CI FINANCIAL CORP.

FOURTH QUARTER 2018 RESULTS

CONFERENCE CALL

February 8, 2019

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PRESENTATION

Peter Anderson, CEO, CI Financial

Thank you very much and welcome to the CI Financial conference call for the fourth quarter and fiscal year of 2018. Joining me on the call is Doug Jamieson, CI's Chief Financial Officer, who will provide details on our financial results. As always, there are several CI executives available to answer questions about our various businesses.

2018 was the most challenging year for asset managers since the Global Financial Crisis. We saw significant declines in global markets, especially in Q4, resulting in the Canadian industry having its worst sales and performance results in almost a decade. Increased market volatility, along with a much more stringent regulatory regime, ongoing fee pressures, among other issues, dramatically impacted the valuation of active asset management firms. Forward P/E multiples for North American asset managers are at levels not seen since the financial crisis.

M&A activity was also a part of the story during the year, with three large independent Canadian asset managers being acquired by banks. This was also an important theme internationally, as some firms decided that bulking up was the best response for today's environment. Others believe that exiting was their best option. Look for this trend to continue in 2019.

Throughout 2018, CI remained focused on executing our corporate plan. Our strategy is simple, to meet the needs of our clients today and position our business for the future. Our goal is to be the leading independent Canadian wealth management firm with broad, diverse, and competitive business lines.

The key elements of our strategy include:

- Building additional scale, but not at any cost,
- Expanding our channels of distribution and
- Broadening our access to investors, and,
- Finally, investing in digital technology to transform our company to thrive in a rapidly changing landscape.

This is how long-term shareholder value is achieved.

In 2018 we made a number of advances in line with these objectives. We completed the integration of Sentry, acquired an additional digital platform in WealthBar Financial Services, and began a multiyear project to simplify, rationalize, and modernize our product lineup and enhance our services to meet the evolving needs of advisors and investors. As part of that, over the past four months we also successfully launched three new innovative investment solutions: alternative products for retail investors, ETFs for the mutual fund advisor channel, and fixed-rate pools for discretionary advisors.

By focusing on the controllable parts of our business, which includes, as always, expense management, we were able to report record earnings and record cash flow in 2018. However, as we've shown year after year, we continue to invest in the business where we see long term opportunities.

Another important change in 2018 at CI Financial was the decision by management and the board to adopt a new capital allocation policy, under which we directed more of our free cash flow towards share buybacks. It was a bold decision that provided CI with greater flexibility and optionality. In the future, we can quickly redirect our free cash towards new opportunities that meet our strategic priorities. For now, we believe that the best use of our free cash continues to be repurchasing shares, and we expect to be buyers of our stock in 2019, unless, as I said earlier, we see better opportunities. Doug will provide more details in a couple minutes.

I'll make additional comments on our business results and corporate strategy after Doug's comments. I will say I'm pleased with CI's strategic position. Despite the very challenging environment in 2018, we managed CI Financial as we always do, by focusing on what is controllable, thinking long term, and adapting to a changing industry.

With that, I'll turn the call over to Doug.

Doug Jamieson, CFO, CI Financial

Thank you, Peter. First, let's look at 2018 compared to 2017. Average assets under management were up $11 billion, or 9 percent. This was primarily due to the inclusion of Sentry assets for a full year in 2018 and only the fourth quarter of 2017. Assets under advisement declined 2 percent year-over-year after growing 4 percent in the first three quarters before a market-related slide of 6 percent in the fourth quarter. Net income as reported was up 12 percent, but after adjusting for the items noted below was down 2 percent. On a per share basis, earnings were flat due to the accretion from share repurchases, and free cash flow was up slightly, as we've had a slightly higher mix of non-cash expenses this year and an $8 million unrealized loss on marketable securities this quarter.

Here we have CI's highlights on a quarter-over-quarter basis comparing Q4 to Q3. Average AUM decreased $9 billion, or 7 percent, to $129.3 billion from $138.3 billion. Assets under advisement fell 6 percent to $41.8 billion. Net income was $140.3 million compared to $158.2 million, a drop of 11 percent. Earnings per share of $0.57 was down from $0.62 per share last quarter, a drop of 8 percent, with the difference from the change in net income due to the accretion on the shares repurchased during the quarter.

Free cash flow of $156.5 million dropped 8 percent from $169.2 million last quarter. There were several reasons for the drop in earnings. The market declined in the fourth quarter, which drove down assets, the average fee rate declined slightly, and we also had an unrealized loss on marketable securities of $8 million which did not impact free cash flow, but reduced earnings per share by almost $0.03.

