quarter of 2013 compared to $94.5 million in 2012, an increase of $9.0 million or 9.5%. These increases included additional expenses related to increasing the productivity and retention of new Consultants. For the twelve month period, non-commission expenses were $401.7 million compared to $377.2 million in 2012, an increase of $24.5 million or 6.5%.

Changes to IFRS accounting guidance and valuation assumptions related to the Company's defined benefit pension plan represented $1.8 million of the increase in the fourth quarter and $6.6 million of the increase in the twelve month period. In addition, as a result of applying the IFRS accounting guidance changes retroactively, pension expenses increased by $1.0 million in the fourth quarter of 2012 and $4.1 million in the twelve month period as compared to pension expenses recorded in the Consolidated Financial Statements in the 2012 IGM Financial Inc. Annual Report. Additional information related to the Company's defined benefit pension plan can be found in the Changes in Accounting Policies section of this MD&A and in Notes 2 and 13 of the Consolidated Financial Statements.

Q4 2013 VS. Q3 2013

Fee Income

Management fee income increased by $11.1 million or 3.9% to $294.3 million in the fourth quarter of 2013 compared with the third quarter of 2013. The increase in management fee income was due to the increase in average daily mutual fund assets of 4.1% as shown in Table 8.

Money market fund waivers totalled $0.8 million in the fourth quarter of 2013, compared to $0.7 million in the third quarter.

Administration fees increased to $64.4 million in the fourth quarter of 2013 from $61.2 million in the third quarter of 2013. The net increase resulted from the increase in average daily mutual fund assets compared with the third quarter of 2013.

Distribution fee income of $49.6 million in the fourth quarter of 2013 increased by $5.9 million from $43.7 million in the third quarter primarily due to an increase in distribution fee income from insurance products.

Net Investment Income and Other

Net investment income and other was $11.0 million in the fourth quarter of 2013 compared to $12.5 million in the previous quarter, a decrease of $1.5 million primarily related to Investors Group's mortgage banking operations.

Net investment income related to Investors Group's mortgage banking operations totalled $10.8 million in the fourth quarter of 2013, a decrease of $1.5 million from $12.3 million in the previous quarter as shown in Table 10. The changes in mortgage banking income related primarily to:

- Unfavourable fair value adjustments on interest rate swaps used to hedge interest rate risk on loans temporarily held pending sale or securitization to third parties.
- An increase in gains on sales resulting from higher volumes of sales.

Expenses

Commission expense in the current quarter was $71.0 million compared with $68.0 million in the previous quarter. This increase was primarily due to increases in compensation related to the distribution of other financial services and products. The asset retention bonus and premium expense increased by $1.0 million to $56.0 million in the fourth quarter of 2013 due to increases in average assets under management.

Non-commission expenses were $103.5 million in the current quarter, an increase of $7.5 million or 7.8% from $96.0 million in the third quarter of 2013. The majority of this increase related to the seasonal nature of certain expenses normally incurred in the fourth quarter. In addition, the increase also included additional expenses related to increasing the productivity and retention of new Consultants.

Mackenzie
Review of the Business

Mackenzie's core business is the provision of investment management and related services offered through diversified investment solutions, distributed through multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on the experience and perspective gained through 45 years in the investment management business.

Mackenzie earns revenue primarily from:

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

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

MACKENZIE STRATEGY

Mackenzie strives to ensure that the interests of shareholders, dealers, advisors, investment clients and employees are closely aligned.

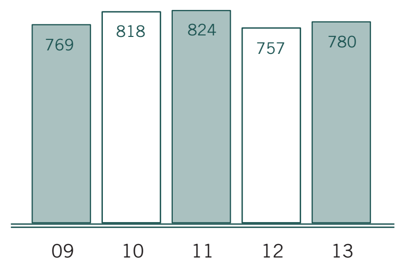
During the period, Mackenzie affirmed its vision and established a number of strategic priorities to drive future business success.

Our vision: We are committed to the financial success of investors, through *their* eyes.

- Getting the basics right; every time, everywhere
- Delivering competitive and consistent risk-adjusted performance
- Transforming distribution to drive sales and market share
- Delivering high quality products to investors and advisors and actively anticipating their future needs
- Advocating for strong, advice-driven financial solutions for investors
- Building a winning culture

Mackenzie seeks to maximize returns on business investment by focusing resources on initiatives that have direct benefits to investment management, distribution and client experience.

Fee Income – Mackenzie[(1)]
For the financial year *($ millions)*



(1) Excludes discontinued operations

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

Mackenzie distributes its retail investment products through third party financial advisors. Mackenzie's sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. In addition to its retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace. Within the strategic alliance channel Mackenzie offers certain series of its mutual funds and provides sub-advisory services to third party investment programs offered by banks, insurance companies and other investment companies. Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company. In the institutional channel Mackenzie provides investment management services to pension plans, foundations and other institutions. Mackenzie attracts new institutional business through its relationships with pension and management consultants and from responses to requests for proposals.

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

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

Sale of Mackenzie Subsidiaries

On July 31, 2012, Mackenzie completed the sale of 100% of the common shares of Winfund Software Corp. (Winfund).

ASSETS UNDER MANAGEMENT

The changes in assets under management are summarized in Table 11 and the changes in mutual funds are summarized in Table 12.

The change in Mackenzie's assets under management is determined by the increase or decrease in the market value of the securities held in the portfolios of investments and by the level of sales as compared to the level of redemptions.

TABLE 11: CHANGE IN ASSETS UNDER MANAGEMENT – MACKENZIE

THREE MONTHS ENDED *($ millions)*	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
Sales	$ 3,143.4	$ 2,524.4	$ 2,842.0	24.5 %	10.6 %
Redemptions	4,055.9	5,260.8	3,846.5	(22.9)	5.4
Net redemptions	(912.5)	(2,736.4)	(1,004.5)	66.7	9.2
Market and Income	2,956.5	2,063.6	1,474.2	43.3	100.5
Net change in assets	2,044.0	(672.8)	469.7	N/M	335.2
Beginning assets	63,271.2	63,944.0	61,007.7	(1.1)	3.7
Ending assets	$ 65,315.2	$ 63,271.2	$ 61,477.4	3.2 %	6.2 %
Consists of:					
Mutual funds	$ 46,024.4	$ 43,593.9	$ 40,394.4	5.6 %	13.9 %
Sub-advisory, institutional and other accounts	19,290.8	19,677.3	21,083.0	(2.0)	(8.5)
	$ 65,315.2	$ 63,271.2	$ 61,477.4	3.2 %	6.2 %
Monthly average total assets(1)	$ 64,516.8	$ 62,803.5	$ 60,905.6	2.7 %	5.9 %

TWELVE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31	% CHANGE
Sales	$ 12,362.7	$ 9,968.9	24.0 %
Redemptions(2)	15,928.7	14,206.7	12.1
Net redemptions	(3,566.0)	(4,237.8)	15.9
Market and Income	7,403.8	4,063.2	82.2
Net change in assets	3,837.8	(174.6)	N/M
Beginning assets	61,477.4	61,652.0	(0.3)
Ending assets	$ 65,315.2	$ 61,477.4	6.2 %
Monthly average total assets(1)	$ 63,813.8	$ 61,650.1	3.5 %

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

(2) In the third quarter of 2013, Waddell & Reed Financial, Inc. internalized a $2.4 billion mandate previously sub-advised by Mackenzie.

Change in Assets under Management – 2013 vs. 2012

Mackenzie's total assets under management at December 31, 2013 were $65.3 billion, an increase of 6.2% from $61.5 billion at December 31, 2012. Mackenzie's mutual fund assets under management were $46.0 billion at December 31, 2013, an increase of 13.9% from $40.4 billion at December 31, 2012. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2013 were $19.3 billion, a decrease of 8.5% from $21.1 billion last year.

In the three months ended December 31, 2013, Mackenzie's gross sales for total assets under management were $3.1 billion, an increase of 10.6% from $2.8 billion in the comparative period last year. Redemptions in the current period were $4.1 billion, an increase of 5.4% from $3.8 billion last year. Net redemptions for the three months ended December 31, 2013 were $0.9 billion, as compared to net redemptions of $1.0 billion last year. During the current quarter, market and income resulted in assets increasing by $3.0 billion as compared to an increase of $1.5 billion last year. During the quarter ended December 31, 2013, an institutional client internalized management of $730 million in money market mandates.

On July 2, 2013, Waddell & Reed Financial, Inc. (Waddell & Reed) internalized the management of its Ivy Global Natural Resources Fund, a fund previously sub-advised by Mackenzie. This coincided with the planned retirement of the Mackenzie portfolio manager responsible for sub-advising this mandate. The fund had approximately $2.4 billion in assets at July 2, 2013 and is included in Mackenzie's redemptions in the twelve months ended December 31, 2013 in Table 11.

In the twelve months ended December 31, 2013, Mackenzie's gross sales for total assets under management were $12.4 billion, an increase of 24.0% from $10.0 billion in the comparative period last year. Redemptions in the current period were $15.9 billion, an increase of 12.1% from $14.2 billion last year. Net redemptions for the twelve months ended December 31, 2013 were $3.6 billion, as compared to net redemptions of $4.2 billion last year. Net redemptions for the twelve months ended December 31, 2013, excluding the impact of the Waddell & Reed redemption, were $1.1 billion. During the period, market and income resulted in assets increasing by $7.4 billion as compared to an increase of $4.1 billion last year.

TABLE 12: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – MACKENZIE

THREE MONTHS ENDED *($ millions)*	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
Sales	$ 2,019.2	$ 1,301.4	$ 1,850.2	55.2 %	9.1 %
Redemptions	2,011.2	1,534.0	2,393.6	31.1	(16.0)
Net sales (redemptions)	8.0	(232.6)	(543.4)	N/M	N/M
Market and Income	2,422.5	1,729.0	1,209.9	40.1	100.2
Net change in assets	2,430.5	1,496.4	666.5	62.4	264.7
Beginning assets	43,593.9	42,097.5	39,727.9	3.6	9.7
Ending assets	$ 46,024.4	$ 43,593.9	$ 40,394.4	5.6 %	13.9 %
Daily average mutual fund assets	$ 44,839.9	$ 43,193.1	$ 39,746.0	3.8 %	12.8 %

TWELVE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31	% CHANGE
Sales	$ 6,699.7	$ 5,489.6	22.0 %
Redemptions	7,186.9	7,463.4	(3.7)
Net sales (redemptions)	(487.2)	(1,973.8)	75.3
Market and Income	6,117.2	3,227.5	89.5
Net change in assets	5,630.0	1,253.7	349.1
Beginning assets	40,394.4	39,140.7	3.2
Ending assets	$ 46,024.4	$ 40,394.4	13.9 %
Daily average mutual fund assets	$ 43,048.0	$ 39,902.1	7.9 %

In the three months ended December 31, 2013, Mackenzie's mutual fund gross sales were $2.0 billion, an increase of 9.1% from $1.9 billion in the comparative period last year. Mutual fund redemptions in the current period were $2.0 billion, a decrease of 16.0% from last year. Mutual fund net sales for the three months ended December 31, 2013 were $8 million, as compared to net redemptions of $543 million last year. During the current quarter, market and income resulted in assets increasing by $2.4 billion as compared to an increase of $1.2 billion last year.

Mackenzie's mutual fund gross sales and redemption activity was impacted in the current quarter by rebalance transactions with an institutional client. These transactions resulted in gross sales of $405 million and redemptions of $247 million. There were similar rebalance transactions during the quarter ended December 31, 2012 which resulted in mutual fund gross sales of $556 million and redemptions of $620 million.

In the twelve months ended December 31, 2013, Mackenzie's mutual fund gross sales were $6.7 billion, an increase of 22.0% from $5.5 billion in the comparative period last year. Mutual fund redemptions in the current period were $7.2 billion, a decrease of 3.7% from $7.5 billion last year. Mutual fund net redemptions for the twelve months ended December 31, 2013, were $487 million, as compared to net redemptions of $2.0 billion last year. During the period, market and income resulted in assets increasing by $6.1 billion as compared to an increase of $3.2 billion last year.

Redemptions of long-term mutual funds in the three and twelve month periods ended December 31, 2013, were $1.9 billion and $6.8 billion respectively, as compared to $2.3 billion and $7.0 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds of 17.2% in the fourth quarter of 2013 was lower than the 23.2% in the fourth quarter of 2012. Mackenzie's annualized quarterly redemption rate for long-term mutual funds, excluding rebalance transactions, was 15.0% in the fourth quarter of 2013 compared to 16.9% in the fourth quarter of 2012. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.0% at December 31, 2013, as compared to 17.9% last year. Mackenzie's twelve month trailing redemption rate for long-term mutual funds, excluding rebalance transactions during the fourth quarters of 2013 and 2012, respectively, was 15.4% at December 31, 2013 compared to 16.3% last year. The most recently available corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 16.7% at September 30, 2013. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

Change in Assets under Management – Q4 2013 vs. Q3 2013

Mackenzie's total assets under management at December 31, 2013, were $65.3 billion, an increase of 3.2% from $63.3 billion at September 30, 2013, as summarized in Table 11. Mackenzie's mutual fund assets under management increased 5.6% to $46.0 billion in the quarter and Mackenzie's sub-advisory, institutional and other accounts decreased $0.4 billion from $19.7 billion to $19.3 billion at December 31, 2013.

For the quarter ended December 31, 2013, Mackenzie mutual fund gross sales were $2.0 billion, an increase of 55.2% from the third quarter of 2013. Mutual fund redemptions, which totalled $2.0 billion for the fourth quarter, increased 31.1% from the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were $8 million compared with net redemptions of $233 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $1.9 billion, as compared to $1.4 billion in the quarter ended September 30, 2013. Mackenzie's annualized quarterly redemption rate for long-term funds for the quarter ended December 31, 2013 was 17.2% as compared to 13.4% in the third quarter of 2013. Net sales of long-term funds for the current quarter were $12 million compared to net redemptions of $210 million in the previous quarter. Excluding rebalance transactions during the current quarter, Mackenzie's annualized quarterly redemption rate for long-term funds for the quarter ended December 31, 2013 was 15.0% compared to 13.4% in the third quarter.

TABLE 13: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2013		2012	
Equity				
Domestic	$ 16,138.2	24.7 %	$ 14,220.0	23.1 %
Foreign	18,567.9	28.4	18,037.7	29.4
	34,706.1	53.1	32,257.7	52.5
Balanced				
Domestic	11,741.7	18.0	9,497.2	15.5
Foreign	2,080.0	3.2	2,365.4	3.8
	13,821.7	21.2	11,862.6	19.3
Fixed Income				
Domestic	14,574.5	22.3	14,905.9	24.2
Foreign	117.4	0.2	104.6	0.2
	14,691.9	22.5	15,010.5	24.4
Money Market				
Domestic	2,084.4	3.2	2,327.1	3.8
Foreign	11.1	-	19.5	-
	2,095.5	3.2	2,346.6	3.8
Total	$ 65,315.2	100.0 %	$ 61,477.4	100.0 %
Consists of:				
Mutual funds	$ 46,024.4	70.5 %	$ 40,394.4	65.7 %
Sub-advisory, institutional and other accounts	19,290.8	29.5	21,083.0	34.3
	$ 65,315.2	100.0 %	$ 61,477.4	100.0 %

INVESTMENT MANAGEMENT

Mackenzie's assets under management are diversified by investment objective as set out in Table 13. The development of a broad range of investment capabilities and products has proven to be, and continues to be, a key strength of the organization in satisfying the evolving financial needs of our clients.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2013, 48% of Mackenzie mutual funds were rated in the top two performance quartiles for the one year time frame, 53% for the three year time frame and 53% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2013, 78% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 43% had a rating of four or five stars. This compared to the Morningstar† universe of 78% for three stars or better and 39% for four and five star funds at December 31, 2013. These ratings exclude the Quadrus Group of Funds†.

PRODUCTS

Mackenzie's diversified suite of investment products is designed to meet the needs and goals of investors. Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their investment clients. Initiatives undertaken during 2013 included the following:

- April 5 – Mackenzie announced that it had suspended purchases into certain funds that use character conversion transactions to obtain tax efficient exposure for investors. This action was in response to proposed changes to Canadian tax laws announced in the 2013 Federal Budget. Upon further assessment of the budget proposal, Mackenzie announced on May 28, 2013 that it was reopening six of the funds that had been temporarily capped.
- April 16 – Mackenzie's Singapore-based subsidiary obtained registration with the Monetary Authority of Singapore and it was appointed as a sub-advisor on the Symmetry Global Bond Fund.

- April 23 – Mackenzie announced a number of product enhancements designed to simplify and strengthen its mutual fund product lineup. The product enhancements are categorized as follows:
  – Proposed fund reorganizations and mergers – Mackenzie proposed to merge 27 funds with narrow investment mandates as well as those funds that are sub-scale or have overlapping investment objectives with other funds. These mergers were completed during the third quarter.
  – Fund launches – the following two fixed-income funds were launched on May 6, 2013: Mackenzie Strategic Bond Fund and Mackenzie Floating Rate Income Fund. Both funds are managed by the Mackenzie Fixed Income Team and they help round out the fixed-income offerings at Mackenzie.
  – Fund enhancements – effective May 1, 2013 the Mackenzie Fixed Income Team assumed management of the fixed-income portion of the following balanced funds: Mackenzie Ivy Global Balanced Fund, Mackenzie Ivy Growth & Income Fund and Mackenzie Cundill Canadian Balanced Fund. With these changes, the fixed-income portion of each Mackenzie balanced fund is now managed by a dedicated fixed-income team.
  – Renaming some investment teams – to help clarify investment choices for advisors, many of Mackenzie's investment teams are now identified by their area of expertise as opposed to a sub-brand name.
  – New fund-naming convention and investment objective enhancements – effective July 15, 2013, Mackenzie changed the names of a number of its funds to ensure that the fund names more appropriately describe their investment mandate and objective. On July 26, 2013, the following funds had both their investment objectives enhanced and names changed: Mackenzie Global Small Cap Growth Fund and Mackenzie Global Small Cap Growth Class, Mackenzie Global Dividend Fund, and Mackenzie US Growth Class.
- October 7 – Mackenzie launched the Mackenzie All Cap Dividend Class, a well-diversified balanced portfolio of high-yielding North American equity instruments and fixed income securities.
- October 15 – Mackenzie launched the Mackenzie Private Wealth Program, designed for investors with more than $100,000 to invest. This program features pricing that is tiered to provide greater discounts as investment levels increase, plus a broad suite of investment choices and flexible series options to accommodate specific financial objectives and account structures. Investors in the program also benefit from enhanced reporting, customizable rebalancing, and tax and estate guidance.

Mackenzie's earnings before interest and taxes are presented in Table 14.

2013 VS. 2012

Revenues

Mackenzie's largest component of revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. Equity based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail basis. Mackenzie also offers certain series of its mutual funds with management fees that are designed for fee-based programs, institutional investors and third party investment programs offered by banks, insurance companies and investment dealers. Mackenzie does not pay commissions on these series of its mutual funds.

TABLE 14: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED ($ millions)	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
Revenues					
Management fees	$ 168.6	$ 167.2	$ 156.5	0.8 %	7.7 %
Administration fees	26.3	26.4	26.1	(0.4)	0.8
Distribution fees	3.3	3.1	3.6	6.5	(8.3)
	198.2	196.7	186.2	0.8	6.4
Net investment income and other	3.8	0.8	0.4	N/M	N/M
	202.0	197.5	186.6	2.3	8.3
Expenses					
Commission	16.6	16.7	18.6	(0.6)	(10.8)
Trailing commission	53.7	51.2	44.6	4.9	20.4
Non-commission	64.9	65.2	61.1	(0.5)	6.2
	135.2	133.1	124.3	1.6	8.8
Earnings before interest and taxes	$ 66.8	$ 64.4	$ 62.3	3.7 %	7.2 %

TWELVE MONTHS ENDED ($ millions)	2013 DEC. 31	2012 DEC. 31	% CHANGE
Revenues			
Management fees	$ 662.0	$ 634.2	4.4 %
Administration fees	104.0	105.8	(1.7)
Distribution fees	13.6	16.9	(19.5)
	779.6	756.9	3.0
Net investment income and other	7.3	2.5	192.0
	786.9	759.4	3.6
Expenses			
Commission	69.7	80.6	(13.5)
Trailing commission	202.0	179.0	12.8
Non-commission	264.6	248.6	6.4
	536.3	508.2	5.5
Earnings before interest and taxes	$ 250.6	$ 251.2	(0.2)%

Management fees were $168.6 million for the three months ended December 31, 2013, an increase of $12.1 million or 7.7% from $156.5 million last year. For the twelve months ended December 31, 2013, management fees were $662.0 million, an increase of $27.8 million or 4.4% from $634.2 million last year. The increase in management fees was consistent with the increase in Mackenzie's average total assets under management combined with the change in mix of assets under management. This was offset by $4.6 million related to the effect of renegotiated sub-advisory fees with CMA Holdings Inc. which became effective October 1, 2013.