Now, looking quickly at Q4 year-over-year highlights, average assets under management were down 9 percent from $142.5 billion in last year's fourth quarter. Assets under advisement were down 2 percent from $42.7 billion last year. Reported net income was up from $139.4 million, and on an adjusted basis down from $173.7 million and $0.63 per share last quarter. Free cash flow declined 13 percent from $180.6 million. The decrease over the prior year was primarily due to the drop in average AUM and a decline in margins, as net management fees in basis points were down about 1 percent year-over-year, and SG&A in basis points was up about 6 percent.

CI's SG&A was $126.2 million in the fourth quarter, down from $131.4 million in the third quarter. As I indicated on the last call, all discretionary spend was under review given the weakness in markets, and we managed to reduce them 4 percent in the fourth quarter. In 2019 we are targeting a significant reduction in the $425 million spent in the asset management segment, and this is the first step in a long-term plan. CI spends 31 basis points of AUM on SG&A in the asset management segment of its business, and this ratio must come down. Historically this has happened through scale, and we will continue to look for appropriate scale opportunities, but it must also happen through controlling costs. As average management fees trend lower, so must SG&A. We still intend to spend on new initiatives and innovation, particularly on the digital side of our business, but with some of that spend on innovation, we will introduce technology to replace manual processes. In effect, we will redesign and digitize our back and middle offices.

Here we have the last five quarters of CI's quarterly free cash flow and the return to shareholders. Shareholders received $205 million in the fourth quarter, down from $250 million last quarter, as the new dividend rate took effect half a million fewer shares were bought and at a lower average price. We repurchased 8.3 million shares in the fourth quarter for a total of $160 million.

Gross debt increased $60 million this quarter to $1.504 billion, and with annualized EBITDA at $830 million, CI's gross debt-to-EBITDA ratio is at 1.8 times. Net debt was $1.255 billion, and the net debt-to-EBITDA ratio is 1.5 times.

We plan to repurchase the full 25.3 million shares under this normal course issuer bid by mid-June 2019, and that means buying about 7.2 million shares in the first two quarters of 2019, which would cost around $130 million at current prices. Dividends will be about $85 million in the first two quarters, giving a total return to shareholders of about $215 million. Excess free cash flow above this will be available to pay down debt and complete the WealthBar transaction.

The issuer bid will be renewed in June for approximately 23 million shares. Completing it even at $20 per share would require $460 million, plus annual dividends of $170 million, total $630 million, an amount roughly equivalent to current free cash flow rates. So, we would not expect debt to increase, absent an acquisition.

This is our plan for 2019, to maintain debt in the $1.5 billion range and debt-to-EBITDA in the 1.7 times range. We do, however, continue to have the flexibility to manage the amount of issuer bid repurchases while considering CI's share price, changes to CI's EBITDA and cash flows, and any acquisitions.

I will now turn it back to Peter.

Peter Anderson, CEO, CI Financial

Thanks, Doug. Now, let me provide more details on CI's overall corporate strategy, what we've accomplished today, and where we plan to go over the next five years.

Our business has undergone extraordinary change over the last 25 years from a small mutual fund company to a diverse, independent wealth management firm. Through those years, under the leadership of Ray Chang, Bill Holland, Steve McPhail, myself, and others, we have made bold, strategic decisions. We understood the value of being aligned with distribution, so we acquired Assante and built a long-term partnership with Sun Life. We knew that scale would be vital, and we acquired firms such as BPI, Spectrum, Synergy, Hartford Canada, and Sentry. As part of these transactions, we gained exceptional talent, including some of the best portfolio managers in Canada with exceptional long term-performance records. These decisions created a foundation for our business today. At CI we have never been complacent. Moving quickly to adapt to change is part of our DNA.

Since returning to CI three years ago, the pace of change has accelerated; at the same time, the value of advice and active management constantly being questioned. At CI we fully intend to continue to be a leader as our industry evolves. Supporting advisors and offering actively managed solutions will remain important pillars of our firm. However, we fully expect our industry will be different in the future.

The five acquisitions we have made over the past three years all met one or more of our strategic priorities. First, scale. We believe that our industry will become even more dominated by large, diverse players able to spread capital investments as well as operating costs over a larger asset base. Even though we are currently one of the largest firms in the Canadian industry, scale continues to be important. However, we will only make acquisitions at reasonable valuations. Our acquisition of Sentry provided us with additional scale and remains a positive transaction for CI.

Second, access to investors. Although it was common in the past for asset managers in Canada to operate without affiliated distribution channels, and many still do, relying solely on that arrangement adds risk to an asset manager in today's environment.

Consider the 2003 acquisition of Assante. At the time, it was a very controversial transaction, as CI entered the distribution business. This move has been proven to be farsighted, as Assante and Stonegate are important and valuable parts of the CI Group today. Although Assante has an open architecture platform, mostly catering to high net worth and ultra-high net worth clients, we've been able to prove the value of CI managed investment solutions to these Assante advisors and clients. As a result, a significant percentage of the assets administered by Assante are in solutions managed by CI. This combination has made CI Financial one of the largest high net worth managers in Canada.

We're building on this success with a goal of doubling the assets that are under advisement at Assante and Stonegate over the next five years. We're investing in this business to support its growth, organically through recruitment, and potentially through acquisitions. There was a need and there was an opportunity in the Canadian market for a large, well-capitalized, independent platform for advisors and their clients.

That is also why four of the last five acquisitions also fit into our access to investors priority. We entered the ETF market earlier than many of our competitors with the acquisition in 2015 of First Asset, specialists in actively managed and smart beta ETFs. There is a segment of investors and advisors who choose to invest using ETFs, and CI is providing that option for them. We are also leveraging the expertise of both First Asset and CI Investments in our new product, CI Mosaic ETF Portfolios, a suite of funds that invest primarily in First Asset ETFs.

With GSFM in Australia, we gained access to one of the largest pools of retirement savings in the world. The GSFM business continues to grow, with its assets shifting towards a profitable retail business, while the institutional pipeline remains strong. There are other advantages to this relationship. As I have mentioned before, GSFM has just launched a product managed by CI's Cambridge team in the Australian market, and one of their managers, Munro Partners, is a manager of one of CI's recently launched liquid alternative products. Australia is a very interesting and exciting opportunity for CI.

Late in 2017, we purchased BBS and Virtual Brokers, its online platform. In addition to gaining extraordinary talent in the fintech space, we acquired two platforms being used by investors who may not ever seek the help of traditional advisors. First, the BBS platform is used by other firms as a back office. This part of the business continues to grow and had been shortlisted recently in searches by several third parties to provide more back office support for them. The technology is exceptional, and we're also using it to enhance our traditional businesses.

Second, Virtual Brokers is an award-winning online brokerage firm for do-it-yourself investors. Virtual is also posting healthy growth and further diversified CI’s operations.

Finally, our latest transaction, WealthBar. As the second largest robo-advisor in Canada, WealthBar perfectly fits our strategic plan. Not only is it an exceptional platform with technology that can be used throughout our traditional businesses, it supports investors we could not access previously. Investors at WealthBar have chosen this platform for specific reasons, and we will continue to add more products and services to the WealthBar platform to meet their needs. It is also a client of BBS, and we see the potential for valuable synergies as those two firms work more closely together.

Looking forward, we continue to seek other digital services that fit our strategy. Our goal is to build a large, independent, and integrated online platform for investors and advisors in Canada. There is room in the market, and we are positioning CI for this opportunity. Today we have access to more investors. Regardless of age, financial requirements, or investment sophistication, we want to connect with advisors and investors, providing them with the right solutions today and in the future. Even as advisors’ and investors’ needs change, our platform will support them in the future.

To quickly review our recent business results, CI remained in redemptions in Q4 due to our Canadian retail and Canadian institutional businesses. Based on data, most firms also experienced redemptions in the latter part of the year. At CI, returning to net sales continues to be our top priority. We are more optimistic today as a result of several developments, including performance.

The overall performance of our portfolio management teams has improved significantly from 12 months ago. Last year our portfolio managers were generally positioned conservatively in a very aggressive growth market. Today a number of our teams, including Cambridge, Sentry, and CI Multi-Asset Management have posted much improved relative results. This is typically a leading indicator for sales. Our longer-term performance over three, five, and 10 years also remains strong.

As I said earlier, we have launched three new and innovative investment solutions in the past four months, including CI Private Pools, CI Liquid Alternatives and CI Mosaic ETF platforms. Each is very competitively priced, and the feedback today has been very positive.