Average total assets under management were $64.5 billion in the three month period ended December 31, 2013, compared to $60.9 billion in 2012, an increase of 5.9%. Average total assets under management for the twelve month period ended December 31, 2013 were $63.8 billion compared to $61.7 billion in 2012, an increase of 3.5%.

Mackenzie's average management fee rate was 103.7 basis points in the three month period ended December 31, 2013 compared to 102.2 basis points in 2012. Mackenzie's average management fee was 103.7 basis points in the twelve month period ended December 31, 2013 compared to 102.9 basis points in 2012. The increase in the average management fee rate in both the three and twelve month periods ending December 31, 2013 was due to a change in the composition of assets under management, including the impact of having a greater share in retail-priced products following the loss of the sub-advisory mandate to Waddell & Reed as previously discussed.

Mackenzie earns administration fees primarily from providing services to its mutual funds. Administration fees were $26.3 million for the three months ended December 31, 2013, as compared to $26.1 million in 2012. Administration fees were $104.0 million for the twelve months ended December 31, 2013, compared to $105.8 million in 2012.

Effective August 1, 2007, Mackenzie assumed responsibility for the operating expenses of the Mackenzie funds, other than GST/HST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The funds that existed as at August 1, 2007 may be required to pay a monthly operating expense adjustment to Mackenzie if the combined average monthly net assets for all Mackenzie funds and series that were subject to the administration fee proposal that was approved by investors on August 7, 2007 fall to a level that is 95% of the amount of their total net assets on August 1, 2007.

Due to the level of mutual fund assets, Mackenzie continued to receive an operating expense adjustment in the current period. The operating expense adjustment in the three months ended December 31, 2013 was $2.7 million and in the twelve months ended December 31, 2013 was $13.7 million as compared to $5.0 million and $18.5 million, respectively, in 2012.

Mackenzie earns distribution fee income on redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from 3.0% in the first year and decrease to zero after three years. Distribution fee income in the three months ended December 31, 2013 was $3.3 million, a decrease of $0.3 million from $3.6 million last year. Distribution fee income in the twelve months ended December 31, 2013 was $13.6 million, a decrease of $3.3 million from $16.9 million last year.

Expenses

Mackenzie's expenses were $135.2 million for the three months ended December 31, 2013, an increase of $10.9 million or 8.8% from $124.3 million last year. Expenses for the twelve months ended December 31, 2013 were $536.3 million, an increase of $28.1 million or 5.5% from $508.2 million in 2012.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load purchase option. The expense for deferred selling commissions consists of the amortization of the asset over its useful life and the reduction of the unamortized deferred selling commission asset associated with redemptions. Mackenzie amortizes selling commissions over a maximum period of three years from the date of original purchase of the applicable low load assets and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge assets. Commission expenses were $16.6 million in the three months ended December 31, 2013, as compared to $18.6 million last year. Commission expense in the twelve months ended December 31, 2013 was $69.7 million compared to $80.6 million in 2012. These declines are consistent with the lower amount of deferred sales commissions paid in recent years combined with lower write-offs of the unamortized balance of deferred sales commissions associated with redemptions.

Trailing commissions paid to dealers are calculated as a percentage of mutual fund assets under management and vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Trailing commissions were $53.7 million in the three months ended December 31, 2013, an increase of $9.1 million or 20.4% from $44.6 million last year. Trailing commissions in the twelve months ended December 31, 2013 were $202.0 million, an increase of $23.0 million or 12.8% from $179.0 million in the comparative period last year. The change in trailing commissions resulted both from the period over period increase in average mutual fund assets as well as a change in the composition of mutual fund assets towards series of mutual funds that pay higher trailer rates. During the period, this included both the impact of having a higher weighting of equity funds as well as a having a higher weighting of no load series of funds, both of which are subject to higher trailers. Trailing commissions as a percentage of average mutual fund assets under management were 47.9 basis points in the three months ended December 31, 2013 and 46.9 basis points in the twelve months ended December 31, 2013 as compared to 44.9 basis points in both of the comparative periods in 2012.

Non-commission expenses are incurred by Mackenzie in the administration, marketing and management of its assets under management. Non-commission expenses were $64.9 million in the three months ended December 31, 2013, an increase of $3.8 million or 6.2% from $61.1 million in 2012. Non-commission expenses in the twelve months ended December 31, 2013 were $264.6 million, an increase of $16.0 million or 6.4% from $248.6 million in the comparative period in 2012. Mackenzie continues to attract, retain and develop employees and invest strategically in systems and technology to enhance its future operating capabilities while at the same time investing in revenue generating initiatives to further grow its business.

Q4 2013 VS. Q3 2013

Revenues

Mackenzie's revenues were $202.0 million for the current quarter, an increase of $4.5 million or 2.3% from $197.5 million in the third quarter of 2013.

Management fees were $168.6 million for the current quarter, an increase of $1.4 million or 0.8% from $167.2 million in the third quarter of 2013. Factors contributing to the net increase in management fees are as follows:

- Average total assets under management were $64.5 billion in the current quarter compared to $62.8 billion in the quarter ended September 30, 2013, an increase of 2.7%.
- Mackenzie's average management fee rate was 103.7 basis points in the current quarter as compared to 105.6 basis points in the third quarter of 2013 due to a change in the composition of assets under management, including the impact of renegotiated fee rates related to the CMA Holding Inc. sub-advisory relationship.

Administration fees were $26.3 million in the current quarter, a decrease of $0.1 million or 0.4% from $26.4 million in the prior quarter. Included in administration fees for the current quarter was the fund operating expense adjustment of $2.7 million as compared to $3.4 million in the third quarter of 2013.

Expenses

Mackenzie's expenses were $135.2 million for the current quarter, an increase of $2.1 million or 1.6% from $133.1 million in the third quarter of 2013.

Commission expense, which represents the amortization of selling commissions, was $16.6 million in the quarter ended December 31, 2013, as compared to $16.7 million in the third quarter of 2013.

Trailing commissions were $53.7 million in the current quarter, an increase of $2.5 million or 4.9% from $51.2 million in the third quarter of 2013. The change in trailing commissions is consistent with the 3.8% period over period increase in average mutual fund assets under management combined with the change in asset mix within Mackenzie's mutual funds which contributed to an increase in the effective trailing commission rate to 47.9 basis points from 47.4 basis points in the third quarter of 2013.

Non-commission expenses were $64.9 million in the current quarter, a decrease of $0.3 million or 0.5% from $65.2 million in the third quarter of 2013.

Corporate and Other Review of Segment Operating Results

The Corporate and Other segment includes net investment income not allocated to the Investors Group or Mackenzie segments, the Company's proportionate share of earnings of its affiliate, Great-West Lifeco Inc. (Lifeco), operating results for Investment Planning Counsel Inc., other income, as well as consolidation elimination entries.

Corporate and other earnings before interest and taxes are presented in Table 15.

2013 VS. 2012

Net investment income and other totalled $21.9 million in the fourth quarter of 2013 compared to $24.7 million in 2012. Net investment income and other totalled $96.8 million for the twelve months ended December 31, 2013, an increase of $2.8 million compared with 2012. The increase in the twelve month period was due to the increase of $7.3 million in the Company's proportionate share of Lifeco's earnings. The increase was offset in part by the 2012 reversal of a charge related to a non-retail mutual fund product.

Earnings before interest and taxes related to Investment Planning Counsel were $1.6 million lower in the fourth quarter of 2013 compared to the same period in 2012 and $1.2 million lower in the twelve months ended December 31, 2013 compared with 2012.

Q4 2013 VS. Q3 2013

Net investment income and other totalled $21.9 million in the fourth quarter of 2013, a decrease of $3.5 million from the previous quarter which was largely due to decreases in the Company's proportionate share of Lifeco's earnings as discussed in the Consolidated Financial Position section of this MD&A.

Earnings before interest and taxes related to Investment Planning Counsel were $1.7 million higher in the fourth quarter of 2013 compared with the previous quarter.

During the fourth quarter of 2013, Investment Planning Counsel acquired the shares of Independent Planning Group Inc. and its related entities.

TABLE 15: OPERATING RESULTS – CORPORATE AND OTHER

THREE MONTHS ENDED ($ millions)	2013 DEC. 31	2013 SEP. 30	2012 DEC. 31	% CHANGE 2013 SEP. 30	% CHANGE 2012 DEC. 31
Revenues					
Fee income	$ 48.4	$ 44.0	$ 41.8	10.0 %	15.8 %
Net investment income and other	21.9	25.4	24.7	(13.8)	(11.3)
	70.3	69.4	66.5	1.3	5.7
Expenses					
Commission	32.0	28.9	27.0	10.7	18.5
Non-commission	11.5	11.8	8.2	(2.5)	40.2
	43.5	40.7	35.2	6.9	23.6
Earnings before interest and taxes	$ 26.8	$ 28.7	$ 31.3	(6.6)%	(14.4) %

TWELVE MONTHS ENDED ($ millions)	2013 DEC. 31	2012 DEC. 31	% CHANGE
Revenues			
Fee income	$ 181.1	$ 170.6	6.2 %
Net investment income and other	96.8	94.0	3.0
	277.9	264.6	5.0
Expenses			
Commission	119.8	110.2	8.7
Non-commission	47.2	42.7	10.5
	167.0	152.9	9.2
Earnings before interest and taxes	$ 110.9	$ 111.7	(0.7)%

IGM Financial Inc.
Consolidated Financial Position

IGM Financial's total assets were $12.9 billion at December 31, 2013 compared to $12.0 billion at December 31, 2012.

SECURITIES

The composition of the Company's securities holdings is detailed in Table 16.

Available for Sale (AFS) Securities

Securities classified as available for sale include investments in proprietary investment funds. Unrealized gains and losses on available for sale securities are recorded in Other comprehensive income until they are realized or until management determines that there is objective evidence of impairment, at which time they are recorded in the Consolidated Statements of Earnings and any subsequent losses are also recorded in net earnings.

Fair Value Through Profit or Loss Securities

Securities classified as fair value through profit or loss include equity securities, proprietary investment funds and Canada Mortgage Bonds. Unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund as discussed in Note 2 of the Consolidated Financial Statements. As at December 31, 2013, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments ($17.7 million), equity securities ($29.1 million) and fixed income securities ($9.8 million). The underlying securities of these funds are classified as held for trading and recognized at fair value through profit or loss.

Canada Mortgage Bonds were initially purchased in 2009 as part of the Company's ongoing interest rate risk management activities related to its participation in the Canada Mortgage Bond Program (CMB Program). The Canada Mortgage Bonds were financed through repurchase agreements, which represent short-term funding transactions where the Company sells securities that it owns and commits to repurchase these securities at a specified price on a specified date in the future. The interest expense related to these obligations is recorded in Net investment income and other in the Consolidated Statements of Earnings.

During the third quarter of 2013 the Company sold the Canada Mortgage Bonds for $217.8 million and settled the related obligation to repurchase the securities of $218.6 million as the Company achieved its investment and risk management objectives related to these bonds.

LOANS

The composition of the Company's loans is detailed in Table 17.

Loans consisted of residential mortgages and represented 45.4% of total assets at December 31, 2013 compared to 41.1% at December 31, 2012. Loans are comprised of:

- Sold to securitization programs – these loans are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $5.6 billion at December 31, 2013, compared to $4.7 billion at December 31, 2012.

TABLE 16: SECURITIES

($ millions)	December 31, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Available for sale				
Proprietary investment funds	$ 3.4	$ 4.1	$ 23.4	$ 24.1
Fair value through profit or loss				
Equity securities	6.7	8.0	6.1	6.2
Proprietary investment funds	54.2	56.6	24.1	24.7
Canada Mortgage Bonds	-	-	220.4	225.5
	60.9	64.6	250.6	256.4
	$ 64.3	$ 68.7	$ 274.0	$ 280.5

- Intermediary operations – these loans are held by the Company to earn interest in the Company's deposit operations.
- Mortgage banking operations – these loans are held temporarily by the Company pending sale or securitization.

Residential mortgages originated by Investors Group are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. Investors Group services $10.6 billion of residential mortgages, including $2.1 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

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

In the fourth quarter of 2013, the Company securitized loans through its mortgage banking operations with cash proceeds of $874.1 million compared to $566.8 million in 2012. The fair value of the Company's retained interest was $112.5 million at December 31, 2013 compared to $69.1 million at December 31, 2012. The retained interest includes cash reserve accounts of $29.0 million, which are reflected on the balance sheet, and rights to future excess spread of $99.7 million, which are not reflected on the balance sheet. The retained interest also includes the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. This component of the swap is recorded on the balance sheet and had a negative fair

TABLE 17: LOANS

($ millions)	DECEMBER 31, 2013	DECEMBER 31, 2012
Loans and receivables		
Sold to securitization programs	$ 5,491.5	$ 4,639.0
Intermediary operations	36.4	35.1
	5,527.9	4,674.1
Less: Collective allowance	0.7	0.7
	5,527.2	4,673.4
Held for trading		
Mortgage banking operations	324.3	248.8
	$ 5,851.5	$ 4,922.2

TABLE 18: INVESTMENT IN AFFILIATE

TWELVE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31
Investment in affiliate - equity method		
Balance, beginning of year		
As previously reported	$ 621.1	$ 612.5
Change in accounting policy	(20.7)	(14.0)
As restated	600.4	598.5
Additional shares acquired	49.7	-
Proportionate share of earnings	84.8	77.5
Proportionate share of changes in affiliate's litigation provision[(1)]	9.0	(5.6)
Dividends received	(47.7)	(46.5)
Proportionate share of other comprehensive income (loss) and other adjustments	21.6	(23.5)
Balance, end of year	$ 717.8	$ 600.4
Fair value, end of year	$ 1,301.4	$ 918.6

(1) Refer to the Summary of Consolidated Operating Results in this MD&A.

value of $16.2 million at December 31, 2013. Additional information related to the Company's securitization activities can be found in the Financial Instruments Risk section of this MD&A and in Note 6 of the Consolidated Financial Statements.

INVESTMENT IN AFFILIATE

Investment in affiliate represents the Company's 4% equity interest in Great-West Lifeco Inc. (Lifeco). IGM Financial and Lifeco are controlled by Power Financial Corporation.

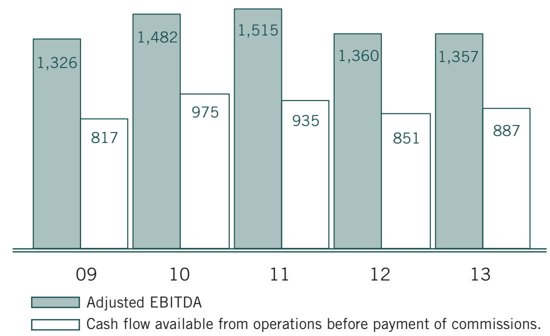
The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Corporate and other reportable segment. Changes in the carrying value for the year ended December 31, 2013 compared with 2012 are shown in Table 18.

On March 12, 2013, the Company purchased 1,950,000 subscription receipts of Lifeco which were recorded at cost. On July 18, 2013, the acquisition of Irish Life Group Limited was completed and the subscription receipts of Lifeco were exchanged for 1,950,000 Lifeco common shares at a cost of $49.7 million. As a result of this transaction, the Company maintains its current ownership position in Lifeco of 4%.

Consolidated Liquidity and Capital Resources

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

For the financial year *($ millions)*



Adjusted EBITDA

2009 excluded a non-cash charge on available for sale equity securities, a premium paid on the redemption of preferred shares and earnings on discontinued operations.

2010 excluded non-recurring items related to transition to IFRS, the proportionate share of an affiliate's incremental litigation provision and earnings on discontinued operations.

2011 excluded earnings on discontinued operations and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

2012 excluded the proportionate share of the charge related to the changes in an affiliate's litigation provisions.

2013 excluded a charge related to restructuring and other charges and the proportionate share of the benefit related to the changes in an affiliate's litigation provisions.

LIQUIDITY

Cash and cash equivalents totalled $1.08 billion at December 31, 2013 compared with $1.06 billion at December 31, 2012. Cash and cash equivalents related to the Company's deposit operations were $6.2 million at December 31, 2013 compared with $11.9 million at December 31, 2012 as shown in Table 19.

Working capital totalled $1,161.1 million at December 31, 2013 compared with $1,031.8 million at December 31, 2012. Working capital excludes the Company's deposit operations.

Working capital is utilized to:

- Finance ongoing operations, including the funding of selling commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases related to the Company's normal course issuer bid.

IGM Financial continues to generate significant cash flows from its operations. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) totalled $1,357.1 million for the twelve months ended December 31, 2013 compared to $1,360.1 million in 2012. Adjusted EBITDA for each period under review excludes the impact of amortization of deferred selling commissions which totalled $245.1 million in 2013 compared to $266.2 million in 2012. As well as being an important alternative measure of performance, EBITDA is a common measure utilized by investment analysts and credit rating agencies in reviewing asset management companies.

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

TABLE 19: DEPOSIT OPERATIONS – FINANCIAL POSITION

($ millions)	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Cash and cash equivalents	$ 6.2	$ 11.9
Accounts and other receivables	161.7	136.6
Loans	30.8	27.5
Total assets	$ 198.7	$ 176.0
Liabilities and shareholder's equity		
Deposit liabilities	$ 186.4	$ 163.2
Other liabilities	0.9	1.0
Shareholder's equity	11.4	11.8
Total liabilities and shareholder's equity	$ 198.7	$ 176.0

Cash Flows

Table 20 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2013. Cash and cash equivalents increased by $23.3 million in 2013 compared to an increase of $6.7 million in 2012.

Operating activities, before payment of commissions, generated $952.4 million during the year ended December 31, 2013, as compared to $921.2 million in 2012. Cash commissions paid were $237.1 million in 2013 compared to $211.6 million in 2012. Cash flows from operating activities, net of commissions paid, were $715.3 million in 2013 as compared to $709.6 million in 2012.

Financing activities during the year ended December 31, 2013 compared to 2012 related to:

- A net increase of $23.2 million in deposits and certificates in 2013 compared to a net increase of $12.5 million in 2012.
- Net payment of $225.4 million in 2013 arising from obligations related to assets sold under repurchase agreements compared to a net payment of $1.8 million in 2012. The net payment in 2013 included the settlement of $218.6 million in obligations related to the sale of $217.8 million in Canada Mortgage Bonds which are reported in investing activities.
- A net increase of $872.5 million in 2013 arising from obligations to securitization entities compared to a net increase of $873.5 million in 2012.
- Proceeds received on the issuance of common shares of $59.8 million in 2013 compared with $24.5 million in 2012.
- The purchase of 1,336,400 common shares in 2013 under IGM Financial's normal course issuer bid at a cost of $62.8 million compared with the purchase of 5,347,900 common shares at a cost of $214.9 million in 2012.
- The payment of perpetual preferred share dividends which totalled $8.8 million in 2013, unchanged from 2012.
- The payment of regular common share dividends which totalled $541.9 million in 2013 compared to $549.0 million in 2012.

Investing activities during the year ended December 31, 2013 compared to 2012 primarily related to:

- The purchases of securities totalling $77.9 million and sales of securities with proceeds of $296.1 million in 2013 compared to $57.9 million and $90.2 million, respectively, in 2012. Proceeds in 2013 included the sale of Canada Mortgage Bonds for $217.8 million.
- A net increase in loans of $923.9 million in 2013 compared to a net increase of $825.4 million in 2012 primarily related to residential mortgages in the Company's mortgage banking operations.
- The investment in affiliate of $49.7 million in the first quarter of 2013. The Company purchased 1,950,000 subscription receipts of Lifeco which were exchanged in the third quarter for 1,950,000 Lifeco common shares.

TABLE 20: CASH FLOWS

TWELVE MONTHS ENDED *($ millions)*	2013 DEC. 31	2012 DEC. 31	% CHANGE
Operating activities			
Before payment of commissions	$ 952.4	$ 921.2	3.4 %
Commissions paid	(237.1)	(211.6)	(12.1)
Net of commissions paid	715.3	709.6	0.8
Financing activities	116.5	135.8	(14.2)
Investing activities	(808.5)	(838.7)	3.6
Increase in cash and cash equivalents	23.3	6.7	N/M
Cash and cash equivalents, beginning of year	1,059.1	1,052.4	0.6
Cash and cash equivalents, end of year	$ 1,082.4	$ 1,059.1	2.2 %

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, perpetual preferred shares and common shareholders' equity which totalled $6.0 billion at December 31, 2013, compared to $5.8 billion at December 31, 2012. The Company regularly assesses its capital management practices in response to changing economic conditions.

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

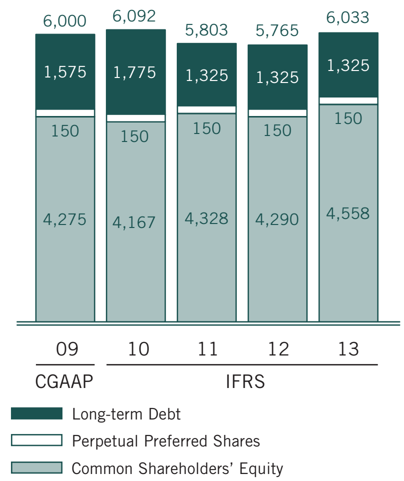
The total outstanding long-term debt was $1,325 million at December 31, 2013, unchanged from December 31, 2012. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Perpetual preferred shares of $150 million at December 31, 2013 remain unchanged from December 31, 2012.

The Company purchased 1,336,400 common shares during the year ended December 31, 2013 at a cost of $62.8 million under its normal course issuer bid (refer to Note 16 to the Consolidated Financial Statements). The Company commenced a normal course issuer bid on April 12, 2013 to purchase up to 5% of its common shares in order to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. Other activities in 2013 included the declaration of perpetual preferred share dividends of $8.8 million or $1.475 per share and common share dividends of $542.0 million or $2.15 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

Capital

As at December 31 *($ millions)*



In connection with its normal course issuer bid, the Company established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

The current rating by Standard & Poor's (S&P) of the Company's senior debt and liabilities is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The “A+” rating assigned to the Company’s senior unsecured debentures by S&P is the fifth highest of the 22 ratings used for long-term debt. A debenture rated A+ indicates S&P’s view that the Company’s capacity to meet its financial commitment on the obligation is strong, but the Company is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher rated categories.

According to S&P, the “Stable” rating outlook means that S&P considers that the rating is unlikely to change over the intermediate term.

The A (High) rating assigned to IGM Financial’s senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

According to DBRS, the “Stable” rating trend helps give investors an understanding of DBRS’s opinion regarding the outlook for the rating.

FINANCIAL INSTRUMENTS

Table 21 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, repurchase agreements, and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity.
- Loans classified as loans and receivables are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 22 of the Consolidated Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the twelve months ended December 31, 2013.

TABLE 21: FINANCIAL INSTRUMENTS

	DECEMBER 31, 2013		DECEMBER 31, 2012	
($ millions)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Securities				
– Available for sale	$ 4.1	$ 4.1	$ 24.1	$ 24.1
– Held for trading	64.6	64.6	256.4	256.4
Loans				
– Held for trading	324.3	324.3	248.8	248.8
Derivative financial instruments	57.4	57.4	63.3	63.3
Financial assets recorded at amortized cost				
Loans				
– Loans and receivables	5,527.2	5,695.0	4,673.4	4,792.0
Financial liabilities recorded at fair value				
Derivative financial instruments	35.5	35.5	70.8	70.8
Financial liabilities recorded at amortized cost				
Deposits and certificates	186.4	187.9	163.2	164.8
Obligations to securitization entities	5,572.1	5,671.4	4,700.9	4,786.7
Long-term debt	1,325.0	1,577.8	1,325.0	1,628.9

Risk Management

The Company is exposed to a variety of risks that are inherent in its business activities. The Company's ability to manage these risks is key to its ongoing success and includes emphasizing a strong risk management culture and effective risk management approach. The Company's risk management approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return.

The Company's risk governance structure emphasizes a comprehensive and consistent framework throughout the company and its subsidiaries, with clearly identified ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Executive Committee of the Board. Additional oversight is provided by a Risk Management Department, corporate and sales compliance groups, and the Company's Internal Audit Department.

The Board of Directors provides oversight and carries out its risk management mandate primarily through the following committees:

- The Executive Committee is responsible for the oversight of enterprise risk management by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.
- The Investment Committee oversees management of the Company's financial risks, being market risk, credit risk, and liquidity and funding risk by: i) ensuring that appropriate procedures are in place to identify and manage financial risks in accordance with tolerances, ii) monitoring the implementation and maintenance of appropriate policies, procedures and controls to manage financial risks, and iii) reviewing the financial risk management process on a regular basis to ensure that it is functioning effectively.
- The Audit Committee has specific risk oversight responsibilities as it oversees financial disclosure, internal controls and the control environment as well as the Company's compliance activities.
- Other committees having specific risk oversight responsibilities include: i) the Compensation Committee which oversees compensation policies and practices, ii) the Governance and Nominating Committee which oversees corporate governance practices, and iii) the Related Party and Conduct Review Committee which oversees conflicts of interest and recommends to the Board a code of business conduct and ethics.

The executive Risk Management Committee is comprised of the Co-Presidents and Chief Executive Officers, the Chief Financial Officer, and the General Counsel and Chief Compliance Officer. The committee is responsible for providing oversight of the Company's risk management process by: i) establishing and maintaining the risk framework and policy, ii) defining the Company's risk appetite, iii) ensuring the Company's risk profile and processes are aligned with corporate strategy and risk appetite, and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the respective operating companies, being Investors Group, Mackenzie and Investment Planning Counsel, have overall responsibility for overseeing risk management of their respective companies.

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

The Risk Management Department provides oversight, analysis and reporting on the level of risks relative to the established risk appetite to the Risk Management Committee. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders. A Technical Review Committee of senior business leaders supports the Risk Management Department by performing critical reviews of risk assessments developed by business units and support functions. Other oversight accountabilities reside with the Company's: a) corporate and sales compliance groups – which are responsible for ensuring compliance with policies, laws and regulations, and b) financial risk management function – which is independent from the Treasury Department and is responsible for assessing financial risk management processes and exposures and monitoring compliance with the Investment Policy and other relevant policies.

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

FINANCIAL INSTRUMENTS RISK

The Company actively manages risks that arise as a result of holding financial instruments which include liquidity and funding risk, credit risk and market risk.

Liquidity and Funding Risk

Liquidity and funding risk is the risk of the inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise. The Company's liquidity management practices include:

- Controls over liquidity management processes.
- Stress testing of various operating scenarios.
- Oversight of liquidity management by Committees of the Board of Directors.

As part of ongoing liquidity management during 2013 and 2012, the Company:

- Entered into a $200 million committed line of credit to provide financing to the Company's mortgage operations.
- Added an additional Canadian bank sponsored committed ABCP facility.
- Expanded our funding channels by issuing the Company's inaugural syndicated National Housing Act Mortgage Backed Securities for $224 million.
- Continued to assess additional funding sources for the Company's mortgage banking operations.

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

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are sold or securitized to:

- Investors Mortgage and Short Term Income Fund and Investors Canadian Corporate Bond Fund;
- Third parties, including CMHC or Canadian bank sponsored securitization trusts; or
- Institutional investors through private placements.

Certain subsidiaries of the Company are approved issuers of NHA MBS and are approved sellers into the CMB Program. This issuer and seller status provides the Company with additional funding sources for residential mortgages. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions that are subject to change.

The Company's contractual obligations are reflected in Table 22.

TABLE 22: CONTRACTUAL OBLIGATIONS

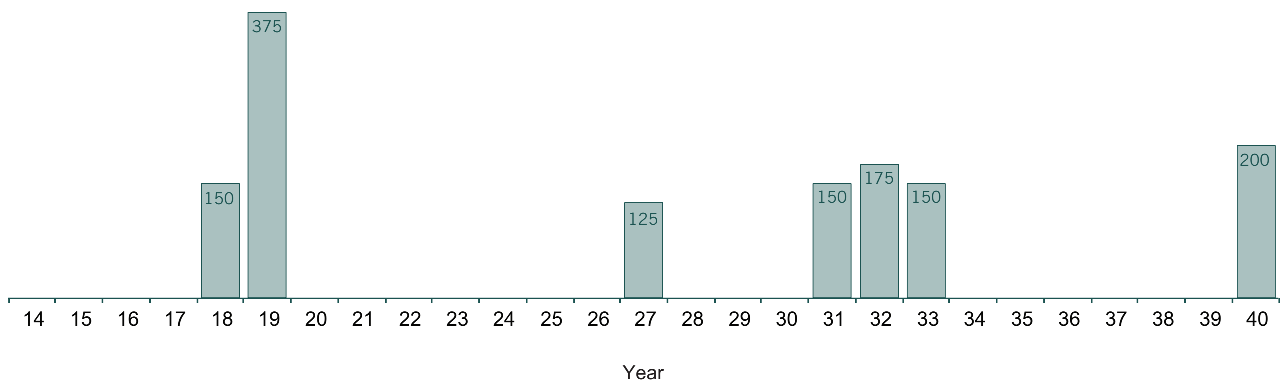
As at December 31, 2013 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ -	$ 11.0	$ 24.5	$ -	$ 35.5
Deposits and certificates	160.9	9.8	11.1	4.6	186.4
Obligations to securitization entities	-	890.5	4,648.7	32.9	5,572.1
Long-term debt	-	-	150.0	1,175.0	1,325.0
Operating leases(1)	-	53.5	147.3	65.4	266.2
Pension funding (2)	-	20.0	-	-	20.0
Total contractual obligations	$ 160.9	$ 984.8	$ 4,981.6	$ 1,277.9	$ 7,405.2

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

(2) Pension funding requirements beyond 2014 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Long-Term Debt Maturity Schedule

($ millions)



The maturity schedule for long-term debt of $1,325 million, with no debt repayment due until 2018, is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $525 million as at December 31, 2013, unchanged from December 31, 2012. The lines of credit as at December 31, 2013 consisted of committed lines of $350 million (2012 – $350 million) and uncommitted lines of $175 million (2012 – $175 million). The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2013 and December 31, 2012, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2012, was completed. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $106.3 million compared to a solvency surplus in the previous actuarial valuation, which was based on a measurement date of December 31, 2009. The solvency deficit results primarily from lower interest rates and is required to be funded over 5 years. During 2013, the Company made contributions of $36.1 million (2012 – nil). The Company expects to make contributions of approximately $20.0 million in 2014. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy. Funding requirements beyond 2014 are subject to significant variability and will be determined based on future actuarial valuations.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2012.

Credit Risk

Credit risk is the potential for financial loss to the Company if a counterparty to a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2013, cash and cash equivalents of $1,082.4 million (2012 – $1,059.1 million) consisted of cash balances of $88.8 million (2012 – $100.8 million) on deposit with Canadian chartered banks and cash equivalents of $993.6 million (2012 – $958.3 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $41.8 million (2012 – $233.1 million), provincial government and government guaranteed commercial paper of $564.1 million (2012 – $472.6 million) and bankers' acceptances issued by Canadian chartered banks of $387.7 million (2012 – $252.6 million). The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

At December 31, 2012, fair value through profit or loss securities included Canada Mortgage Bonds with a fair value of $225.5 million. The investment in these bonds was disposed of during the third quarter of 2013.

The Company regularly reviews the credit quality of the mortgage portfolios related to the Company's mortgage banking operations and its intermediary operations, as well as the adequacy of the collective allowance. As at December 31, 2013, mortgages totalled $5.9 billion (2012 – $4.9 billion) and consisted of residential mortgages:

- Sold to securitization programs which are classified as loans and receivables and totalled $5.5 billion compared to $4.6 billion at December 31, 2012. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $5.6 billion at December 31, 2013, compared to $4.7 billion at December 31, 2012.
- Related to the Company's mortgage banking operations which are classified as held for trading and totalled $324.3 million compared to $248.8 million at December 31, 2012. These loans are held by the Company pending sale or securitization.
- Related to the Company's intermediary operations which are classified as loans and receivables and totalled $36.4 million at December 31, 2013, compared to $35.1 million at December 31, 2012.

As at December 31, 2013, the mortgage portfolios related to the Company's intermediary operations were geographically diverse, 100% residential (2012 – 100%) and 88.6% insured (2012 – 86.2%). As at December 31, 2013, impaired mortgages were nil, unchanged from December 31, 2012. Uninsured non-performing mortgages over 90 days were nil, unchanged from December 31, 2012. The characteristics of the mortgage portfolio have not changed significantly during 2013.

The NHA MBS and CMB Program require that all securitized mortgages be insured against default by an approved insurer. The ABCP programs do not require mortgages to be insured; however, at December 31, 2013, 58.9% of these mortgages were insured compared to 66.6% at December 31, 2012. At December 31, 2013, 86.1% of the securitized portfolio and the residential mortgages classified as held for trading were insured compared to 88.3% at December 31, 2012. As at December 31, 2013, impaired mortgages on these portfolios were $1.8 million, compared to $1.0 million at December 31, 2012. Uninsured non-performing mortgages over 90 days on these portfolios were $0.9 million at December 31, 2013, compared to $0.6 million at December 31, 2012.

The Company retains certain elements of credit risk on securitized loans. At December 31, 2013, 87.4% of securitized loans were insured against credit losses compared to 90.2% at December 31, 2012. The Company's credit risk on its securitization activities is limited to its retained interest. The fair value of the Company's retained interests in securitized mortgages was $112.5 million at December 31, 2013 compared to $69.1 million at December 31, 2012. Retained interests include:

- *Cash reserve accounts and rights to future net interest income* – which were $29.0 million (2012 – $23.7 million) and $99.7 million (2012 – $101.6 million), respectively, at December 31, 2013. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

  The portion of this amount pertaining to Canadian bank-sponsored securitization trusts of $59.0 million (2012 – $55.1 million) is subordinated to the interests of the trust and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Credit risk on these mortgages is mitigated by any insurance on these mortgages, as previously discussed, and the Company's credit risk on insured loans is to the insurer.

  Rights to future net interest income under the NHA MBS and CMB Program totalled $69.7 million (2012 – $70.2 million). Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. Outstanding mortgages securitized under these programs are $3.8 billion, compared to $3.3 billion at December 31, 2012.

- *Fair value of principal reinvestment account swaps* – which had a negative fair value of $16.2 million at December 31, 2013 (2012 – $56.2 million) and is reflected on the Company's balance sheet. These swaps represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. The notional amount of these swaps was $1,023.4 million at December 31, 2013 (2012 – $931.5 million).

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

The Company's collective allowance for credit losses was $0.7 million at December 31, 2013, unchanged from December 31, 2012, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based upon the following considerations:

- The Company's lending policy, underwriting standards and loan servicing capabilities.
- The Company's practice of originating its mortgages exclusively through its own network of Consultants and mortgage planning specialists as part of a client's comprehensive financial plan.
- The quality of the Company's mortgage portfolio based on: i) historical credit performance experience and recent trends, ii) current portfolio credit metrics and other relevant characteristics, and iii) regular stress testing of losses under adverse real estate market conditions.
- The existence of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2012.

The Company utilizes over-the-counter derivatives to hedge interest rate risk and reinvestment risk associated with its mortgage banking and securitization activities, as well as market risk related to certain stock-based compensation arrangements. To the extent that the fair value of the derivatives are in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfill their obligations under these arrangements.

The Company participates in the CMB Program by entering into back-to-back swaps whereby Canadian Schedule I chartered banks designated by the Company intermediate between the Company and the Canada Housing Trust. The Company receives coupons on NHA MBS and eligible principal reinvestments and pays coupons on the Canada Mortgage Bonds. The Company also enters into offsetting interest rate swaps with the same bank counterparties to hedge interest rate and reinvestment risk associated with the CMB Program. The negative fair value of these swaps totalled $16.8 million at December 31, 2013 (2012 – $26.5 million) and the outstanding notional amount was $6.8 billion (2012 – $5.7 billion). Certain of these swaps relate to securitized mortgages that have been recorded on the Company's balance sheet with an associated obligation. Accordingly, these swaps, with an outstanding notional amount of $3.6 billion (2012 – $3.3 billion) and having a negative fair value of $28.1 million (2012 – $29.2 million), are not reflected on the balance sheet. Principal reinvestment account swaps and hedges of reinvestment and interest rate risk, with an outstanding notional amount of $3.2 billion (2012 – $2.4 billion) and having a fair value of $11.2 million (2012 – $2.7 million), are reflected on the balance sheet. The exposure to credit risk, which is limited to the fair value of swaps in a gain position, totalled $46.9 million at December 31, 2013 compared to $63.1 million at December 31, 2012.

The Company utilizes interest rate swaps to hedge interest rate risk associated with mortgages securitized through Canadian bank-sponsored ABCP programs. The negative fair value of these interest rate swaps totalled $0.9 million (2012 – $4.9 million) on an outstanding notional amount of $66.0 million at December 31, 2013 (2012 – $435.0 million). The exposure to credit risk, which is limited to the fair value of swaps in a gain position, was nil at December 31, 2013 compared to $0.2 million at December 31, 2012.

Interest rate swaps utilized to hedge the Company's interest rate risk associated with its investments in Canada Mortgage Bonds were settled during the third quarter of 2013.

The Company enters into other derivative contracts which consist primarily of interest rate swaps utilized to hedge interest rate risk related to mortgages held pending sale, or committed to, by the Company as well as total return swaps and forward agreements on IGM Financial common shares utilized to hedge deferred compensation arrangements. The fair value of interest rate swaps, total return swaps and forward agreements was $11.5 million on an outstanding notional amount of $154.0 million at December 31, 2013 compared to a fair value of $0.1 million on an outstanding notional amount of $124.5 million at December 31, 2012. The exposure to credit risk, which is limited to the fair value of those instruments which are in a gain position, was $11.5 million at December 31, 2013, compared to $1.6 million at December 31, 2012.

The aggregate credit risk exposure related to derivatives that are in a gain position of $58.4 million (2012 – $64.9 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $3.9 million at December 31, 2013 (2012 – nil). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2013. Management of credit risk related to derivatives has not changed materially since December 31, 2012.

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

Market Risk

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

Interest Rate Risk

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

The objective of the Company's asset and liability management is to control interest rate risk related to its intermediary operations by actively managing its interest rate exposure. As at December 31, 2013, the total gap between deposit assets and liabilities was within the Company's trust subsidiary's stated guidelines.

The Company utilizes interest rate swaps with Canadian Schedule I chartered bank counterparties in order to reduce the impact of fluctuating interest rates on its mortgage banking operations, as follows:

- The Company has funded fixed rate mortgages with floating rate ABCP as part of certain securitization transactions with bank-sponsored securitization trusts. The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that ABCP rates rise. However, the Company remains exposed to the basis risk that ABCP rates are greater than the bankers' acceptances rates that it receives on its hedges.
- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages decline. As previously discussed, as part of the CMB Program, the Company is also entitled to investment returns on reinvestment of principal repayments of securitized mortgages and is obligated to pay Canada Mortgage Bond coupons that are generally fixed rate. The Company hedges the risk that reinvestment returns decline by entering into interest rate swaps with Canadian Schedule I chartered bank counterparties.
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages held, or committed to, by the Company. The Company enters into interest rate swaps to hedge the interest rate risk related to mortgages held by the Company.