CI Institutional Asset Management continues to have a very strong pipeline with a significant amount of unfunded business, about $1 billion in short-listed opportunities and a very solid number of RFP’s in the works.

At GSFM, it continues to have solid sales in both its retail and institutional business with a very solid pipeline on the institutional side in 2019.

To conclude, 2018 was a challenging year for asset managers in all markets. At CI we continue to focus on improving performance and sales in the short term and on building CI to prosper over the long term. This industry is changing very quickly, and we are adapting CI Financial to compete today and tomorrow. If we focus on what we can control and invest in the future, I am confident our shareholders will be rewarded.

With that I’ll conclude my remarks, and we’ll now open it up for questions.

QUESTION AND ANSWER SESSION

Gary Ho, Desjardins Capital Markets

Good morning. I just want to start off with a question on net flows, particularly whether you're seeing signs of a turnaround so far this year. I know we're in February. Maybe give us an update on how the RSP season is shaping up, please?

Peter Anderson, CEO, CI Financial

Well, I'll say that we continue to have redemptions. We certainly see some interesting opportunities, as I said before, so I'm not going to be able to tell you how long we're going to be in redemptions. As I said, we still see signs of things that could bring us back closer to positive sales, or even positive sales, including performance, launching of new products, and on the activity that we're seeing both on the institutional and the retail side.

Gary Ho, Desjardins Capital Markets

Yes, I was particularly looking for RSP and whether the recent volatility in the market has any impact on the outlook for the investors and what you're seeing on the front lines, in particular.

Peter Anderson, CEO, CI Financial

January is always a bit challenging in this industry because there's a lot of RRIF payments and there's a lot of other payments that do come out, so I think it's a bit early to be able to tell, but I do see positive signs.

Gary Ho, Desjardins Capital Markets

Okay, and just a question maybe for Doug. I think you mentioned the capital plan and the NCIB. I think by my math you've executed on just over 70 percent of your 25 million shares that's allowed under your amended NCIB.

There's still a few months to go. Does that mean the pace of the buyback will slow down until June before you ramp that back up? Is that kind of where you're hinting at?

Doug Jamieson, CFO, CI Financial

Yes, that's correct.

Gary Ho, Desjardins Capital Markets

Okay, and then sorry if I missed it, Doug. The SG&A guidance. What was the 2019 guidance versus the $425 million in the asset management segment?

Doug Jamieson, CFO, CI Financial

Yes, we haven't specifically guided, but we do have a certain target we're aiming for this year, which is another drop in SG&A, as well as a long-term plan to trim SG&A. As we see management fees fall a basis point on average each quarter, we need to have SG&A fall; not the same amount, obviously, but a certain percentage of that.

Gary Ho, Desjardins Capital Markets

Maybe can you give us some colour on kind of which buckets those would fall under? Like an example, I think you mentioned some of the back office and whatnot?

Doug Jamieson, CFO, CI Financial

Yes, certainly looking to save everywhere that we can. We have areas of the business that we know needs to grow and where we'd like to spend, but in the legacy side of our business, we do need to run things more efficiently.

Gary Ho, Desjardins Capital Markets

Okay. All right, that's it for me. Thank you.

Operator

Thank you. The next question is from Geoff Kwan with RBC Capital Markets. Please go ahead.

Geoff Kwan, RBC Capital Markets

Hi there, just a quick follow-up on Gary's question on the SG&A. So the fee rate is coming down, but assuming that AUM growth happens from markets, you're not talking about the SG&A in an absolute kind of continuing to go down in absolute dollars, it'll move with fee rate, but the absolute dollars may grow to the extent that AUM growth is increasing. Is that the right way to think about it?

Doug Jamieson, CFO, CI Financial
Yes.

Geoff Kwan, RBC Capital Markets

Okay. Peter, on the M&A market, maybe if you can just talk about what you're seeing, say in Canada and in the U.S., and then maybe kind of specifically, I mean, you have balance sheet flexibility to do a deal, but just curious, how much the share price where it's at right now impacts the willingness to issue equity? I mean, I guess at the end of the day, if it becomes accretive, then it can work, but just wanted your thoughts on that.

Peter Anderson, CEO, CI Financial

The share price is obviously a point of discussion, and I am seeing that there are interesting opportunities on both the traditional side and on the new, digital side. In years gone by, we would've never paid attention to things like BBS and WealthBar, just because they're sort of out of the space of what our traditional business looked like. But today we see there's real opportunities there and we're certainly looking for that.