As at December 31, 2013, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $1.6 million. The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2012.

Equity Price Risk

The Company is exposed to equity price risk on its proprietary investment funds which are classified as available for sale securities and on its equity securities and proprietary investment funds which are classified as fair value through profit or loss, as shown in Table 16. Unrealized gains and losses on available for sale securities are recorded in Other comprehensive income until they are realized or until management determines there is objective evidence of impairment in value, at which time they are recorded in the Consolidated Statements of Earnings.

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

RISKS RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2013, IGM Financial's total assets under management were $131.8 billion compared to $120.7 billion at December 31, 2012.

The Company is subject to the risk of asset volatility from changes in the Canadian and global financial and equity markets. Changes in these markets have caused in the past, and will cause in the future, changes in the Company's assets under management, revenues and earnings. Global economic conditions, exacerbated by financial crises, changes in the equity marketplace, currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties and other factors including political and government instability that are difficult to predict, affect the mix, market values and levels of assets under management.

The Company's assets under management may be subject to unanticipated redemptions as a result of such events. Changing market conditions may also cause a shift in asset mix between equity and fixed income assets due to market and income as well as net cash flows, potentially resulting in a decline in the Company's revenue and earnings depending upon the nature of the assets under management and the level of management fees earned.

Interest rates at unprecedented low levels have significantly decreased the yields of the Company's money market and managed yield mutual funds. Since 2009, Investors Group and Mackenzie have waived a portion of investment management fees or absorbed some expenses to ensure that these funds maintained positive yields. The Company continuously reviews its practices in this regard in response to changing market conditions.

Redemption rates for long-term funds are summarized in Table 23 and are discussed in the Investors Group and Mackenzie Segment Operating Results sections of this MD&A.

IGM Financial provides Consultants, independent financial advisors, and strategic alliance and institutional clients with a high level of service and support and a broad range of investment products based on asset classes, countries or regions, and investment management styles which, in turn, should result in maintaining strong client relationships and lower rates of redemptions. The Company's subsidiaries also continually review product pricing to ensure competitiveness in the marketplace in relation to the nature and quality of services provided. During the third quarter of 2012, Investors Group implemented pricing and product enhancements related to its mutual fund offering as previously discussed in the Investors Group Review of the Business section in this MD&A.

The mutual fund industry and financial advisors continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility Consultants and independent financial advisors play a key role in assisting investors to maintain perspective and focus on their long-term objectives.

TABLE 23: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2013	2012
IGM Financial Inc.		
Investors Group	9.4 %	10.0 %
Mackenzie	16.0 %	17.9 %
Counsel	13.2 %	14.3 %

OTHER RISK FACTORS

Distribution Risk

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

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

The Regulatory Environment

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

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

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

Contingencies

The Company is subject to legal actions arising in the normal course of its business. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Acquisition Risk

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

Model Risk

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

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held $3.1 trillion in discretionary financial assets with financial institutions at December 31, 2012 (source: Investor Economics). The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Over 60% ($1.9 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the $1.2 trillion held outside of a financial advisory relationship, approximately 70% consisted of bank deposits.

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

Approximately 35% of Canadian discretionary financial assets or $1.1 trillion resided in investment funds at December 31, 2012, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 75% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $118 billion in mutual fund assets under management, the Company is among the country's largest investment fund managers. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

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

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 53% of total industry long-term mutual fund assets at September 30, 2013.

As a result of consolidation activity in the last several years, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 84% of industry long-term mutual fund assets and total mutual fund assets under management at September 30, 2013. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

Management believes that the financial services industry will continue to be influenced by the following trends:

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

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and Investment Planning Counsel compete directly with other investment managers for assets under management, and their products compete with stocks, bonds and other asset classes for a share of the investment assets of Canadians.

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

IGM Financial continues to focus on its commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders. Management believes that the Company is well-positioned to meet competitive challenges and capitalize on future opportunities.

The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on those channels emphasizing comprehensive financial planning through a relationship with a financial advisor.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Financial group of companies.

Broad and Diversified Distribution

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

Broad Product Capabilities

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

Enduring Relationships

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

Benefits of Being Part of the Power Financial Group of Companies

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

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

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

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.

  Investments in proprietary mutual funds are classified as available for sale. Unrealized gains and losses on securities are recorded in Other comprehensive income until realized or until there is objective evidence of impairment, at which time they are recorded in the Consolidated Statements of Earnings. Management regularly reviews securities classified as available for sale to assess whether there is objective evidence of impairment. The Company considers such factors as the nature of the investment and the length of time and the extent to which the fair value has been below cost. A significant change in this assessment may result in unrealized losses being recognized in net earnings. During 2013, the Company assessed the measurement of the available for sale securities and determined there was no impairment in the value of these securities.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 10 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

  The Company completed its annual impairment tests of goodwill and indefinite life intangible assets based on March 31, 2013 financial information and determined there was no impairment in the value of those assets.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect

management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 14 to the Consolidated Financial Statements.

- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2013, there were no indications of impairment to deferred selling commissions.
- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is "probable" that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.
- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company's defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

  Due to the long-term nature of these plans, the calculation of the accrued benefit liability depends on various assumptions including discount rates, rates of return on assets, the level and types of benefits provided, healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and accrued benefit obligations. Actual experience that differs from the actuarial assumptions will result in actuarial gains or losses as well as changes in benefits expense. The Company records actuarial gains and losses on all of its defined benefit plans in Other comprehensive income.

  During 2013, the performance of the defined benefit pension plan assets was positively impacted by market conditions. Corporate bond yields increased in 2013 thereby impacting the discount rate used to measure the Company's accrued benefit liability. The discount rate utilized to value the defined benefit pension plan accrued benefit liability at December 31, 2013 was 5.05% compared to 4.45% at December 31, 2012. Pension plan assets increased to $276.0 million at December 31, 2013 from $213.9 million at December 31, 2012. The increase in plan assets was due to market performance of $32.0 million comprised of interest income of $9.8 million calculated based on the discount rate, which was recorded as a reduction to the pension expense and actuarial gains of $22.2 million which were recorded in Other comprehensive income. In addition, the assets increased due to the completion of the actuarial valuation for funding purposes related to the Company's registered defined pension plan which resulted in the Company contributing $36.1 million to the pension plan. The increase in the discount rate utilized to value the defined benefit pension plan obligation resulted in actuarial gains of $39.1 million which were recorded in Other comprehensive income. Demographic assumptions and experience adjustments were revised based on the actuarial valuation for funding purposes which resulted in actuarial losses of $13.4 million and $15.8 million, respectively. The total defined benefit pension plan obligation was $319.7 million at December 31, 2013 compared to $306.5 million at December 31, 2012. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of $43.7 million at December 31, 2013 compared to $92.5 million at the end of 2012. The unfunded SERPs and other post-retirement benefits plans had an accrued benefit liability of $47.1 million and $44.3 million, respectively, at December 31, 2013 compared to $46.9 million and $42.0 million in 2012.

A decrease of 0.25% in the discount rate utilized in 2013 would result in a change of $14.8 million in the accrued pension obligation, $13.6 million in other comprehensive income, and $1.2 million in pension expense. Additional information regarding the Company's accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 13 of the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

IFRS 10 Consolidated Financial Statements

On January 1, 2013, the Company adopted IFRS 10 which introduces a single consolidation model for all entities which focuses on control, including the rights an investor has to variable returns resulting from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. The standard does not have a significant impact on the Company's financial position or results of operations.

IFRS 12 Disclosures of Interests in Other Entities

On January 1, 2013, the Company adopted IFRS 12 which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial statements. Additional disclosures have been incorporated into the Company's Consolidated Financial Statements (Notes 2, 4 and 8).

IFRS 13 Fair Value Measurement

On January 1, 2013, the Company adopted IFRS 13 which consolidates the fair value measurement and disclosure guidance into one standard. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The standard does not have a significant impact on the Company's financial position or results of operations but does require additional disclosure related to fair value measurements (Note 22 to the Company's Consolidated Financial Statements). The standard has been applied on a prospective basis.

IAS 1 Presentation of Financial Statements

On January 1, 2013, the Company adopted the amendments to IAS 1 with respect to the presentation of other comprehensive income (OCI). The most significant change resulting from the amendments is a requirement for entities to group items presented in OCI on the basis of whether or not they may be reclassified subsequently to net earnings. The amended standard relates only to presentation and does not have an impact on the Company's financial position or results of operations. The amendments have been applied retroactively.

IAS 19 Employee Benefits

On January 1, 2013, the Company adopted the revisions to IAS 19 that amend the measurement, presentation and disclosure requirements for defined benefit plans. The standard has been applied retroactively and the comparative periods in the Consolidated Balance Sheets, Statements of Earnings and Statements of Other Comprehensive Income have been restated. The transitional provisions included in IAS 19 do not have an impact on future periods. These amendments include:

- Changes in the recognition of past service costs. Past service costs resulting from plan amendments or curtailments are recognized in the period in which the plan amendments or curtailment occurs, without regard to vesting.
- The elimination of the concept of an expected return on assets (EROA). Amended IAS 19 requires the use of the discount rate in the place of EROA in the determination of the net interest component of the pension expense. The elimination of the EROA reduces net earnings, which is offset by a decrease in actuarial losses recorded in OCI.
- The elimination of the deferral and amortization approach (corridor approach) for recognizing actuarial gains and losses in net earnings. Actuarial gains and losses are to be recognized immediately in OCI. Actuarial gains and losses recognized in OCI are not reclassified to net earnings in

subsequent periods. The Company previously recorded actuarial losses in OCI and retained earnings. Actuarial gains and losses are no longer charged directly to retained earnings but recorded in Accumulated other comprehensive income. The Company has reclassified actuarial losses previously recorded in retained earnings to Accumulated other comprehensive income (loss) from January 1, 2010.

The impact of the change in accounting policy on Comprehensive Income and the Consolidated Balance Sheets are detailed in Table 24. Additional information can be found in Notes 2 and 13 of the Consolidated Financial Statements.

On January 1, 2013, Great-West Lifeco Inc. (Lifeco) also adopted the revisions to IAS 19. The effect of applying this standard retroactively decreased the investment in affiliate by $20.7 million as at December 31, 2012 (January 1, 2012 – $14.0 million), decreased Accumulated other comprehensive income by $22.5 million (January 1, 2012 – $16.2 million), and increased retained earnings by $1.8 million (January 1, 2012 – $2.2 million). The effect on the Company's proportionate share of affiliate's earnings was not significant for the year ended December 31, 2012.

TABLE 24: IMPACT OF IAS 19 ON FINANCIAL STATEMENTS

Impact on Comprehensive Income

TWELVE MONTHS ENDED *($ thousands)*	2013 DEC. 31	2012 DEC. 31
Non-commission expenses		
Expected return on plan assets	$ 5,600	$ 3,482
Past service costs	588	588
	6,188	4,070
Income taxes	(1,673)	(1,100)
Net earnings	(4,515)	(2,970)
Other comprehensive income		
Employee benefits, net of tax	4,087	2,542
Comprehensive income	$ (428)	$ (428)

Impact on Consolidated Balance Sheets

($ thousands)	2013 DEC. 31	2012 DEC. 31	2012 JAN. 1
Assets			
Deferred income taxes	$ (1,288)	$ (1,504)	$ (1,719)
Liabilities and Shareholders' Equity			
Other liabilities	$ (3,665)	$ (4,253)	$ (4,841)
Deferred income taxes	(292)	(348)	(403)
Retained earnings	71,261	95,572	55,761
Accumulated other comprehensive income (loss)	(68,592)	(92,475)	(52,236)
	$ (1,288)	$ (1,504)	$ (1,719)

FUTURE ACCOUNTING CHANGES

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

IFRS 9 Financial Instruments

The IASB is currently developing IFRS 9 which will replace IAS 39, the current standard for accounting for financial instruments. The standard is being completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: This phase is expected to replace the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: This phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

The impact of this new standard will be assessed as the phases of the project are completed. The IASB is expected to establish an effective date once the standard is closer to completion.

Other

The IASB is currently undertaking several projects which will result in changes to existing IFRS standards that may affect the Company:

IFRS Standard	Expected date of issuance
IFRS 9: Financial Instruments	
Classification and Measurement	Q1/Q2 2014 – Final Standard
Impairment	Q1/Q2 2014 – Exposure Draft
Hedge Accounting – Macro Hedge Accounting	Q1 2014 – Discussion Paper
Leases	Q1 2014 – Redeliberations
Revenue Recognition	Q1 2014 – Final Standard

Source: IFRS website at www.ifrs.org

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that (a) material information relating to the Company is made known to the Co-Presidents and Chief Executive Officers and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company's management, under the supervision of the Co-Presidents and Chief Executive Officers and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2013, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

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

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

The Company's management, under the supervision of the Co-Presidents and Chief Executive Officers and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 1992 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on their evaluations as of December 31, 2013, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the fourth quarter of 2013, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco. These transactions are in the normal course of operations and have been recorded at fair value as described below:

- During 2013 and 2012, the Company provided to and received from Great-West certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $76.7 million in distribution fees (2012 – $70.4 million). The Company received $16.2 million (2012 – $15.3 million) and paid $15.5 million (2012 – $12.6 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $56.7 million (2012 – $52.9 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2013, the Company sold residential mortgage loans to Great-West and London Life for $203.4 million compared to $231.7 million in 2012.

The Company entered into tax loss consolidation transactions with its parent company, Power Financial Corporation, after obtaining advance tax rulings:

- The Company acquired $1.25 billion of 6.01% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.25 billion of 6.00% secured demand debentures to Power Financial Corporation. Effective December 31, 2013, the Company exercised its legally enforceable right to settle the preferred shares and the debenture on a net basis.
- On January 7, 2014, the Company acquired $1.67 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.67 billion of 4.50% secured demand debentures to Power Financial Corporation. The Company has legally enforceable rights to settle these financial instruments on a net basis and the Company intends to exercise these rights.

The preferred shares and debentures and related dividend income and interest expense are offset in the Consolidated Financial Statements of the Company. Tax savings arise due to the tax deductibility of the interest expense.

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

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2013 totalled 252,309,767. Outstanding stock options as at December 31, 2013 totalled 7,442,999, of which 2,943,693 were exercisable. As at February 12, 2014, outstanding common shares totalled 252,351,582 and outstanding stock options totalled 7,103,778, of which 2,800,978 were exercisable.

Perpetual preferred shares of $150 million were outstanding as at December 31, 2013, unchanged at February 12, 2014.

SEDAR

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

Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

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

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

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

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

Murray J. Taylor
Co-President and Chief Executive Officer

Jeffrey R. Carney
Co-President and Chief Executive Officer

Kevin E. Regan, FCA
Executive Vice-President and Chief Financial Officer

Independent Auditor's Report

To the Shareholders of IGM Financial Inc.

We have audited the accompanying consolidated financial statements of IGM Financial Inc., which comprise the consolidated balance sheets as at December 31, 2013, December 31, 2012, and January 1, 2012, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of IGM Financial Inc. as at December 31, 2013, December 31, 2012, and January 1, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
February 14, 2014
Winnipeg, Manitoba

Consolidated Statements of Earnings

For the years ended December 31 *(in thousands of Canadian dollars, except shares and per share amounts)*	2013	2012 RESTATED *(Note 2)*
Revenues		
Management fees	**$ 1,832,606**	$ 1,766,348
Administration fees	**357,535**	337,155
Distribution fees	**323,045**	321,071
Net investment income and other	**83,009**	80,611
Proportionate share of affiliate's earnings *(Note 8)*	**93,827**	71,971
	2,690,022	2,577,156
Expenses		
Commission	**886,123**	858,248
Non-commission *(Note 3)*	**730,369**	668,553
Interest	**92,150**	92,188
	1,708,642	1,618,989
Earnings before income taxes	**981,380**	958,167
Income taxes *(Note 14)*	**210,626**	190,504
Net earnings	**770,754**	767,663
Perpetual preferred share dividends	**8,850**	8,850
Net earnings available to common shareholders	**$ 761,904**	$ 758,813
Average number of common shares *(in thousands) (Note 23)*		
– Basic	**252,013**	254,853
– Diluted	**252,474**	255,277
Earnings per share *(in dollars) (Note 23)*		
– Basic	**$ 3.02**	$ 2.98
– Diluted	**$ 3.02**	$ 2.97

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Comprehensive Income

For the years ended December 31 *(in thousands of Canadian dollars)*	2013	2012
		RESTATED *(Note 2)*
Net earnings	**$ 770,754**	$ 767,663
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Employee benefits		
Net actuarial gains (losses), *net of tax of $(8,831) and $14,885*	**23,882**	(40,239)
Investment in affiliate - employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	**9,904**	(6,348)
Items that may be reclassified subsequently to Net earnings		
Available for sale securities		
Net unrealized gains (losses), *net of tax of $(1,095) and $(33)*	**3,042**	312
Reclassification of realized (gains) losses to to net earnings, *net of tax of $1,290 and $(201)*	**(3,585)**	327
	(543)	639
Investment in affiliate and other		
Other comprehensive income (loss), *net of tax of $(923) and $49*	**16,103**	(16,013)
	49,346	(61,961)
Comprehensive income	**$ 820,100**	$ 705,702

(See accompanying notes to consolidated financial statements.)

Consolidated Balance Sheets

(in thousands of Canadian dollars)	December 31 2013	December 31 2012 Restated (Note 2)	January 1 2012 Restated (Note 2)
Assets			
Cash and cash equivalents	**$ 1,082,437**	$ 1,059,090	$ 1,052,423
Securities *(Note 4)*	**68,735**	280,484	298,732
Accounts and other receivables	**367,532**	307,907	281,982
Income taxes recoverable	**33,044**	42,280	27,796
Loans *(Note 5)*	**5,851,500**	4,922,169	4,085,929
Derivative financial instruments *(Note 21)*	**57,351**	63,299	88,092
Other assets *(Note 7)*	**35,411**	29,815	33,928
Investment in affiliate *(Note 8)*	**717,775**	600,386	598,465
Capital assets	**121,435**	122,703	109,953
Deferred selling commissions *(Note 9)*	**688,230**	696,229	750,763
Deferred income taxes *(Note 14)*	**64,010**	77,105	57,892
Intangible assets *(Note 10)*	**1,136,850**	1,121,601	1,117,858
Goodwill *(Note 10)*	**2,655,859**	2,638,954	2,640,523
	$ 12,880,169	$ 11,962,022	$ 11,144,336
Liabilities			
Accounts payable and accrued liabilities	**$ 352,257**	$ 293,219	$ 300,094
Income taxes payable	**33,099**	34,445	62,816
Repurchase agreements *(Note 4)*	**-**	225,445	227,280
Derivative financial instruments *(Note 21)*	**35,476**	70,783	111,424
Deposits and certificates *(Note 11)*	**186,420**	163,194	150,716
Other liabilities *(Note 12)*	**365,519**	399,529	353,118
Obligations to securitization entities *(Note 6)*	**5,572,055**	4,700,871	3,827,339
Deferred income taxes *(Note 14)*	**302,748**	309,543	308,564
Long-term debt *(Note 15)*	**1,325,000**	1,325,000	1,325,000
	8,172,574	7,522,029	6,666,351
Shareholders' Equity			
Share capital			
Perpetual preferred shares	**150,000**	150,000	150,000
Common shares	**1,630,844**	1,572,573	1,578,270
Contributed surplus	**32,627**	36,468	35,842
Retained earnings	**2,977,083**	2,813,257	2,784,217
Accumulated other comprehensive income (loss)	**(82,959)**	(132,305)	(70,344)
	4,707,595	4,439,993	4,477,985
	$ 12,880,169	$ 11,962,022	$ 11,144,336

(See accompanying notes to consolidated financial statements.)

These financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2014.

Murray J. Taylor
Director

John McCallum
Director

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)	SHARE CAPITAL PERPETUAL PREFERRED SHARES *(Note 16)*	COMMON SHARES *(Note 16)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 19)*	TOTAL SHAREHOLDERS' EQUITY
2013						
Balance, beginning of year						
As previously reported	**$ 150,000**	**$ 1,572,573**	**$ 36,468**	**$ 2,715,865**	**$ (17,296)**	**$ 4,457,610**
Change in accounting policy *(Note 2)*	**-**	**-**	**-**	**97,392**	**(115,009)**	**(17,617)**
As restated	**150,000**	**1,572,573**	**36,468**	**2,813,257**	**(132,305)**	**4,439,993**
Net earnings	**-**	**-**	**-**	**770,754**	**-**	**770,754**
Other comprehensive income (loss), net of tax	**-**	**-**	**-**	**-**	**49,346**	**49,346**
Total comprehensive income (loss)	**-**	**-**	**-**	**770,754**	**49,346**	**820,100**
Common shares						
Issued under stock option plan	**-**	**66,714**	**-**	**-**	**-**	**66,714**
Purchased for cancellation	**-**	**(8,443)**	**-**	**-**	**-**	**(8,443)**
Stock options						
Current period expense	**-**	**-**	**5,428**	**-**	**-**	**5,428**
Exercised	**-**	**-**	**(9,269)**	**-**	**-**	**(9,269)**
Perpetual preferred share dividends	**-**	**-**	**-**	**(8,850)**	**-**	**(8,850)**
Common share dividends	**-**	**-**	**-**	**(541,995)**	**-**	**(541,995)**
Common share cancellation excess and other *(Note 16)*	**-**	**-**	**-**	**(56,083)**	**-**	**(56,083)**
Balance, end of year	**$ 150,000**	**$ 1,630,844**	**$ 32,627**	**$ 2,977,083**	**$ (82,959)**	**$ 4,707,595**
2012 RESTATED *(Note 2)*						
Balance, beginning of year						
As previously reported	$ 150,000	$ 1,578,270	$ 35,842	$ 2,726,285	$ (1,922)	$ 4,488,475
Change in accounting policy *(Note 2)*	-	-	-	57,932	(68,422)	(10,490)
As restated	150,000	1,578,270	35,842	2,784,217	(70,344)	4,477,985
Net earnings	-	-	-	767,663	-	767,663
Other comprehensive income (loss), net of tax	-	-	-	-	(61,961)	(61,961)
Total comprehensive income (loss)	-	-	-	767,663	(61,961)	705,702
Common shares						
Issued under stock option plan	-	27,401	-	-	-	27,401
Purchased for cancellation	-	(33,098)	-	-	-	(33,098)
Stock options						
Current period expense	-	-	4,784	-	-	4,784
Exercised	-	-	(4,158)	-	-	(4,158)
Perpetual preferred share dividends	-	-	-	(8,850)	-	(8,850)
Common share dividends	-	-	-	(546,497)	-	(546,497)
Common share cancellation excess and other *(Note 16)*	-	-	-	(183,276)	-	(183,276)
Balance, end of year	$ 150,000	$ 1,572,573	$ 36,468	$ 2,813,257	$ (132,305)	$ 4,439,993

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

For the years ended December 31 *(in thousands of Canadian dollars)*	2013	2012
		RESTATED *(Note 2)*
Operating activities		
Earnings before income taxes	**$ 981,380**	$ 958,167
Income taxes paid	**(204,347)**	(236,663)
Adjustments to determine net cash from operating activities		
Deferred selling commission amortization	**245,080**	266,149
Amortization of capital and intangible assets	**32,253**	33,521
Changes in operating assets and liabilities and other	**(102,022)**	(100,003)
	952,344	921,171
Deferred selling commissions paid	**(237,081)**	(211,615)
	715,263	709,556
Financing activities		
Net increase in deposits and certificates	**23,226**	12,478
Net decrease in obligations related to assets sold under repurchase agreements	**(225,445)**	(1,835)
Net increase in obligations to securitization entities	**872,526**	873,465
Issue of common shares	**59,785**	24,487
Common shares purchased for cancellation	**(62,818)**	(214,942)
Perpetual preferred share dividends paid	**(8,850)**	(8,850)
Common share dividends paid	**(541,880)**	(548,954)
	116,544	135,849
Investing activities		
Purchase of securities	**(77,919)**	(57,871)
Proceeds from the sale of securities	**296,073**	90,175
Net increase in loans	**(923,940)**	(825,431)
Net additions to capital assets	**(14,339)**	(30,819)
Net cash used in dispositions (acquisitions) and additions to intangible assets	**(38,661)**	(14,792)
Investment in affiliate *(Note 8)*	**(49,674)**	-
	(808,460)	(838,738)
Increase in cash and cash equivalents	**23,347**	6,667
Cash and cash equivalents, beginning of year	**1,059,090**	1,052,423
Cash and cash equivalents, end of year	**$ 1,082,437**	$ 1,059,090
Cash	**$ 88,802**	$ 100,750
Cash equivalents	**993,635**	958,340
	$ 1,082,437	$ 1,059,090
Supplemental disclosure of cash flow information related to operating activities		
Amount of interest and dividends received	**$ 211,709**	$ 201,397
Amount of interest paid during the year	**$ 198,170**	$ 191,638

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

december 31, 2013 and 2012 *(In thousands of Canadian dollars, except shares and per share amounts)*

1. CORPORATE INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of judgment, estimates and assumptions

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

Basis of consolidation

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

The Company's investment in Great-West Lifeco Inc. (Lifeco) is accounted for using the equity method. The investment in Lifeco was initially recorded at cost and the carrying amount is increased or decreased to recognize the Company's share of comprehensive income and the dividends received since the date of acquisition.

Changes in accounting policies

IFRS 10 Consolidated Financial Statements

On January 1, 2013, the Company adopted IFRS 10 which introduces a single consolidation model for all entities which focuses on control, including the rights an investor has to variable returns resulting from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. The standard does not have a significant impact on the Company's financial position or results of operations.

IFRS 12 Disclosures of Interests in Other Entities

On January 1, 2013, the Company adopted IFRS 12 which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial statements. Additional disclosures have been incorporated into the Company's Notes to Consolidated Financial Statements (Notes 2, 4, 8).

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

Changes in accounting policies *(continued)*

IFRS 13 Fair Value Measurement

On January 1, 2013, the Company adopted IFRS 13 which consolidates the fair value measurement and disclosure guidance into one standard. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The standard does not have a significant impact on the Company's financial position or results of operations but does require additional disclosure related to fair value measurements (Note 22). The standard has been applied on a prospective basis.

IAS 1 Presentation of Financial Statements

On January 1, 2013, the Company adopted the amendments to IAS 1 with respect to the presentation of other comprehensive income (OCI). The most significant change resulting from the amendments is a requirement for entities to group items presented in OCI on the basis of whether or not they may be reclassified subsequently to net earnings. The amended standard relates only to presentation and does not have an impact on the Company's financial position or results of operations. The amendments have been applied retroactively.

IAS 19 Employee Benefits

On January 1, 2013, the Company adopted the revisions to IAS 19 that amend the measurement, presentation and disclosure requirements for defined benefit plans. The standard has been applied retroactively and the comparative periods in the Consolidated Balance Sheets, Statements of Earnings and Statements of Comprehensive Income have been restated. The transitional provisions included in IAS 19 do not have an impact on future periods. These amendments include:

- Changes in the recognition of past service costs. Past service costs resulting from plan amendments or curtailments are recognized in the period in which the plan amendments or curtailment occurs, without regard to vesting.
- The elimination of the concept of an expected return on assets (EROA). Amended IAS 19 requires the use of the discount rate in the place of EROA in the determination of the net interest component of the pension expense. The elimination of the EROA reduces net earnings, which is offset by a decrease in actuarial losses recorded in OCI.
- The elimination of the deferral and amortization approach (corridor approach) for recognizing actuarial gains and losses in net earnings. Actuarial gains and losses are to be recognized immediately in OCI. Actuarial gains and losses recognized in OCI are not reclassified to net earnings in subsequent periods. The Company previously recorded actuarial losses in OCI and retained earnings. Actuarial gains and losses are no longer charged directly to retained earnings but recorded in Accumulated other comprehensive income (loss). The Company has reclassified actuarial losses previously recorded in retained earnings to Accumulated other comprehensive income (loss) from January 1, 2010.

Impact of the change in accounting policy on Comprehensive income for the current and prior period:

	2013	2012
Non-commission expenses		
Expected return on plan assets	**$ 5,600**	$ 3,482
Past service costs	**588**	588
	6,188	4,070
Income taxes	**(1,673)**	(1,100)
Net earnings	**(4,515)**	(2,970)
Other comprehensive income		
Employee benefits, net of tax	**4,087**	2,542
Comprehensive income	**$ (428)**	$ (428)
Earnings per share		
Basic	**$ (0.02)**	$ (0.01)
Diluted	**(0.02)**	(0.01)

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

Changes in accounting policies *(continued)*

Impact of the change in accounting policy on the Consolidated Balance Sheets:

	DECEMBER 31 2013	DECEMBER 31 2012	JANUARY 1 2012
Assets			
Deferred income taxes	**$ (1,288)**	$ (1,504)	$ (1,719)
Liabilities and Shareholders' Equity			
Other liabilities	**$ (3,665)**	$ (4,253)	$ (4,841)
Deferred income taxes	**(292)**	(348)	(403)
Retained earnings	**71,261**	95,572	55,761
Accumulated other comprehensive income (loss)	**(68,592)**	(92,475)	(52,236)
	$ (1,288)	$ (1,504)	$ (1,719)

On January 1, 2013, Great-West Lifeco Inc. (Lifeco) also adopted the revisions to IAS 19 (Note 8). The effect of applying this standard retroactively decreased the investment in affiliate by $20.7 million as at December 31, 2012 (January 1, 2012 – $14.0 million), decreased Accumulated other comprehensive income by $22.5 million (January 1, 2012 – $16.2 million), and increased retained earnings by $1.8 million (January 1, 2012 – $2.2 million). The effect on the Company's proportionate share of affiliate's earnings was not significant for the year ended December 31, 2012.

Revenue recognition

Management fees are based on the net asset value of investment fund or other assets under management and are recognized on an accrual basis as the service is performed. Administration fees are also recognized on an accrual basis as the service is performed. Distribution fees derived from investment fund and securities transactions are recognized on a trade date basis. Distribution fees derived from insurance and other financial services transactions are recognized on an accrual basis.

Financial instruments

All financial assets are classified in one of the following categories: available for sale, fair value through profit or loss, or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Financial assets at fair value through profit or loss are financial assets classified as held for trading or upon initial recognition are designated by the Company as fair value through profit or loss. Financial assets are classified as held for trading if acquired with the intent to sell in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedging instruments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Available for sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories.

All financial assets are carried at fair value in the Consolidated Balance Sheets, except loans and receivables which are carried at amortized cost using the effective interest method. Financial liabilities are classified either as financial liabilities measured at amortized cost using the effective interest method or as fair value through profit or loss, which are carried at fair value.

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

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

Cash and cash equivalents

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

Securities

Securities, which are recorded on a trade date basis, are classified as either available for sale or fair value through profit or loss.

Available for sale securities comprise equity securities held for long-term investment, investments in proprietary investment funds and fixed income securities. Realized gains and losses on disposal of available for sale securities, dividends declared, interest income, as well as the amortization of discounts or premiums using the effective interest method, are recorded in Net investment income and other in the Consolidated Statements of Earnings. Unrealized gains and losses on available for sale securities are recorded in Other comprehensive income until they are realized or until management determines that there is objective evidence of impairment in value, at which time they are recorded in the Consolidated Statements of Earnings.

Fair value through profit or loss securities are held for trading and are comprised of Canada Mortgage Bonds, fixed income and equity securities and investments in proprietary investment funds. Unrealized and realized gains and losses, dividends declared, and interest income on these securities are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Loans

Loans are classified as either held for trading or loans and receivables, based on the Company's intent to sell the loans in the near term.

Loans classified as held for trading are recorded at fair value, with changes in fair value recorded in Net investment income and other in the Consolidated Statements of Earnings. Loans classified as loans and receivables are carried at amortized cost less an allowance for credit losses. Interest income is accounted for on the accrual basis using the effective interest method for all loans and is recorded in Net investment income and other in the Consolidated Statements of Earnings.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, the collective allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by management suggests that losses have occurred but where such losses cannot yet be identified on an individual loan basis.

Derecognition

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

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

Deferred selling commissions

Commissions paid on the sale of certain investment funds are deferred and amortized over their estimated useful lives, not exceeding a period of seven years. Commissions paid on the sale of deposits are deferred and amortized over their estimated useful lives, not exceeding a period of five years. When a client redeems units in investment funds that are subject to a deferred sales charge, a redemption fee is paid by the client and is recorded as revenue by the Company. Any unamortized deferred selling commission asset recognized on the initial sale of these investment fund units is recorded as a disposal. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value.

Capital assets

Capital assets are recorded at cost of $308.5 million at December 31, 2013 (2012 – $298.1 million), less accumulated amortization of $187.1 million (2012 – $175.4 million). Buildings, furnishings and equipment are amortized on a straight-line basis over their estimated useful lives, which range from 3 to 17 years for equipment and furnishings and 10 to 50 years for the building and its components. Capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and intangible assets

The Company tests the carrying value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

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

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

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

Employee benefits

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

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

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

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

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

Employee benefits *(continued)*

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

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

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

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

Share-based payments

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

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

Provisions

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

Income taxes

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

Earnings per share

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

Derivative financial instruments

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

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

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

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

Derivative financial instruments *(continued)*

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. These instruments are not designated as hedging instruments. Changes in fair value are recorded in Net investment income and other in the Consolidated Statements of Earnings.

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

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

Offsetting of financial assets and liabilities

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

Future accounting changes

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

IFRS 9 Financial Instruments

The IASB is currently developing IFRS 9 which will replace IAS 39, the current standard for accounting for financial instruments. The standard is being completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: This phase is expected to replace the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: This phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

The impact of this new standard will be assessed as the phases of the project are completed. The IASB is expected to establish an effective date once the standard is closer to completion.

3. NON-COMMISSION EXPENSE

	2013	2012
Salaries and employee benefits	**$ 347,148**	$ 320,043
Amortization of capital and intangible assets	**32,253**	33,521
Occupancy	**52,954**	50,745
Other	**298,014**	264,244
	$ 730,369	$ 668,553

4. SECURITIES

	2013				2012			
		COST		FAIR VALUE		COST		FAIR VALUE
Available for sale:								
Proprietary investment funds	$	**3,444**	$	**4,113**	$	23,406	$	24,084
Fair value through profit or loss:								
Equity securities		**6,727**		**8,004**		6,057		6,163
Proprietary investment funds		**54,147**		**56,618**		24,091		24,747
Canada Mortgage Bonds		**-**		**-**		220,432		225,490
		60,874		**64,622**		250,580		256,400
	$	**64,318**	$	**68,735**	$	273,986	$	280,484

Available for sale

Proprietary investment funds
The Company manages and provides services and earns management and administration fees, in respect of investment funds that are not recognized in the Consolidated Balance Sheets ($117.6 billion in investment fund assets under management as at December 31, 2013). The Company's investments in proprietary investment funds are included on the Company's Consolidated Balance Sheets as available for sale securities. These investments are generally made in the process of launching a new fund and are sold as third party investors subscribe. This balance represents the Company's maximum exposure to loss associated with these investments.

Fair value through profit or loss

Proprietary investment funds
Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2013, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments ($17.7 million), equity securities ($29.1 million) and fixed income securities ($9.8 million). The underlying securities of these funds are classified as held for trading and recognized at fair value through profit or loss.

Canada Mortgage Bonds
As part of the Company's interest rate risk management activities relating to its mortgage banking operations, Canada Mortgage Bonds were purchased and subsequently sold under repurchase agreements. These activities represent short-term funding transactions whereby the Company sells securities that it owns and commits to repurchase these securities at a specified price on a specified date in the future.

On September 26, 2013, the Company sold the Canada Mortgage Bonds for $217.8 million and settled the obligation to repurchase the securities of $218.6 million.

Canada Mortgage Bonds had a fair value of $225.5 million at December 31, 2012, and the obligation to repurchase the securities, which was recorded at amortized cost, had a carrying value of $225.4 million. The interest expense related to these obligations is recorded in Net investment income and other in the Consolidated Statements of Earnings.

5. LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS	2013 TOTAL	2012 TOTAL
Loans and receivables					
Residential mortgages	**$ 904,556**	**$ 4,619,998**	**$ 3,403**	**$ 5,527,957**	$ 4,674,043
Less: Collective allowance				**728**	669
				5,527,229	4,673,374
Held for trading				**324,271**	248,795
				$ 5,851,500	$ 4,922,169

	2013	2012
The change in the collective allowance for credit losses is as follows:		
Balance, beginning of year	**$ 669**	$ 793
Recoveries	**(113)**	(34)
Provision for credit losses	**172**	(90)
Balance, end of year	**$ 728**	$ 669

Total impaired loans as at December 31, 2013 were $1,846 (2012 – $963).

Total interest income on loans classified as loans and receivables was $153.9 million (2012 – $146.6 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $110.0 million (2012 – $96.2 million). Gains realized on the sale of residential mortgages totalled $16.9 million (2012 – $19.0 million). Other gains and fair value adjustments related to mortgage banking operations totalled $18.4 million (2012 – $10.0 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including interest income on mortgages held for trading, portfolio insurance, issue costs, and other items.

6. SECURITIZATIONS

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

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a negative fair value of $16.2 million at December 31, 2013 (December 31, 2012 – $56.2 million).

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

	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
2013			
Carrying value			
NHA MBS and CMB Program	**$ 3,802,648**	**$ 3,843,383**	**$ (40,735)**
Bank sponsored ABCP	**1,688,936**	**1,728,672**	**(39,736)**
Total	**$ 5,491,584**	**$ 5,572,055**	**$ (80,471)**
Fair value	**$ 5,659,082**	**$ 5,671,379**	**$ (12,297)**
2012			
Carrying value			
NHA MBS and CMB Program	$ 3,284,932	$ 3,312,273	$ (27,341)
Bank sponsored ABCP	1,354,049	1,388,598	(34,549)
Total	$ 4,638,981	$ 4,700,871	$ (61,890)
Fair value	$ 4,757,115	$ 4,786,705	$ (29,590)

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

7. OTHER ASSETS

		2013		2012
Deferred and prepaid expenses	**$**	**32,279**	$	27,468
Other		**3,132**		2,347
	$	**35,411**	$	29,815

Total other assets of $11.1 million as at December 31, 2013 (2012 – $10.3 million) are expected to be realized within one year.

8. INVESTMENT IN AFFILIATE

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

At December 31, 2013, the Company held 39,737,388 (2012 – 37,787,388) shares of Lifeco, which represented an equity interest of 4.0% (2012 – 4.0%). The Company uses the equity method to account for its investment in Lifeco as it exercises significant influence. Significant influence arises from several factors, including but not limited to, the following: common control of Lifeco by Power Financial Corporation, directors common to the boards of the Company and Lifeco, certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies. The Company's proportionate share of Lifeco's earnings is recorded in the Consolidated Statements of Earnings.

		2013		2012
Balance, beginning of year				
As previously reported	**$**	**621,100**	$	612,480
Change in accounting policy *(Note 2)*		**(20,714)**		(14,015)
As restated		**600,386**		598,465
Additional shares acquired		**49,674**		-
Proportionate share of earnings		**84,847**		77,531
Proportionate share of changes in affiliate's litigation provision		**8,980**		(5,560)
Dividends received		**(47,678)**		(46,478)
Proportionate share of other comprehensive income (loss) and other adjustments		**21,566**		(23,572)
Balance, end of year	**$**	**717,775**	$	600,386
Share of equity, end of year	**$**	**585,387**	$	467,662
Fair value, end of year	**$**	**1,301,399**	$	918,611

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2013.

Lifeco's financial information as at December 31, 2013 can be obtained in its publicly available information.