Distribution is really important for us and really relevant to the growth of our business. Being aligned with advisors today on the active side of the market is important, so we're certainly looking at things that might be able to fit into that bucket. If we're going to double the size of Assante, or double the size of our traditional distribution business, we're certainly going to have to look at opportunities on that side as well.

Geoff Kwan, RBC Capital Markets

Okay, and just one last question with respect to M&A. Obviously, I think you would like to get a combination—and I'm talking about the asset management side—a combination of scale as well as, say, a complementary skill set, but is there one of those two that you kind of prefer more if you had to pick one?

Peter Anderson, CEO, CI Financial

No, I think we would take a look at everything from an opportunistic point of view. I think that we would be, obviously, very careful, as we always have been, with every transaction we've done, to make sure that it not only met the needs of our business, met our strategic planning, but also was valued at a price we thought was reasonable.

Geoff Kwan, RBC Capital Markets

Okay, thank you.

Operator

Thank you. The next question is from Tom MacKinnon with BMO Capital. Please go ahead.

Tom MacKinnon, BMO Capital

Yes, thanks. I think one of the things, Peter, you mentioned of some positive signs you've seen so far is what you've seen in terms of the new products that you've launched. So maybe you can tell us about how some of the flows have been going in terms of the alternatives in the ETFs and the fixed rate pools, just of late, maybe this month and then what you've seen over the last couple months.

Peter Anderson, CEO, CI Financial

The funds of ETFs were launched about three weeks ago, so it's a bit early to give you some anecdotal numbers. However, feedback from the field says that it's been moving really quite well. We built that intended for our financial planning advisors, but we're seeing interest from other places as well, so that's good.

We're very encouraged with the liquid alts. We see there's more coming in that today than we had planned. We see Munro and the Marret products, in particular, having some very good success.

Meanwhile, the private pools are perfectly suited for our advisors who want a fixed-fee product, and it's a business that meets the needs of IIROC.

Two of the three are meeting or surpassing our expectations, and the third is too early to be able to give you any details, other than anecdotally from what we hear in the field.

Tom MacKinnon, BMO Capital

Okay, thanks. Then a follow up for, maybe, Doug. How high do you think you could take your net-to-EBITDA or your gross debt-to-EBITDA ratios which are currently at, I believe, 1.5 or something like that, and 1.7? How high could you take those before you would get any kind of pressure, and where would that pressure come from?

Doug Jamieson, CFO, CI Financial

Well, Tom, it's kind of theoretical with what EBITDA is doing and what we are spending our cash on, and monitoring our buybacks, but we've said we don't want to go above two times net debt-to-EBITDA in the past. Now, we're saying we think we can manage it at this level, absent an acquisition.

Now, if we saw an acquisition and spent some cash, we'd have to have a plan to get back below two times within a short timeframe for us to be comfortable. I'm not sure where the rating agencies would start to look more closely, probably north of two times, and our bank covenant is at three times. So we're not feeling a lot of pressure, but we also like to keep an eye on how much cushion we have in the case of a market drawdown.

Tom MacKinnon, BMO Capital

So you would take it above two times as long as you had a plan to get it back below two times, on the net.

Doug Jamieson, CFO, CI Financial

Correct.

Tom MacKinnon, BMO Capital

Okay, and so is that the one we should focus on as opposed to the gross one?

Doug Jamieson, CFO, CI Financial

Yes. Our covenant is based on gross, but we like to monitor the net because we have a lot of marketable securities that we could liquidate, if we had to.

Peter Anderson, CEO, CI Financial

The only other thing I would add to that is it would have to be an extraordinary opportunity for us to go over two times net debt-to-EBITDA. It would have to fit our strategic goals perfectly, and as Doug said, we would have a goal to reduce the net debt as quickly as possible.

Tom MacKinnon, BMO Capital

The covenant at three times, that's on gross. Is that right?

Doug Jamieson, CFO, CI Financial

Yes.

Tom MacKinnon, BMO Capital

Okay, thanks.

Operator

Thank you. The next question is from Paul Holden with CIBC. Please go ahead.

Paul Holden, CIBC

Thank you, good morning. So first question I want to ask you, so nearly $9 billion of outflows on the Canadian retail product in 2018. How do you think about where that $9 billion went? Like, how would you characterize it? Do you think it was loss shared of passive investments, maybe banks gaining some, or maybe just other independents with better performance numbers or more a global bent to them? Is there any kind of way you characterize that or think about it?

Peter Anderson, CEO, CI Financial

Yes. First of all, none of us around this table or at this company likes to be in redemptions. It's not a position that CI has been in many times in the past, and we're working really hard to return ourselves to positive sales, which I'm absolutely confident we will. There's not one doubt in my mind that we're going to return our company back into positive sales. But as I said earlier, the redemptions are really a result of several reasons, other than the industry challenges, of course. Our portfolio managers had positioned themselves very conservatively in a very growthy market, and a large block of our assets were, and are in classes that are out of favour. This is what we sold five years ago. We were the top-selling fund company for a number of years, selling Canadian Equity, Canadian Balanced, and Canadian Income products, and that's where we're seeing the flows out. But the performance is improving.

We're launching new products. Our activity level at all levels of our sales channels is as high as it ever has been. So, I see a lot of confidence.

Where money is going, well I think it's shifting to a number of places. I'm assuming it's going to some of our competitors. I think it's probably going to passive. I think it's also going to other products, but that's the industry and that's why we have to adapt.

As I said, we are working to get back to where we want to be, and I would say that I'm very confident in our strategy. I think we're in the right place, and I'm totally confident in our sales management teams in all parts of our business, and our sales team as well, whether it's CI retail, institutional, Assante, Stonegate, Grant Samuel and/or all of our other sales businesses.

Paul Holden, CIBC

Yes, so the follow up I'd have on that based on your answer is, do you feel like you have the right product shelf today given the recent products you've introduced, or do you think there's further to go? If there's further to go, may be you can kind of highlight some of the areas where you'd like to broaden the shelf into?

Peter Anderson, CEO, CI Financial

Yes, we're always looking for ways to broaden our shelf. We're always looking for opportunities there. It takes time for people to change from being a redeemer to being a buyer. But one of the real positive signs that we're seeing is a significantly high number of the new advisors that do business with CI. I always thought that there wasn't an advisor anywhere in Canada that doesn't do business with us. Last year we saw 18 percent of our gross sales came from advisors that had not done business with us before. So there's huge opportunities for that, and we continue to look for new channels and new advisors that are looking for opportunities. But it takes time for firms to move out of redemptions and into positive sales. We get that. So, we're running our business effectively and controlling all of our businesses in this, looking for ways to build the business in the future, and at the same time focusing a lot of our attention on sales and on returning to positive sales.

Paul Holden, CIBC

Okay. Then sort of final question on this topic. With the First Asset business and the ETF portion of it, in particular, that's obviously a growth engine for the industry as a whole. Do you feel like you're maximizing on that potential, or is there more you feel like you can do there?

Rohit Mehta, President, First Asset

Sure, it's Rohit, Paul, so happy to answer the question. I think there is always more that we can do. As we take a look at how we can deliver ETFs to advisors, one is we're going to continue to look at the product shelf that we have, like First Asset. In addition to that, it's other ways to distribute the ETF product. As Peter was mentioning, Mosaic is a fund of ETFs, so through expanding the First Asset line up, as well as getting synergies with the mutual fund business, we're going to continue to look to grow it.

Then, we brought our sales teams together last year to bring efficiency and maximization to the breadth of Canadian advisors with both the CI sales team and the First Asset sales team.

Paul Holden, CIBC

Okay good. I have couple of questions going back to the SG&A. So, we see the digitalization and the digital strategies across the financial services more broadly, right, banks, life insurance, etc. So the way the arc of the cost we have seen so far has usually got a ramp in expenses as you invest in these new technologies, and it takes several years before you reach the point where the cost savings really start to hit the bottom line. Is that true in this case and basically the strategy is to reduce expenses elsewhere to help absorb some of those expenses and then you'll see the benefit of digitalization two to three years from now? Is that fair?

Doug Jamieson, CFO, CI Financial

I don't know that I see this as large projects within the CI legacy business. This is quick hits on processes that we can simplify the process, digitize the process, and start saving money that way. We've started already using robotic process automation in specific areas to start to save a lot of time and moved people onto more value-add activities. Where we do have a little bit larger spend on the innovation side is going to be on the digital side, the distribution side, where we've bought BBS and WealthBar and we've moved to integrate product through into those channels.

Paul Holden, CIBC

Okay. Then, maybe as you think about the long-term goal here in terms of SG&A relative to AUM, how significant of an opportunity is this? Is this something that could bring your efficiency down by one or two basis points, or is this more like a five, six basis point opportunity? Maybe you can just broadly characterize it.