On March 12, 2013, the Company purchased 1,950,000 subscription receipts of Lifeco which were recorded at cost. On July 18, 2013, the acquisition of Irish Life Group Limited was completed and the subscription receipts of Lifeco were exchanged for 1,950,000 Lifeco common shares at a cost of $49.7 million. As a result of this transaction, the Company maintains its current ownership position in Lifeco of 4.0%.

9. DEFERRED SELLING COMMISSIONS

	2013	2012
Cost	**$ 1,379,113**	$ 1,448,619
Less: accumulated amortization	**(690,883)**	(752,390)
	$ 688,230	$ 696,229
Changes in deferred selling commissions:		
Balance, beginning of year	**$ 696,229**	$ 750,763
Changes due to:		
Sales of investment funds	**237,081**	211,615
Amortization	**(245,080)**	(266,149)
	(7,999)	(54,534)
Balance, end of year	**$ 688,230**	$ 696,229

Amortization of deferred selling commissions includes $35.1 million (2012 – $43.3 million) of disposals related to redemption activity and is recorded in Commission expense in the Consolidated Statements of Earnings.

10. GOODWILL AND INTANGIBLE ASSETS

The components of goodwill and intangible assets are as follows:

	FINITE-LIFE		INDEFINITE-LIFE			
	SOFTWARE	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL INTANGIBLE ASSETS	GOODWILL
2013						
Cost	**$ 115,636**	**$ 111,429**	**$ 740,559**	**$ 285,177**	**$ 1,252,801**	**$ 2,655,859**
Less: accumulated amortization	**(66,818)**	**(49,133)**	**-**	**-**	**(115,951)**	**-**
	$ 48,818	**$ 62,296**	**$ 740,559**	**$ 285,177**	**$ 1,136,850**	**$ 2,655,859**
Changes in goodwill and intangible assets:						
Balance, beginning of year	**$ 28,082**	**$ 68,592**	**$ 739,750**	**$ 285,177**	**$ 1,121,601**	**$ 2,638,954**
Additions	**27,146**	**1,613**	**809**	**-**	**29,568**	**16,905**
Disposals	**-**	**(545)**	**-**	**-**	**(545)**	**-**
Amortization	**(6,410)**	**(7,364)**	**-**	**-**	**(13,774)**	**-**
Balance, end of year	**$ 48,818**	**$ 62,296**	**$ 740,559**	**$ 285,177**	**$ 1,136,850**	**$ 2,655,859**
2012						
Cost	$ 88,490	$ 110,361	$ 739,750	$ 285,177	$ 1,223,778	$ 2,638,954
Less: accumulated amortization	(60,408)	(41,769)	-	-	(102,177)	-
	$ 28,082	$ 68,592	$ 739,750	$ 285,177	$ 1,121,601	$ 2,638,954
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 19,445	$ 73,486	$ 739,750	$ 285,177	$ 1,117,858	$ 2,640,523
Additions	18,457	2,578	-	-	21,035	-
Disposals	(1,500)	(186)	-	-	(1,686)	(1,569)
Amortization	(8,320)	(7,286)	-	-	(15,606)	-
Balance, end of year	$ 28,082	$ 68,592	$ 739,750	$ 285,177	$ 1,121,601	$ 2,638,954

During the fourth quarter of 2013, Investment Planning Counsel Inc., a subsidiary of IGM Financial Inc., acquired the shares of Independent Planning Group Inc. and its related entities. The purchase price was allocated to indefinite life intangible assets and goodwill.

10. GOODWILL AND INTANGIBLE ASSETS *(continued)*

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

	2013		2012	
	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS
Investors Group	**$ 1,347,781**	**$ -**	$ 1,347,781	$ -
Mackenzie	**1,168,580**	**1,002,681**	1,168,580	1,002,681
Other	**139,498**	**23,055**	122,593	22,246
Total	**$ 2,655,859**	**$ 1,025,736**	$ 2,638,954	$ 1,024,927

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

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

11. DEPOSITS AND CERTIFICATES

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

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, loans, and accounts and other receivables amounting to $186.4 million (2012 – $163.2 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2013 TOTAL	2012 TOTAL
Deposits	**$ 160,947**	**$ 9,509**	**$ 9,166**	**$ 3,038**	**$ 182,660**	$ 159,169
Certificates	**-**	**347**	**1,890**	**1,523**	**3,760**	4,025
	$ 160,947	**$ 9,856**	**$ 11,056**	**$ 4,561**	**$ 186,420**	$ 163,194

12. OTHER LIABILITIES

		2013		2012
Dividends payable	**$**	**137,824**	$	137,709
Interest payable		**21,388**		20,664
Accrued benefit liabilities *(Note 13)*		**135,111**		181,377
Provisions		**37,331**		40,573
Other		**33,865**		19,206
	$	**365,519**	$	399,529

The Company establishes restructuring provisions related to business acquisitions, divestitures and other items, as well as other provisions in the normal course of its operations. Changes in provisions during 2013 consisted of additional estimates of $6.7 million and payments of $9.9 million.

Total other liabilities of $197.7 million as at December 31, 2013 (2012 – $184.9 million) are expected to be settled within one year.

13. EMPLOYEE BENEFITS

Defined benefit plans

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

Effective July 1, 2012, the defined benefit pension plan was closed and will only accept members hired prior to July 1, 2012. For all eligible employees hired after July 1, 2012, the Company introduced a registered defined contribution pension plan.

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

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

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

An actuarial valuation is performed for funding purposes. The most recent actuarial valuation was completed based on a measurement date of December 31, 2012 and the next required valuation will be completed based on a measurement date of December 31, 2013.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2012, was completed. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $106.3 million compared to a solvency surplus in the previous actuarial valuation, which was based on a measurement date of December 31, 2009. The solvency deficit results primarily from lower interest rates and is required to be funded over 5 years. During 2013, the Company made contributions of $36.1 million (2012 – nil). The Company expects to make contributions of approximately $20.0 million in 2014. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy. Funding requirements beyond 2014 are subject to significant variability and will be determined based on future actuarial valuations.

13. EMPLOYEE BENEFITS *(continued)*

Defined benefit plans *(continued)*

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

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

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

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

Plan assets, benefit obligations and funded status:

	2013			2012		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	**$ 213,919**	**$ -**	**$ -**	$ 207,146	$ -	$ -
Employee contributions	**3,588**	**-**	**-**	3,535	-	-
Employer contributions	**36,091**	**-**	**-**	-	-	-
Benefits paid	**(9,658)**	**-**	**-**	(9,459)	-	-
Interest income	**9,781**	**-**	**-**	10,959	-	-
Remeasurements:						
– Return on plan assets	**22,229**	**-**	**-**	1,738	-	-
Balance, end of year	**275,950**	**-**	**-**	213,919	-	-
Accrued benefit obligation						
Balance, beginning of year	**306,457**	**46,880**	**41,959**	240,875	41,969	34,566
Benefits paid	**(9,658)**	**(1,447)**	**(1,561)**	(9,459)	(1,482)	(1,397)
Current service cost	**15,721**	**1,369**	**1,081**	10,999	1,276	1,024
Employee contributions	**3,588**	**-**	**-**	3,535	-	-
Interest expense	**13,498**	**1,984**	**1,675**	12,767	2,079	1,683
Remeasurements:						
Actuarial losses (gains)						
– Demographic assumption	**13,405**	**1,067**	**4,964**	-	(1,180)	(2,674)
– Experience adjustments	**15,767**	**978**	**(656)**	-	-	3,312
– Financial assumptions	**(39,088)**	**(3,725)**	**(3,197)**	47,740	4,218	5,445
Balance, end of year	**319,690**	**47,106**	**44,265**	306,457	46,880	41,959
Accrued benefit liability	**$ 43,740**	**$ 47,106**	**$ 44,265**	$ 92,538	$ 46,880	$ 41,959

13. EMPLOYEE BENEFITS *(continued)*

Defined benefit plans *(continued)*

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2013			2012		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Discount rate	**5.05%**	**4.70%-5.15%**	**4.70%**	4.45%	4.15%-4.60%	4.10%
Rate of compensation increase	**3.90%**	**3.75%**	**N/A**	4.36%	4.36%	N/A
Health care cost trend rate(1)	**N/A**	**N/A**	**5.98%**	N/A	N/A	6.18%
Mortality rates at age 65 for current pensioners	**23.1 years**	**23.1 years**	**23.1 years**	21.8 years	21.8 years	21.8 years

(1) Trending to 4.50% in 2029 and remaining at that rate thereafter.

The weighted average duration of the pension plans' defined benefit obligation at the end of the reporting period is 18.7 years (2012 – 17.5 years).

Benefit expense:

	2013			2012		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Current service cost	**$ 15,721**	**$ 1,369**	**$ 1,081**	$ 10,999	$ 1,276	$ 1,024
Net interest cost	**3,717**	**1,984**	**1,675**	1,808	2,079	1,683
	$ 19,438	**$ 3,353**	**$ 2,756**	$ 12,807	$ 3,355	$ 2,707

13. EMPLOYEE BENEFITS *(continued)*

Defined benefit plans *(continued)*

Sensitivity analysis:

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

2013	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE
Defined benefit pension plan		
Discount rate (+ / - 0.25%)		
Increase	$ (13,821)	$ (1,134)
Decrease	14,761	1,150
Rate of compensation increase (+ / - 0.25%)		
Increase	4,679	447
Decrease	(4,597)	(322)
Mortality		
Increase 1 year	7,251	756
SERPs		
Discount rate (+ / - 0.25%)		
Increase	(1,477)	1
Decrease	1,550	(3)
Rate of compensation increase (+ / - 0.25%)		
Increase	210	32
Decrease	(207)	(31)
Mortality		
Increase 1 year	982	65
Other post-employment benefits		
Discount rate (+ / - 0.25%)		
Increase	(1,229)	16
Decrease	1,288	(18)
Health care cost trend rates (+ / - 1.00%)		
Increase	2,484	97
Decrease	(2,108)	(80)
Mortality		
Increase 1 year	1,532	82

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

13. EMPLOYEE BENEFITS *(continued)*

Defined benefit plans *(continued)*

Asset allocation of defined benefit pension plan by asset category:

	2013	2012
Equity securities	**64.4 %**	60.0 %
Fixed income securities	**32.8**	38.6
Cash and cash equivalents	**2.8**	1.4
	100.0 %	100.0 %

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

Defined contribution pension plans

The Company maintains a number of defined contribution pension plans for eligible employees. The total expense recorded in Non-commission expense was $0.9 million (2012 – $0.6 million).

Group Retirement Savings Plan (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Non-commission expense as paid and totalled $6.1 million (2012 – $5.9 million).

14. INCOME TAXES

Income tax expense:

	2013	2012
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	**$ 220,492**	$ 232,690
Adjustments in respect of prior years	**(8,361)**	(38,893)
	212,131	193,797
Deferred taxes	**(1,505)**	(3,293)
	$ 210,626	$ 190,504
Deferred income taxes recovery in retained earnings	**$ 8,831**	$ (14,885)

Effective income tax rate:

	2013	2012
Income taxes at Canadian federal and provincial statutory rates	**26.57 %**	26.53 %
Effect of:		
Proportionate share of affiliate's earnings *(Note 8)*	**(2.32)**	(2.17)
Tax loss consolidation *(Note 25)*	**(2.06)**	(2.09)
Other items	**(0.48)**	(0.67)
Reduction in estimates related to certain tax filings	**-**	(2.55)
Rate changes on deferred income taxes related to indefinite life intangible assets	**-**	0.67
Proportionate share of affiliate's provision *(Note 8)*	**(0.25)**	0.16
Effective income tax rate	**21.46 %**	19.88 %

The previously enacted Ontario corporate tax rate decrease from 11.5% to 11% scheduled for July 1, 2012 was rescinded on June 20, 2012 resulting in an increase to the tax rate for 2012.

14. INCOME TAXES *(continued)*

Deferred income taxes

Sources of deferred income taxes:

		2013		2012
Deferred income tax assets				
Accrued benefit liabilities	$	**36,458**	$	48,949
Loss carryforwards		**20,189**		20,943
Other		**42,324**		35,968
		98,971		105,860
Deferred income tax liabilities				
Deferred selling commissions		**183,819**		185,673
Intangible assets		**143,302**		142,789
Other		**10,588**		9,836
		337,709		338,298
	$	**238,738**	$	232,438

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

		2013		2012
Deferred income tax assets	$	**64,010**	$	77,105
Deferred income tax liabilities		**302,748**		309,543
	$	**238,738**	$	232,438

15. LONG-TERM DEBT

MATURITY	RATE	SERIES		2013		2012
March 7, 2018	6.58%	2003	$	**150,000**	$	150,000
April 8, 2019	7.35%	2009		**375,000**		375,000
December 13, 2027	6.65%	1997		**125,000**		125,000
May 9, 2031	7.45%	2001		**150,000**		150,000
December 31, 2032	7.00%	2002		**175,000**		175,000
March 7, 2033	7.11%	2003		**150,000**		150,000
December 10, 2040	6.00%	2010		**200,000**		200,000
			$	**1,325,000**	$	1,325,000

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

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

Interest expense relating to long-term debt was $92.2 million (2012 – $92.2 million).

16. SHARE CAPITAL

Authorized

Unlimited number of:

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

Issued and outstanding

	2013		2012	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	**6,000,000**	**$ 150,000**	6,000,000	$ 150,000
Common shares:				
Balance, beginning of year	**252,098,907**	**$ 1,572,573**	256,658,488	$ 1,578,270
Issued under Stock Option Plan *(Note 18)*	**1,547,260**	**66,714**	788,319	27,401
Purchased for cancellation	**(1,336,400)**	**(8,443)**	(5,347,900)	(33,098)
Balance, end of year	**252,309,767**	**$ 1,630,844**	252,098,907	$ 1,572,573

Normal course issuer bid

In 2013, 1,336,400 (2012 – 5,347,900) shares were purchased at a cost of $62.8 million (2012 – $214.9 million). The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

The Company commenced a normal course issuer bid, effective for one year, on April 12, 2013. Pursuant to this bid, the Company may purchase up to 12.6 million or 5% of its common shares outstanding as at March 31, 2013. On April 12, 2012, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 12.8 million or 5% of its common shares outstanding as at March 31, 2012.

In connection with its normal course issuer bid, the Company established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

17. CAPITAL MANAGEMENT

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

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

17. CAPITAL MANAGEMENT *(continued)*

The total outstanding long-term debt was $1,325.0 million at December 31, 2013, unchanged from December 31, 2012. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Perpetual preferred shares of $150 million at December 31, 2013 remain unchanged from December 31, 2012.

The Company purchased 1,336,400 common shares during the year ended December 31, 2013 at a cost of $62.8 million under its normal course issuer bid (Note 16). The Company commenced a normal course issuer bid on April 12, 2013 to purchase up to 5% of its common shares in order to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. Other activities in 2013 included the declaration of perpetual preferred share dividends of $8.9 million or $1.475 per share and common share dividends of $542.0 million or $2.15 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

18. SHARE-BASED PAYMENTS

Stock option plan

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time and/or performance vesting conditions set out at the grant date. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. A portion of the outstanding options can only be exercised once certain performance targets are met. At December 31, 2013, 10,115,362 (2012 – 11,662,622) common shares were reserved for issuance under the Plan.

During 2013, the Company granted 1,385,195 options to employees (2012 – 1,120,855). The weighted-average fair value of options granted during the year ended December 31, 2013 has been estimated at $5.06 per option (2012 – $5.23) using the Black-Scholes option pricing model. The weighted average share price at the grant dates was $45.56. The assumptions used in the option pricing model include:

	2013	2012
Exercise price	**$ 45.51**	$ 45.63
Risk-free interest rate	**1.75 %**	1.80 %
Expected option life	**6 years**	6 years
Expected volatility	**22.00 %**	22.00 %
Expected dividend yield	**4.73 %**	4.71 %

Expected volatility has been estimated based on the historic volatility of the Company's share price over six years which is reflective of the expected option life. Stock options were exercised regularly throughout 2013 and the average share price in 2013 was $47.53.

18. SHARE-BASED PAYMENTS *(continued)*

Stock option plan *(continued)*

The Company recorded compensation expense related to its stock option program of $5.4 million (2012 – $4.8 million).

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	**8,115,461**	**$ 41.45**	8,414,392	$ 39.64
Granted	**1,385,195**	**45.51**	1,120,855	45.63
Exercised	**(1,547,260)**	**37.13**	(788,319)	29.48
Forfeited	**(510,397)**	**44.85**	(631,467)	39.66
Balance, end of year	**7,442,999**	**$ 42.87**	8,115,461	$ 41.45
Exercisable, end of year	**2,943,693**	**$ 42.50**	3,570,846	$ 40.34

Options outstanding at December 31, 2013	EXPIRY DATE	EXERCISE PRICE ($)	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2014	**33.52 - 35.77**	**274,923**	**77,917**
	2015	**37.09 - 37.78**	**527,346**	**527,346**
	2016	**46.68**	**296,870**	**296,870**
	2017	**50.60 - 50.92**	**936,239**	**563,010**
	2018	**42.09 - 44.60**	**618,943**	**317,581**
	2019	**26.67 - 44.00**	**861,681**	**293,249**
	2020	**40.45 - 42.82**	**850,825**	**441,311**
	2021	**42.49 - 46.72**	**741,951**	**243,439**
	2022	**45.56 - 47.23**	**1,025,586**	**156,270**
	2023	**44.73 - 47.26**	**1,308,635**	**26,700**
			7,442,999	**2,943,693**

Performance share unit plan

The Company has a Performance Share Unit (PSU) plan for eligible employees to assist in retaining and further aligning the interests of senior management with those of the shareholders. Under the terms of the plan, PSUs are awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Company's common shares. The PSUs are cash settled and vest over a three year period. Certain employees can elect at the time of grant to receive a portion of their PSUs in the form of deferred share units which vest over a three year period. Deferred share units are redeemable when a participant is no longer an employee of the Company or any of its affiliates by a lump sum payment based on the value of the deferred share unit at that time. Additional PSUs and deferred share units are issued in respect of dividends payable on common shares based on a value of the PSU or deferred share unit at the dividend payment date. The Company recorded compensation expense, excluding the impact of hedging, of $13.8 million in 2013 (2012 – $5.2 million) and a liability of $19.5 million at December 31, 2013 (2012 – $7.4 million).

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled $10.5 million (2012 – $10.7 million).

18. SHARE-BASED PAYMENTS *(continued)*

Deferred share unit plan

The Company has a Deferred Share Unit (DSU) plan for the directors of the Company to promote a greater alignment of interest between directors and shareholders of the Company. Under the terms of the plan, directors are required to receive 50% of their annual board retainer in the form of DSUs and may elect to receive the balance of their annual board retainer in cash or DSUs. Directors may elect to receive certain fees in a combination of DSUs and cash. The number of DSUs granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (value of deferred share unit). A director who has elected to receive DSUs will receive additional DSUs in respect of dividends payable on common shares, based on the value of a deferred share unit at the dividend payment date. DSUs are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by cash payments, based on the value of the deferred share units at that time. At December 31, 2013, the fair value of the DSUs outstanding was $20.6 million (2012 – $14.5 million). Any difference between the change in fair value of the DSUs and the change in fair value of the total return swap, which is an economic hedge for the DSU plan, is recognized in Non-commission expense in the period in which the change occurs.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

2013	EMPLOYEE BENEFITS	AVAILABLE FOR SALE SECURITIES	INVESTMENT IN AFFILIATE AND OTHER	TOTAL
Balance, beginning of year				
As previously reported	**$ -**	**$ 963**	**$ (18,259)**	**$ (17,296)**
Change in accounting policy *(Note 2)*	**(92,475)**	**-**	**(22,534)**	**(115,009)**
As restated	**(92,475)**	**963**	**(40,793)**	**(132,305)**
Other comprehensive income (loss)	**23,882**	**(543)**	**26,007**	**49,346**
Balance, end of year	**$ (68,593)**	**$ 420**	**$ (14,786)**	**$ (82,959)**
2012				
Balance, beginning of year				
As previously reported	$ -	$ 324	$ (2,246)	$ (1,922)
Change in accounting policy *(Note 2)*	(52,236)	-	(16,186)	(68,422)
As restated	(52,236)	324	(18,432)	(70,344)
Other comprehensive income (loss)	(40,239)	639	(22,361)	(61,961)
Balance, end of year	$ (92,475)	$ 963	$ (40,793)	$ (132,305)

Amounts are recorded net of tax.