Doug Jamieson, CFO, CI Financial

Well, if we're going to see our net management fee, which is in the high 90s right now, continue to drift lower, say a basis point per quarter over the next three to five years, we know we have to get our 31 basis points, which is already the most efficient in the industry, even lower. We may be looking at getting it down towards 20 or even lower within the five years.

Paul Holden, CIBC

That's great. Thank you for your time.

Operator

Thank you. The next question is from Graham Ryding with TD Securities. Please go ahead.

Graham Ryding, TD Securities

Hi, good morning. Maybe I could just start with some of the new products, so the Mosaic ETFs. Can you give us an idea of how those are priced relative—sort of the other sort of larger mutual funds that you had sort of prioritized in the mid market?

Rohit Mehta, President, First Asset

It’s Rohit again. They’re priced competitively with other sort of peer groups out there. I think we've tried to bring the best of both worlds together with the CI Multi-Asset Management team running those strategies and providing both exposure to First Asset, as well as other ETFs from other providers. Overall price point-wise, we are in line or, in some cases, below our peer groups.

Graham Ryding, TD Securities

In peer groups, are you targeting other ETF products when you talk about peer groups?

Rohit Mehta, President, First Asset

We’re comparing funds of ETFs.

Graham Ryding, TD Securities

Yes, okay. Then similar theme, just to Private Pools, like how are those different than your existing high net worth focused products in terms of pricing, but also the product itself?

Roy Ratnavel, EVP, National Sales Manager

Hi it's Roy Ratnavel, Head of Sales here. Thanks for the question. The Private Pools that we have are one of the best-priced, competitively-priced pools in the industry, and in terms of also the wide range of selection. These were originally launched to really attract the business of IIROC, but we are starting to see the traction is actually broad ranged now. If you know anything about sales, it is about positive interaction and also removing obstacles. If you look at our business, performance being positive, and to that end you're starting to see two things happening for our sales team and our meeting counts are up, and every meeting we have a positive interaction.

Defensively, products that are being put into the pool product or funds of ETF or Liquid Alts, and offensively, it’s getting us into conversations we would have otherwise not have had with advisors. So they’re broadening out our audience, hence the reason for having new people doing business with us, and so we are very positive about where we’re going with this new product lineup.

Peter Anderson, CEO, CI Financial

One of the reasons why these are a little bit different is that we set these at fixed price, so a lot of our platform now is on what's been called—on preferred pricing, which is tiered. We heard from most of the IROC advisors that they’ve found that a bit difficult to be able to use in some of their fee-based accounts. So that's why we developed them [private pools]. But the interesting part about it, as Roy said, is that we're getting interest from multiple parts of our business. It’s really different from other channels. So that’s why we're quite excited about it.

Graham Ryding, TD Securities

Okay, got it, the fixed price being a key differentiator to tier pricing. Okay, that's helpful. Then my last question just would be on WealthBar. I'm trying to think about how you're sort of viewing the opportunity. Is it more about this gives you access to a different channel of investors that you were not exposed to previously, or is this—are there some real complementary benefits to your existing CI business, either through Assante or your traditional funds business that you see here? Maybe you can elaborate on those two areas.

Peter Anderson, CEO, CI Financial

I would say both. If I go the reverse of how you said it, we have a lot of advisors at Assante, and the majority our clients are high net worth and ultra-high net worth clients. So we do not have a platform to be able to cater at Assante and Stonegate for young, or small asset-based clients. So this creates an opportunity for us, and so we're building a platform at Assante to cater to those types of clients.

On the other side is that the biggest challenge in the industry, I think, is that we have investors who may be young, may not have enough assets to deal with advisors anywhere today, and so where do they go? Well, they go to large institutions, mostly the banks, and the last thing that we want is not to have some touchpoint with these investors. We believe that we need to start to connect with investors earlier than we've done in the past, because we want to be able to have a relationship with them as soon as they begin to think about investing, not when they fit into high net worth category.

We look at this as a long-term process, and we want to be relevant to investors, young, new, and also ultra-high net worth clients so that as they move along that investment timeline, we can actually continue to work with them. 20 years from now, you know, or 10 years from now an investor who may be in their thirties or forties are thinking to use maybe want or need advice, and we can help them there. Secondly, if they want to continue to do business the way they do it today, well that's fine as well. Between then and now, we’ll be building other platforms that will cater to clients, as we need them.

I view this as a real opportunity for us. To me, it’s exactly what we should be doing, reaching investors, giving them an independent choice, so down the road they will potentially start working with an independent advisor or doing something at an independent firm.

Graham Ryding, TD Securities

Okay, that's helpful. Just to be clear, you're launching a building on a robo or automated platform within Assante. WealthBar is going to be separate from that?

Peter Anderson, CEO, CI Financial

Well, we’re going to use the same platform. It will look different, but it will be using the same platform as before.

Graham Ryding, TD Securities

Okay, all right. That's helpful, thanks.

Operator

Thank you. The next question is from Scott Chan with Canaccord Genuity. Please go ahead.

Scott Chan, Canaccord Genuity

Good morning. On a similar vein of WealthBar, perhaps, Peter, you can give us an update on Virtual Brokers and kind of how that might be complementary over time into the CI platform?

Peter Anderson, CEO, CI Financial

Virtual Brokers is the online brokerage firm, as you know, that's connected to BBS Securities. When we bought BBS, we saw the ability to leverage their technology into our traditional business. So instead of building this platform and taking years to be able to develop, we bought it and we're slowly moving things over to be able to enhance the experience for advisors and investors at Stonegate and Assante.

Another value of BBS is, as I said earlier, it's a back office for a lot of other businesses; robo platforms and other fintech businesses. We continue to see the demand for back office technology growing, and with BBS able to support other firms' back offices, we see that as a positive.

The Virtual Brokers side is another touchpoint for us to deal with investors that today may not want to use advice. It's a different type of client. But down the road, we'll be able to develop products and technology and services to be able to offer to this client base.

Scott Chan, Canaccord Genuity

Just on CI Institutional, I think for the last several quarters you've talked about a positive pipeline similar to today, but when I look at the last three quarters, it's over $300 million of net outflows. Perhaps maybe you can kind of dissect where that's coming from. Is the pure institutional or strategic alliances? Then I guess into the current pipeline, what's entailed with that?

Peter Anderson, CEO, CI Financial

Well, it's a little bit of both. Just as our retail business was challenged with performance, so also was CI Institutional. Some of the alliance business have seen a bit of flow out, but we've actually seen flow in as well.

There is a lot of competition on the institutional side. As we see OCIOs step up, we now compete with consultants as well.

That being said, we do have quite a lot of unfunded commitments, some should come in Q1. We see a lot of finals, more than we've seen in a quarter or two, and then finally, a large pool of RFPs that we're into.

Scott Chan, Canaccord Genuity

Just lastly, just on the Grant Samuel positive flow traction throughout 2018, maybe can you give an update on perhaps inorganic thoughts on the Australian platform and kind of what's driving the positive flows, especially in Q4 when the markets were very difficult globally?

Peter Anderson, CEO, CI Financial

Australia is an enormous opportunity, but it's also significantly different than the environment here. Our business there has shifted a little bit towards the retail side of our business, which is where the fees are significantly higher than institutional. It's a country and a space where you have to be very selective with the teams and the managers that you work with because you don't have access to advisors or superannuation funds unless you're on a recommended list.

Today, Grant Samuel has a number of very good teams of managers that they market to in the Australian space, including the fixed income team of Munro Partners, which is the team that we've also brought to Canada. We see good flows there and we see opportunities there.

On an institutional side, they represent those firms as well, and we're seeing a lot of opportunities on that space, but you certainly have to be careful. The Australian market has just got through their Royal Commission. We're sort of going through that now. We see opportunities as a result of that for CI down the road as well.

Scott Chan, Canaccord Genuity

Then just a follow-up. Is there any early traction on some of the Canadian fund managers you have on the Australian platform? I seem to remember that a couple mandates might be put on there last year.

Peter Anderson, CEO, CI Financial

Today, we have Cambridge, which is new and it's early, so no, we haven't seen traction. But they have been recommended through at least one consultant and they got a very good rating there, which is a great positive sign. The portfolio manager that leads that team is heading to Australia sometime in the end or the middle of Q2, so they'll start doing some presentations and meeting retail and institutional clients there. So, everything is there for it to be a successful launch. It's just getting a portfolio manager there as well.

Scott Chan, Canaccord Genuity

Great, thank you very much.

Peter Anderson, CEO, CI Financial

Thank you very much, everybody, for the questions. Again, if there's any other questions, feel free to reach out to us and we will chat with you at our next Q1 call. Thank you very much.