20. RISK MANAGEMENT

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

Liquidity and funding risk related to financial instruments

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

The Company's liquidity management practices include: controls over liquidity management processes; stress testing of various operating scenarios; and oversight of liquidity management by Committees of the Board of Directors.

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

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are sold or securitized to:

- Investors Mortgage and Short Term Income Fund and Investors Canadian Corporate Bond Fund;
- Third parties, including CMHC or Canadian bank sponsored securitization trusts; or
- Institutional investors through private placements.

Certain subsidiaries of the Company are approved issuers of National Housing Act Mortgage Backed Securities (NHA MBS) and are approved sellers into the Canada Mortgage Bond Program (CMB Program). This issuer and seller status provides the Company with additional funding sources for residential mortgages. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions that are subject to change.

The Company's contractual obligations were as follows:

As at December 31, 2013 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ -	$ 11.0	$ 24.5	$ -	$ 35.5
Deposits and certificates	160.9	9.8	11.1	4.6	186.4
Obligations to securitization entities	-	890.5	4,648.7	32.9	5,572.1
Long-term debt	-	-	150.0	1,175.0	1,325.0
Operating leases(1)	-	53.5	147.3	65.4	266.2
Pension funding(2)	-	20.0	-	-	20.0
Total contractual obligations	$ 160.9	$ 984.8	$ 4,981.6	$ 1,277.9	$ 7,405.2

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

(2) Pension funding requirements beyond 2014 are subject to significant variability and will be determined based on future actuarial valuations.
Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

In addition to the Company's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $525 million as at December 31, 2013, unchanged from December 31, 2012. The lines of credit as at December 31, 2013 consisted of committed lines of $350 million (2012 – $350 million) and uncommitted lines of $175 million (2012 – $175 million). The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2013 and 2012, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2012.

20. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments

Credit risk is the potential for financial loss to the Company if a counterparty to a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2013, cash and cash equivalents of $1,082.4 million (2012 – $1,059.1 million) consisted of cash balances of $88.8 million (2012 – $100.8 million) on deposit with Canadian chartered banks and cash equivalents of $993.6 million (2012 – $958.3 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $41.8 million (2012 – $233.1 million), provincial government and government guaranteed commercial paper of $564.1 million (2012 – $472.6 million) and bankers' acceptances issued by Canadian chartered banks of $387.7 million (2012 – $252.6 million). The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

At December 31, 2012, fair value through profit or loss securities included Canada Mortgage Bonds with a fair value of $225.5 million. The investment in these bonds was disposed of during the third quarter of 2013.

The Company regularly reviews the credit quality of the mortgage portfolios, related to the Company's mortgage banking operations and its intermediary operations, as well as the adequacy of the collective allowance. As at December 31, 2013, mortgages totalled $5.9 billion (2012 – $4.9 billion) and consisted of residential mortgages:

- Sold to securitization programs which are classified as loans and receivables and totalled $5.5 billion compared to $4.6 billion at December 31, 2012. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $5.6 billion at December 31, 2013, compared to $4.7 billion at December 31, 2012.
- Related to the Company's mortgage banking operations which are classified as held for trading and totalled $324.3 million compared to $248.8 million at December 31, 2012. These loans are held by the Company pending sale or securitization.
- Related to the Company's intermediary operations which are classified as loans and receivables and totalled $36.4 million at December 31, 2013, compared to $35.1 million at December 31, 2012.

As at December 31, 2013, the mortgage portfolios related to the Company's intermediary operations were geographically diverse, 100% residential (2012 – 100%) and 88.6% insured (2012 – 86.2%). As at December 31, 2013, impaired mortgages were nil, unchanged from December 31, 2012. Uninsured non-performing mortgages over 90 days were nil, unchanged from December 31, 2012. The characteristics of the mortgage portfolio have not changed significantly during 2013.

The NHA MBS and CMB Program require that all securitized mortgages be insured against default by an approved insurer. The ABCP programs do not require mortgages to be insured; however, at December 31, 2013, 58.9% of these mortgages were insured compared to 66.6% at December 31, 2012. At December 31, 2013, 86.1% of the securitized portfolio and the residential mortgages classified as held for trading were insured compared to 88.3% at December 31, 2012. As at December 31, 2013, impaired mortgages on these portfolios were $1.8 million, compared to $1.0 million at December 31, 2012. Uninsured non-performing mortgages over 90 days on these portfolios were $0.9 million at December 31, 2013, compared to $0.6 million at December 31, 2012.

20. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments *(continued)*

The Company retains certain elements of credit risk on securitized loans. At December 31, 2013, 87.4% of securitized loans were insured against credit losses compared to 90.2% at December 31, 2012. The Company's credit risk on its securitization activities is limited to its retained interest. The fair value of the Company's retained interests in securitized mortgages was $112.5 million at December 31, 2013 compared to $69.1 million at December 31, 2012. Retained interests include:

- *Cash reserve accounts and rights to future net interest income* – which were $29.0 million (2012 – $23.7 million) and $99.7 million (2012 – $101.6 million), respectively, at December 31, 2013. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

  The portion of this amount pertaining to Canadian bank-sponsored securitization trusts of $59.0 million (2012 – $55.1 million) is subordinated to the interests of the trust and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Credit risk on these mortgages is mitigated by any insurance on these mortgages, as previously discussed, and the Company's credit risk on insured loans is to the insurer.

  Rights to future net interest income under the NHA MBS and CMB Program totalled $69.7 million (2012 – $70.2 million). Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. Outstanding mortgages securitized under these programs are $3.8 billion (2012 – $3.3 billion).
- *Fair value of principal reinvestment account swaps* – which had a negative fair value of $16.2 million at December 31, 2013 (2012 – $56.2 million) and is reflected on the Company's balance sheet. These swaps represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. The notional amount of these swaps was $1,023.4 million at December 31, 2013 (2012 – $931.5 million).

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

The Company's collective allowance for credit losses was $0.7 million at December 31, 2013, unchanged from December 31, 2012, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based upon the following considerations:

- The Company's lending policy, underwriting standards and loan servicing capabilities.
- The Company's practice of originating its mortgages exclusively through its own network of Consultants and mortgage planning specialists as part of a client's comprehensive financial plan.
- The quality of the Company's mortgage portfolio based on: i) historical credit performance experience and recent trends; ii) current portfolio credit metrics and other relevant characteristics; and, iii) regular stress testing of losses under adverse real estate market conditions.
- The existence of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities, and mortgage portfolios have not changed materially since December 31, 2012.

The Company utilizes over-the-counter derivatives to hedge interest rate risk and reinvestment risk associated with its mortgage banking and securitization activities, as well as market risk related to certain stock-based compensation arrangements. To the extent that the fair value of the derivatives are in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfill their obligations under these arrangements.

20. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments *(continued)*

The Company participates in the CMB Program by entering into back-to-back swaps whereby Canadian Schedule I chartered banks designated by the Company intermediate between the Company and the Canada Housing Trust. The Company receives coupons on NHA MBS and eligible principal reinvestments and pays coupons on the Canada Mortgage Bonds. The Company also enters into offsetting interest rate swaps with the same bank counterparties to hedge interest rate and reinvestment risk associated with the CMB Program. The negative fair value of these swaps totalled $16.8 million at December 31, 2013 (2012 – $26.5 million) and the outstanding notional amount was $6.8 billion (2012 – $5.7 billion). Certain of these swaps relate to securitized mortgages that have been recorded on the Company's balance sheet with an associated obligation. Accordingly, these swaps, with an outstanding notional amount of $3.6 billion (2012 – $3.3 billion) and having a negative fair value of $28.1 million (2012 – $29.2 million), are not reflected on the balance sheet. Principal reinvestment account swaps and hedges of reinvestment and interest rate risk, with an outstanding notional amount of $3.2 billion (2012 – $2.4 billion) and having a fair value of $11.2 million (2012 – $2.7 million), are reflected on the balance sheet. The exposure to credit risk, which is limited to the fair value of swaps in a gain position, totalled $46.9 million at December 31, 2013 compared to $63.1 million at December 31, 2012.

The Company utilizes interest rate swaps to hedge interest rate risk associated with mortgages securitized through Canadian bank-sponsored ABCP programs. The negative fair value of these interest rate swaps totalled $0.9 million (2012 – $4.9 million) on an outstanding notional amount of $66.0 million at December 31, 2013 (2012 – $435.0 million). The exposure to credit risk, which is limited to the fair value of swaps in a gain position, was nil at December 31, 2013 compared to $0.2 million at December 31, 2012.

Interest rate swaps utilized to hedge the Company's interest rate risk associated with its investments in Canada Mortgage Bonds were settled during the third quarter of 2013.

The Company enters into other derivative contracts which consist primarily of interest rate swaps utilized to hedge interest rate risk related to mortgages held pending sale, or committed to, by the Company as well as total return swaps and forward agreements on the Company's common shares utilized to hedge deferred compensation arrangements. The fair value of interest rate swaps, total return swaps and forward agreements was $11.5 million on an outstanding notional amount of $154.0 million at December 31, 2013 compared to a fair value of $0.1 million on an outstanding notional amount of $124.5 million at December 31, 2012. The exposure to credit risk, which is limited to the fair value of those instruments which are in a gain position, was $11.5 million at December 31, 2013, compared to $1.6 million at December 31, 2012.

The aggregate credit risk exposure related to derivatives that are in a gain position of $58.4 million (2012 – $64.9 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $3.9 million at December 31, 2013 (2012 – nil). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2013. Management of credit risk related to derivatives has not changed materially since December 31, 2012.

20. RISK MANAGEMENT *(continued)*

Market risk related to financial instruments

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

Interest Rate Risk

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

The objective of the Company's asset and liability management is to control interest rate risk related to its intermediary operations by actively managing its interest rate exposure. As at December 31, 2013, the total gap between deposit assets and liabilities was within the Company's trust subsidiary's stated guidelines.

The Company utilizes interest rate swaps with Canadian Schedule I chartered bank counterparties in order to reduce the impact of fluctuating interest rates on its mortgage banking operations, as follows:

- The Company has funded fixed rate mortgages with floating rate ABCP as part of certain securitization transactions with bank-sponsored securitization trusts. The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that ABCP rates rise. However, the Company remains exposed to the basis risk that ABCP rates are greater than the bankers' acceptances rates that it receives on its hedges.
- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages decline. As previously discussed, as part of the CMB Program, the Company is also entitled to investment returns on reinvestment of principal repayments of securitized mortgages and is obligated to pay Canada Mortgage Bond coupons that are generally fixed rate. The Company hedges the risk that reinvestment returns decline by entering into interest rate swaps with Canadian Schedule I chartered bank counterparties.
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages held, or committed to, by the Company. The Company enters into interest rate swaps to hedge the interest rate risk related to mortgages held by the Company.

As at December 31, 2013, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $1.6 million (2012 – $5.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2012.

Equity Price Risk

The Company is exposed to equity price risk on its proprietary investment funds which are classified as available for sale securities and on its equity securities and proprietary investment funds which are classified as fair value through profit or loss (Note 4). Unrealized gains and losses on available for sale securities are recorded in Other comprehensive income until they are realized or until management determines there is objective evidence of impairment in value, at which time they are recorded in the Consolidated Statements of Earnings.

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

Risks related to assets under management

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks or Canadian bank-sponsored securitization trusts that are counterparties to the Company's securitization transactions. In all cases, the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Forward contracts are contractual agreements to buy or sell a financial instrument on a future date at a specified price.

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

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

	NOTIONAL AMOUNT					FAIR VALUE	
2013	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps	**$ 1,406,721**	**$ 1,993,985**	**$ -**	**$ 3,400,706**	**$ 49,949**	**$ 49,949**	**$ 35,476**
Forward contracts	**10,594**	**16,752**	**-**	**27,346**	**7,402**	**7,402**	**-**
	$ 1,417,315	**$ 2,010,737**	**$ -**	**$ 3,428,052**	**$ 57,351**	**$ 57,351**	**$ 35,476**
2012							
Swaps	$ 813,007	$ 1,931,990	$ 400,177	$ 3,145,174	$ 63,299	$ 63,299	$ 69,291
Forward contracts	2,702	18,669	-	21,371	-	-	1,492
	$ 815,709	$ 1,950,659	$ 400,177	$ 3,166,545	$ 63,299	$ 63,299	$ 70,783

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was $22.8 million (2012 – nil).

The credit risk related to the Company's derivative financial instruments after giving effect to netting agreements and including rights to future net interest income, was $3.9 million (2012 – nil). Rights to future net interest income are related to the Company's securitization activities and are not reflected on the Consolidated Balance Sheets.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value is determined using the following methods and assumptions:

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

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

Loans classified as loans and receivables are valued by discounting the expected future cash flows at prevailing market yields. During 2013, the Company refined its valuation approach which resulted in a revision to the fair value disclosed in 2012.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

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

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

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

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

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

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

Level 1 assets include exchange-traded equity securities, open-end investment fund units and investments in Canada Mortgage Bonds in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include mortgages classified as fair value through profit or loss, derivative financial instruments, deposits and certificates and long-term debt. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

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

Level 3 assets and liabilities include securities with little or no trading activity valued using broker-dealer quotes, loans classified as loans and receivables, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, repurchase agreements, and certain other financial liabilities.

		FAIR VALUE			
2013	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets recorded at fair value					
Securities					
– Available for sale	**$ 4,113**	**$ 4,113**	**$ -**	**$ -**	**$ 4,113**
– Held for trading	**64,622**	**62,216**	**960**	**1,446**	**64,622**
Loans					
– Held for trading	**324,271**	**-**	**324,271**	**-**	**324,271**
Derivative financial instruments	**57,351**	**-**	**48,946**	**8,405**	**57,351**
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	**5,527,229**	**-**	**-**	**5,695,040**	**5,695,040**
Financial liabilities recorded at fair value					
Derivative financial instruments	**35,476**	**-**	**10,908**	**24,568**	**35,476**
Financial liabilities recorded at amortized cost					
Deposits and certificates	**186,420**	**-**	**187,941**	**-**	**187,941**
Obligations to securitization entities	**5,572,055**	**-**	**-**	**5,671,379**	**5,671,379**
Long-term debt	**1,325,000**	**-**	**1,577,807**	**-**	**1,577,807**

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

2012	CARRYING VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE TOTAL
Financial assets recorded at fair value					
Securities					
– Available for sale	$ 24,084	$ 24,084	$ -	$ -	$ 24,084
– Held for trading	256,400	255,396	164	840	256,400
Loans					
– Held for trading	248,795	-	248,795	-	248,795
Derivative financial instruments	63,299	-	63,104	195	63,299
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	4,673,374	-	-	4,792,009	4,792,009
Financial liabilities recorded at fair value					
Derivative financial instruments	70,783	-	14,343	56,440	70,783
Financial liabilities recorded at amortized cost					
Deposits and certificates	163,194	-	164,811	-	164,811
Obligations to securitization entities	4,700,871	-	-	4,786,705	4,786,705
Long-term debt	1,325,000	-	1,628,894	-	1,628,894

There were no significant transfers between Level 1 and Level 2 in 2013 and 2012.

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

2013	BALANCE JANUARY 1	GAINS/(LOSSES) INCLUDED IN NET EARNINGS(1)	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE DECEMBER 31
Assets						
Securities						
– Held for trading	**$ 840**	**$ 917**	**$ 100**	**$ 136**	**$ (275)**	**$ 1,446**
Liabilities						
Derivative financial instruments, net	**56,245**	**17,908**	**(3,617)**	**18,557**	**-**	**16,163**
2012						
Assets						
Securities						
– Held for trading	$ 29,177	$ 6,300	$ 799	$ 35,436	$ -	$ 840
Liabilities						
Derivative financial instruments, net	76,938	9,568	2,684	13,809	-	56,245

(1) Included in Net investment income in the Consolidated Statements of Earnings.

23. EARNINGS PER COMMON SHARE

		2013		2012
Earnings				
Net earnings	**$**	**770,754**	$	767,663
Perpetual preferred share dividends		**8,850**		8,850
Net earnings available to common shareholders	**$**	**761,904**	$	758,813
Number of common shares *(in thousands)*				
Average number of common shares outstanding				
Add:		**252,013**		254,853
– Potential exercise of outstanding stock options		**461**		424
Average number of common shares outstanding				
– Diluted basis		**252,474**		255,277
Earnings per common share *(in dollars)*				
Basic	**$**	**3.02**	$	2.98
Diluted	**$**	**3.02**	$	2.97

24. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

Contingent liabilities

The Company is subject to legal actions arising in the normal course of its business. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Commitments

The Company is committed to the following annual lease payments under its operating leases: 2014 – $53.5 million; 2015 – $46.8 million; 2016 – $39.6 million; 2017 – $33.8 million; and 2018 and thereafter – $92.5 million.

Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

25. RELATED PARTY TRANSACTIONS

Transactions and balances with related entities

The Company enters into transactions with The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2013 and 2012, the Company provided to and received from Great-West certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $76.7 million in distribution fees (2012 – $70.4 million). The Company received $16.2 million (2012 – $15.3 million) and paid $15.5 million (2012 – $12.6 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $56.7 million (2012 – $52.9 million) to London Life related to the distribution of certain investment funds of the Company.
- During 2013, the Company sold residential mortgage loans to Great-West and London Life for $203.4 million (2012 – $231.7 million).

The Company entered into tax loss consolidation transactions with its parent company, Power Financial Corporation, after obtaining advance tax rulings:

- The Company acquired $1.25 billion of 6.01% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.25 billion of 6.00% secured demand debentures to Power Financial Corporation. Effective December 31, 2013, the Company exercised its legally enforceable right to settle the preferred shares and the debenture on a net basis.
- On January 7, 2014, the Company acquired $1.67 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.67 billion of 4.50% secured demand debentures to Power Financial Corporation. The Company has legally enforceable rights to settle these financial instruments on a net basis and the Company intends to exercise these rights.

The preferred shares and debentures and related dividend income and interest expense are offset in the Consolidated Financial Statements of the Company. Tax savings arise due to the tax deductibility of the interest expense.

Key management compensation

The total compensation and other benefits to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing and controlling the activities of the Company, are as follows:

	2013	2012
Compensation and employee benefits	**$ 4,430**	$ 3,617
Post-employment benefits	**5,178**	2,902
Share-based payments	**4,635**	2,201
	$ 14,243	$ 8,720

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 18).

26. SEGMENTED INFORMATION

The Company's reportable segments are:

- Investors Group
- Mackenzie
- Corporate and Other

These segments reflect the current organizational structure and internal financial reporting. Management measures and evaluates the performance of these segments based on earnings before interest and taxes.

Investors Group earns fee-based revenues in the conduct of its core business activities which are primarily related to the distribution, management and administration of its investment funds. It also earns fee revenues from the provision of brokerage services and the distribution of insurance and banking products. In addition, Investors Group earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

Mackenzie earns fee-based revenues from services it provides as fund manager to its investment funds and as investment advisor to sub-advisory and institutional accounts.

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco (Note 8), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

				2013
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 1,122,978	$ 662,022	$ 47,606	$ 1,832,606
Administration fees	242,303	103,934	11,298	357,535
Distribution fees	187,210	13,583	122,252	323,045
Net investment income and other	61,500	7,309	96,758	165,567
	1,613,991	786,848	277,914	2,678,753
Expenses				
Commission	494,584	271,660	119,879	886,123
Non-commission	401,673	264,585	47,221	713,479
	896,257	536,245	167,100	1,599,602
Earnings before undernoted	$ 717,734	$ 250,603	$ 110,814	1,079,151
Interest expense				(92,150)
Restructuring and other charges				(14,601)
Proportionate share of affiliate's provision				8,980
Earnings before income taxes				981,380
Income taxes				210,626
Net earnings				770,754
Perpetual preferred share dividends				8,850
Net earnings available to common shareholders				$ 761,904
Identifiable assets	$ 6,918,331	$ 1,324,679	$ 1,981,300	$10,224,310
Goodwill	1,347,781	1,168,580	139,498	2,655,859
Total assets	$ 8,266,112	$ 2,493,259	$ 2,120,798	$12,880,169

26. SEGMENTED INFORMATION *(continued)*

	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	2012 TOTAL
Revenues				
Management fees	$ 1,086,083	$ 634,192	$ 46,073	$ 1,766,348
Administration fees	220,242	105,780	11,133	337,155
Distribution fees	190,789	16,954	113,328	321,071
Net investment income and other	61,625	2,497	94,020	158,142
	1,558,739	759,423	264,554	2,582,716
Expenses				
Commission	488,510	259,570	110,168	858,248
Non-commission	377,252	248,612	42,689	668,553
	865,762	508,182	152,857	1,526,801
Earnings before undernoted	$ 692,977	$ 251,241	$ 111,697	1,055,915
Interest expense				(92,188)
Proportionate share of affiliate's provision				(5,560)
Earnings before income taxes				958,167
Income taxes				190,504
Net earnings				767,663
Perpetual preferred share dividends				8,850
Net earnings available to common shareholders				$ 758,813
Identifiable assets	$ 6,193,352	$ 1,321,006	$ 1,808,710	$ 9,323,068
Goodwill	1,347,781	1,168,580	122,593	2,638,954
Total assets	$ 7,541,133	$ 2,489,586	$ 1,931,303	$ 11,962,022

Quarterly Review

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 *($ thousands, except per share amounts)*	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 restated Q4	2012 restated Q3	2012 restated Q2	2012 restated Q1
Revenues								
Management	$ 475,584	$ 462,196	$ 451,956	$ 442,870	$ 434,691	$ 431,502	$ 443,537	$ 456,618
Administration	93,721	90,370	87,859	85,585	84,571	83,347	83,973	85,264
Distribution	85,635	76,211	79,754	81,445	80,198	75,160	80,534	85,179
Net investment income and other	17,774	15,373	26,397	23,465	17,540	23,903	12,837	26,331
Proportionate share of affiliate's earnings	30,191	23,316	20,987	19,333	15,565	20,219	16,546	19,641
	702,905	667,466	666,953	652,698	632,565	634,131	637,427	673,033
Expenses								
Commission	229,384	219,711	218,999	218,029	213,387	209,758	213,719	221,384
Non-commission	196,763	173,071	182,637	177,898	163,839	162,478	171,127	171,109
Interest	23,239	23,199	22,963	22,749	23,202	23,163	22,912	22,911
	449,386	415,981	424,599	418,676	400,428	395,399	407,758	415,404
Earnings before income taxes	253,519	251,485	242,354	234,022	232,137	238,732	229,669	257,629
Income taxes	54,174	55,878	49,276	51,298	27,923	50,266	55,751	56,564
Net earnings	199,345	195,607	193,078	182,724	204,214	188,466	173,918	201,065
Perpetual preferred share dividends	2,212	2,213	2,212	2,213	2,212	2,213	2,212	2,213
Net earnings available to common shareholders	$ 197,133	$ 193,394	$ 190,866	$ 180,511	$ 202,002	$ 186,253	$ 171,706	$ 198,852
Reconciliation of Non–IFRS Financial Measures[(1)]								
Operating earnings available to common shareholders – non-IFRS measure	$ 198,739	$ 193,394	$ 190,866	$ 180,511	$ 183,157	$ 186,253	$ 178,142	$ 198,852
Restructuring and other charges, net of tax	(10,586)	–	–	–	–	–	–	–
Proportionate share of affiliate's provision	8,980	–	–	–	(5,560)	–	–	–
Reduction in income tax estimates related to certain tax filings	–	–	–	–	24,405	–	–	–
Non–cash income tax charge	–	–	–	–	–	–	(6,436)	–
Net earnings available to common shareholders – IFRS	$ 197,133	$ 193,394	$ 190,866	$ 180,511	$ 202,002	$ 186,253	$ 171,706	$ 198,852
Diluted earnings per share *(¢)*								
Net earnings	78	77	76	72	80	73	67	77
Operating earnings [(1)]	79	77	76	72	72	73	69	77
Dividends per share *(¢)*	53.75	53.75	53.75	53.75	53.75	53.75	53.75	53.75

STATISTICAL DATA *($ millions)*

	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 restated Q4	2012 restated Q3	2012 restated Q2	2012 restated Q1
Mutual funds								
Investors Group								
Sales	$ 1,694	$ 1,445	$ 1,495	$ 2,034	$ 1,418	$ 1,220	$ 1,306	$ 1,834
Redemption rate (%) – total	10.2	10.5	10.7	10.8	11.0	10.7	10.4	10.1
– long-term funds	9.4	9.7	9.8	9.8	10.0	9.7	9.4	9.1
Net sales (redemptions)	59	(109)	(167)	376	(261)	(314)	(324)	175
Assets under management	68,255	64,433	62,452	62,999	60,595	59,592	58,118	60,628
Mackenzie								
Sales	2,019	1,301	1,452	1,928	1,850	1,076	1,092	1,472
Redemption rate (%) – total	16.7	18.1	18.7	18.1	18.7	16.9	17.3	17.2
– long-term funds	16.0	17.4	17.8	17.3	17.9	16.1	16.4	16.2
Net sales (redemptions)	8	(232)	(362)	99	(543)	(464)	(458)	(509)
Assets under management	46,024	43,594	42,098	42,410	40,394	39,728	39,217	41,535
Investment Planning Counsel								
Sales	147	94	113	131	98	76	87	140
Redemption rate (%) – total	13.8	14.0	14.7	14.9	14.7	13.4	12.8	11.7
– long-term funds	13.2	13.5	14.2	14.3	14.3	12.9	12.2	11.2
Net sales (redemptions)	26	16	(1)	11	(16)	(14)	(25)	31
Assets under management	3,406	3,162	3,053	3,080	2,950	2,909	2,849	2,957
Combined mutual fund assets under management[(2)]	117,649	111,152	107,567	108,457	103,915	102,215	100,180	105,116
Total assets under management[(2)]	131,777	126,007	124,803	125,796	120,694	119,279	117,961	124,146
Corporate assets	12,880	12,549	12,392	12,060	11,962	11,685	11,617	11,295
Consultants – Investors Group	4,673	4,599	4,550	4,465	4,518	4,543	4,526	4,522

(1) Refer to page 17 of the MD&A for an explanation of the Company's use of non-IFRS financial measures.
(2) Adjusted for inter-segment assets.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31

	IFRS				CGAAP	CAGR[1] 5 YEAR	CGAAP					CAGR[1] 10 YEAR
($ thousands, except per share amounts)	2013	2012 RESTATED	2011	2010	2009	%	2008	2007	2006	2005	2004	%
Fee income	2,513,186	2,424,574	2,571,076	2,467,813	2,227,028	*0.1*	2,502,516	2,700,961	2,392,298	2,164,472	1,955,740	*3.9*
Net investment income and other	176,836	152,582	161,376	140,874	62,945	*1.3*	165,563	191,227	210,236	181,677	162,180	*1.0*
	2,690,022	2,577,156	2,732,452	2,608,687	2,289,973	*0.2*	2,668,079	2,892,188	2,602,534	2,346,149	2,117,920	*3.7*
Expenses	1,708,642	1,618,989	1,635,154	1,600,831	1,517,343	*0.8*	1,644,729	1,658,371	1,494,613	1,372,222	1,256,555	*5.0*
Income before undernoted	981,380	958,167	1,097,298	1,007,856	772,630	*(0.8)*	1,023,350	1,233,817	1,107,921	973,927	861,365	*1.6*
Income taxes	210,626	190,504	250,497	268,805	216,595	*(6.4)*	292,551	354,682	331,231	291,500	264,969	*(3.4)*
	770,754	767,663	846,801	739,051	556,035	*1.1*	730,799	879,135	776,690	682,427	596,396	*3.6*
Discontinued operations	–	–	62,644	1,753	3,057		–	–	–	–	–	
Net earnings	770,754	767,663	909,445	740,804	559,092	*1.1*	730,799	879,135	776,690	682,427	596,396	*3.6*
Perpetual preferred share dividends	8,850	8,850	8,850	10,105	–		–	–	–	–	–	
Net earnings available to common shareholders	761,904	758,813	900,595	730,699	559,092	*0.8*	730,799	879,135	776,690	682,427	596,396	3.5
Operating earnings available to common shareholders[2]	763,510	746,404	832,991	758,943	618,861	*(0.1)*	766,142	863,867	763,042	682,427	615,577	*3.6*
Diluted earnings per share *($)*												
Net earnings	3.02	2.97	3.48	2.78	2.12	*1.8*	2.76	3.29	2.90	2.56	2.24	*4.1*
Operating earnings [2]	3.02	2.92	3.22	2.89	2.34	*0.9*	2.89	3.23	2.85	2.56	2.31	*4.2*
Dividends per share *($)*)	2.15	2.15	2.10	2.05	2.05	*1.5*	2.00	1.78	1.54	1.34	1.15	*8.1*
Return on average common equity (ROE) *(%)*												
Net earnings	17.3	17.6	21.3	17.6	13.3		17.3	21.9	21.4	20.0	19.1	
Operating earnings [2]	17.3	17.3	19.7	18.2	14.7		18.2	21.5	21.1	20.0	19.8	
Average shares outstanding *(thousands)*												
– Basic	252,013	254,853	258,151	261,855	263,217		263,323	264,604	264,724	264,573	264,431	
– Diluted	252,474	255,277	259,075	262,867	264,324		264,808	267,303	267,395	266,609	266,010	
Share price *(closing $)*	56.09	41.60	44.23	43.46	42.41	*9.6*	35.45	50.03	49.10	46.12	36.64	*6.1*

Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) Non-IFRS or Non-GAAP Financial Measures – Excludes other items as follows:
2013 – An after-tax charge of $10.6 million related to restructuring and other charges and an after-tax benefit of $9.0 million representing the Company's proportionate share of net changes in Great-West Lifeco Inc.'s (Lifeco) litigation provision.
2012 – A favourable change in income tax provision estimates of $24.4 million related to certain tax filings, an after-tax charge of $5.6 million representing the Company's proportionate share of net changes in Lifeco's litigation provisions, and a non-cash income tax charge of $6.4 million resulting from increases in Ontario corporate income tax rates and their effect on the deferred income tax liability related to indefinite life intangible assets arising from prior business acquisitions.
2011 – Net earnings from discontinued operations of $62.6 million and an after-tax benefit of $5.0 million representing the Company's proportionate share of net changes in Lifeco's litigation provisions.
2010 – Net earnings from discontinued operations of $1.8 million, a non-recurring after-tax charge of $21.8 million related to the transition to IFRS, and an after-tax charge of $8.2 million representing the Company's proportionate share of Lifeco's incremental litigation provision.
2009 – Net earnings from discontinued operations, a non-cash charge on available for sale equity securities, net of tax, a non-cash income tax benefit and the premium paid on the redemption of Series A preferred shares.
2008 – Proportionate share of Lifeco's after-tax impairment charge and proportionate share of Lifeco's after-tax gain on the sale of its healthcare business, Great-West Healthcare.
2007 – Non-cash income tax benefit.
2006 – Non-cash income tax benefit.
2004 – Unitholder compensation.

Ten Year Review

STATISTICAL INFORMATION

For the years ended December 31

($ millions)	2013	2012	2011	2010	2009	CAGR[1] 5 YEAR %	2008	2007	2006	2005	2004	CAGR[1] 10 YEAR %
Mutual funds												
Investors Group												
Sales	6,668	5,778	6,021	5,748	5,042	*2.3*	5,946	7,229	6,190	5,488	4,722	*5.2*
Redemption rates *(%)*												
– total	10.2	11.0	9.8	9.4	9.0		9.4	8.4	9.0	10.0	10.6	
– long-term funds	9.4	10.0	8.8	8.3	7.4		7.9	7.3	7.9	8.7	9.1	
Net sales (redemptions)	159	(724)	39	253	404	*(23.9)*	625	2,158	1,345	778	218	*N/M*
Assets under management	68,255	60,595	57,735	61,785	57,655	*7.5*	47,491	60,194	58,216	50,701	44,510	*5.3*
Mackenzie[2]												
Sales	6,700	5,490	5,645	5,848	4,905	*(3.4)*	7,949	8,453	8,424	8,075	6,786	2.4
Redemption rates *(%)*												
– total	16.7	18.7	16.9	18.1	17.5		22.4	17.8	17.8	17.6	16.9	
– long-term funds	16.0	17.9	15.8	16.5	14.6		18.7	14.1	15.2	14.8	13.8	
Net sales (redemptions)	(487)	(1,974)	(1,548)	(1,519)	(1,566)	*20.7*	(1,553)	(89)	658	1,175	795	*(21.6)*
Assets under management	46,024	40,394	39,141	43,452	40,624	*5.1*	35,814	46,563	46,600	41,592	37,298	*3.1*
Investment Planning Counsel												
Sales	485	401	543	499	343	*14.7*	244	364	352	407	259	*N/A*
Redemption rates (%)												
- total	13.8	14.7	11.1	12.7	12.7		15.8	9.8	9.8	10.2	10.5	
- long-term funds	13.2	14.3	10.9	12.0	11.6		14.8	9.4	9.4	9.7	9.5	
Net sales (redemptions)	52	(24)	225	204	106	*N/M*	(80)	139	155	237	161	*N/A*
Assets under management	3,406	2,950	2,811	2,688	2,140	*14.4*	1,740	2,268	2,206	1,858	1,497	*N/A*
Combined mutual fund assets under management[3]	117,649	103,915	99,685	107,925	100,419	*6.7*	85,025	108,994	106,987	94,116	83,273	*4.7*
Total assets under management[3]	131,777	120,694	118,713	129,484	120,545	*5.3*	101,742	122,982	119,364	100,233	86,621	*5.6*
Corporate assets[4]	12,880	11,962	11,144	12,237	8,662	*N/M*	8,263	7,859	7,333	6,807	6,473	*N/M*
Consultants – Investors Group	4,673	4,518	4,608	4,686	4,633	*0.9*	4,479	4,331	3,917	3,668	3,496	*3.8*

(1) Compound annual growth rate.
(2) For Canadian mutual fund operations only.
(3) Adjusted for inter-segment assets.
(4) 2010 to 2013 reflect corporate assets under IFRS. 2004 to 2009 reflect corporate assets under CGAAP. 2011 and 2012 corporate assets have been restated.
N/A Investment Planning Counsel was acquired May 10, 2004.

Board of Directors and Executive Officers

AS AT DECEMBER 31, 2013

Board of Directors

R. Jeffrey Orr
Chairman of the Board
IGM Financial Inc.

Marc A. Bibeau[1,2,4]
President
Beauward Shopping Centres Ltd.

Jeffrey R. Carney[1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Mackenzie Financial Corporation

Christie J. B. Clark, FCA[1,2,4]
Corporate Director
Former Chief Executive Officer and
Senior Partner, PricewaterhouseCoopers LLP

André Desmarais, O.C., O.Q.[1,4,5,7]
Deputy Chairman, President
and Co-Chief Executive Officer
Power Corporation of Canada
Co-Chairman
Power Financial Corporation

Paul Desmarais, Jr., O.C., O.Q.[1,4,5,7]
Chairman and Co-Chief Executive Officer
Power Corporation of Canada
Co-Chairman
Power Financial Corporation

V. Peter Harder[1,3,4,5]
Senior Policy Advisor
Dentons Canada LLP

Daniel Johnson, G.O.Q.[1,4]
Counsel
McCarthy Tétrault LLP

John McCallum[2,3,6,7]
Professor of Finance
University of Manitoba

Raymond L. McFeetors
Vice-Chairman
Power Financial Corporation

R. Jeffrey Orr[1,4,5,7]
Chairman of the Board
IGM Financial Inc.
President and Chief Executive Officer
Power Financial Corporation

Roy W. Piper[2,3,5,6,7]
Self-Employed Farmer

Michel Plessis-Bélair, FCPA, FCA
Vice-Chairman
Power Corporation of Canada and
Power Financial Corporation

Henri-Paul Rousseau, Ph.D.[1,4]
Vice-Chairman
Power Corporation of Canada and
Power Financial Corporation

Susan Sherk[1,3,4,5,6]
Socio-Economic Consultant

Murray J. Taylor[1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Investors Group Inc.

Gregory D. Tretiak, FCA[1,4]
Executive Vice-President and
Chief Financial Officer
Power Corporation of Canada and
Power Financial Corporation

Gérard Veilleux, O.C., D.U.[3]
President
Power Communications Inc.

Executive Officers

Jeffrey R. Carney
Co-President and Chief Executive Officer

Murray J. Taylor
Co-President and Chief Executive Officer

Kevin E. Regan, FCA
Executive Vice-President and
Chief Financial Officer

Geoffrey D. Creighton
Senior Vice-President,
General Counsel and Secretary

Committees

1. Executive Committee
   Chair, R. Jeffrey Orr
2. Audit Committee
   Chair, John McCallum
3. Community Affairs Committee
   Chair, Susan Sherk
4. Investment Committee
   Chair, Gregory D. Tretiak
5. Compensation Committee
   Chair, R. Jeffrey Orr
6. Related Party and Conduct
   Review Committee
   Chair, John McCallum
7. Governance and Nominating Committee
   Chair, R. Jeffrey Orr

Shareholder Information

Head Office
447 Portage Avenue
Winnipeg, Manitoba
R3B 3H5
Telephone: 204 943 0361
Fax: 204 947 1659

Auditors
Deloitte LLP

Transfer Agent and Registrar
Computershare Trust
Company of Canada

Telephone: 800 564 6253
service@computershare.com

600, 530-8th Avenue S.W.
Calgary, Alberta T2P 3S8

1969 Upper Water Street
Suite 2008, Purdy's Wharf Tower II
Halifax, Nova Scotia B3J 3R7

1500 University Street, 7th Floor
Montreal, Quebec H3A 3S8

100 University Avenue,
8th Floor
Toronto, Ontario M5J 2Y1

510 Burrard Street, 2nd Floor
Vancouver, British Columbia V6C 3B9

Stock Exchange Listing
Toronto Stock Exchange
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series B: IGM.PR.B

Shareholder Information
For additional financial information about the Company, please contact:
Investor Relations
investor.relations@igmfinancial.com

For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at (204) 956-8383 or visit our website at www.igmfinancial.com

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,
447 Portage Avenue,
Winnipeg (Manitoba) R3B 3H5

Annual Meeting
The Annual Meeting of IGM Financial Inc. will be held at The Metropolitan Entertainment Centre, 281 Donald Street, Winnipeg, Manitoba, Canada on Friday, May 9, 2014 at 10:30 a.m., Central Time.

Websites
Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenzieinvestments.com
www.ipcc.ca

IGM Financial Inc. is a member of the Power Financial Corporation group of companies.

™ *Trademarks owned by IGM Financial Inc. and licensed to its subsidiary corporations.*

Trademarks that include Investors Group are owned by IGM Financial Inc. and licensed to subsidiary corporations of Investors Group Inc.

Investment Planning Counsel's trademark is owned by Investment Planning Counsel Inc. and used with permission.

Mackenzie Investments' trademark is owned by Mackenzie Financial Corporation and used with permission.

† *Banking products and services are distributed through Solutions Banking™. Solutions Banking products and services are provided by National Bank of Canada. Solutions Banking is a trademark of Power Financial Corporation. National Bank of Canada is a licensed user of these trademarks. Morningstar and the Morningstar Ratings are trademarks of Morningstar Inc. Quadrus Group of Funds is a trademark of Quadrus Investment Services Ltd.*

IGM Financial™

Investors Group

Mackenzie INVESTMENTS

Investment Planning Counsel™
FINANCIAL SOLUTIONS FOR LIFE