CI FINANCIAL CORP.

FIRST QUARTER 2013 RESULTS

CONFERENCE CALL

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CI Financial

Corporate Participants

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MODERATOR: Now, President and CEO of CI Financial. Mr. MacPhail, you may begin.

MACPHAIL: Good afternoon, and thank you for joining Doug and me for CI's conference call for our Q1 2013 results. It was a very good quarter and it set the stage for an equally good second quarter, given our strong sales and asset growth. Looking first at a few of the highlights: Earnings per share for the quarter were $0.35 per share, up 6.1% from 2012; Gross sales at 3.8 billion for the quarter, up 44% year over year; Net sales were 1.1 billion, up 615% year over year. Now the sales strength continues to be strong on the retail side of the business. CI's average assets under management were up 6% from Q4, and 9.1% on a year-over-year basis. And net debt was down 22% from Q1 2012, and is now about two-thirds of our run rate evened off.

Looking specifically to the quarter, CI’s average assets under management were 78.8 billion, up 4.4 billion from the Q4 2012 average. Our AUM today is 82 billion, up another 3.2 billion from the Q1 average. Net income just about hit the $100 million mark at 98.5 million. Earnings per share, as I mentioned, were $0.35, up 3% on consecutive quarters. EBITDA was 181.4 million, or $0.64 per share. CI paid dividends of 69.3 million, up from the prior quarter as a result of the dividend increase we declared at our February board meeting. And lastly, net debt was 504 million, down 23 million from the prior quarter.

As I mentioned earlier, our gross sales were 3.8 billion for the quarter, up 44% from the prior year. This represents our highest first-quarter gross sales since the year 2000. Net sales for the quarter were 1.1 billion, 100% of which was retail, as we had a small institutional redemption during the quarter. Net sales were up 615% from the prior year. This is our best net sales quarter in seven years, but most importantly, we had net sales improvement, including positive net sales in every retail channel CI participates in. The positive sales continued into April and May. We had our best April net sales since the year 2000. We currently have exceeded 1.6 billion in retail net sales on a year-to-date basis. I won’t attribute our sales success to any one specific reason, other than to say all aspects of CI’s business are performing well and reflect many years of hard work and good fund performance to get these results.

Turning to fund performance, you can see that CI continues to perform very well across many fund families and fund types. Equally important, as investors begin to look more closely at global equities, you can see CI is well positioned through a number of our money management teams to participate actively in that area. I’ll now turn it over to Doug Jamieson, CI’s Chief Financial Officer. Doug?

JAMIESON: Thank you Steve. Our next slide has financial highlights comparing the first quarter this year with the first quarter of last year. Average assets under management were up over 9% from 72.3 billion a year ago to 78.8 billion this quarter. Net income at 98.5 million was up 4% from 94.6 last year, and earnings per share was up to $0.35 from

$0.33 last year, an increase of 6%. EBITDA per share was up $0.02 to $0.64, a 3% increase and dividends paid were up 6%, and CI paid out 65.2 million last year, at a rate of $0.23 during the quarter, and 69.3 million this year at a rate of $0.245. As Steve mentioned, net debt down to 504 million is total debt. Less cash and marketable securities not required for regulatory working capital, this is declined by $140 million over the past year. The 504 million represents gross public debt of 500 million, plus 92 million drawn on our $250 million facility, less $88 million of excess cash and marketable securities. This gives CI a debt-to-EBITDA ratio of under .7 to 1, which continues to provide significant financial flexibility.

CI's EBITDA margin dipped below 48% this quarter, and this is a fairly small decline, which reflects the fact that even as top-line management fees as a percentage of AUM declined due to the mix of business we're generally holding the line on the overall profitability of each revenue dollar, but it also highlights one of the flaws of relying entirely on EBITDA as an earning's measure. As our business continues to shift towards more front-end business, this margin will decline, all else being equal, because we pay a higher trailer fee on front-end products. However, looking at net income, front-end business is actually more profitable to CI because we don't pay a 5% commission at the time of purchase that then gets amortized over seven years.

CI SG&A, as a percentage of assets under management and shown here in basis points, has declined from last year. As we saw from the quarterly highlight slides, CI's average AUM grew by more than 9% from last year, and SG&A spend grew by 5½%. At 39.2 basis points, the rate of spend is flat, versus the fourth quarter, even though assets increased 6% and spending only increased 4% in dollar terms, however this quarter has two fewer days and that is a 2.2% hit to this ratio. The 4% increase in SG&A in dollar terms is a big one-quarter increase for CI, but we have increased discretionary spend on advertised conferences and roadshows, as we take advantage of the momentum in financial markets and our fund performance. We also don't foresee any significant increases in SG&A spend for the balance of the year.

Next we have the last five quarters of free cash flow. Free cash was down from 110 million last quarter as operating cash flow grew, but we spent more on deferred sales commissions. Compared to last year's first quarter, free cash flow was fairly flat as both operating cash flow and a spend on DSC were up $3 million. Typically the first quarter has the highest DSC spend, and we can see that those quarters are the low points at each end of the chart.

And here in the first part of the table, and the detail on the free cash flow, last quarter's operating cash flow of 139 million left commissions of 29 million and gave us free cash of 110 million. In this quarter we had 143 million of operating cash flow but paid out 44 million of commissions. While that level of commissions spend is up 7% from last year's RSP season, as Steve mentioned, CI's first quarter gross sales were up 44% over the first quarter last year, indicating that a grow in proportional sales are being done front-end load.

The next section details the amounts returned to shareholders as share buy-backs and dividends. Little surprise here with our share price up over $3 during the first quarter that we did not repurchase any stock whereas last quarter we bought back $6 million worth. We paid $69 million in dividends, up from $68 million last quarter as the dividend increase announced last quarter started to take effect in March. And you see there at the bottom, the 30 million of net surplus was used to reduce net debt by $23 million.

The growth in our income and cash flow, as supported by the growth in our AUM, allowed us to increase CI's monthly dividend once again to $0.09 per share per month, up from $0.085 per share per month. Our forecast payout ratios are well within historical levels as we look at our up-to-date forecast for the remainder of the year for net income and cash flow. And with our net debt levels so low and our cash flow so strong, we feel that there is still significant flexibility for further returns to our shareholders.

And here on slide 12, we have the annual dividends paid over the last five years. Growing from 167 million in CI's first year after converting back to a corporate structure to an estimated 296 million in 2013, based on the new monthly dividend rate, and this is an annual average growth rate of 15%. I will now turn it back to Steve.

MACPHAIL: Thank you Doug. I'm sure everyone appreciates that dividend increase you gave us. Our current assets under management, as I mentioned, are now 82 billion, up 4% from the Q1 average. What's interesting is if we go back a year, our assets were actually just under 70 billion, which is 12 billion below today's level. The increase in assets, and in turn profitability, has led to CI's increase in cash flows and our increased dividend.

As we look out to the foreseeable future, the positives I see are the increases in equity-oriented investments that are occurring, especially on the global side. Though we invested a lot in our people, service to our clients, and branding in the first quarter, we did so keeping our expenses in line, and I anticipate a slight decline in expenses and basis points in Q2 as we take advantage of higher asset levels and some of the expenses as Doug pointed out were not one time in nature but necessarily just bumped us up to a slightly higher level on a one-time basis.

Notwithstanding the fact that basis-point expenses might come down slightly, we are continuing our intense focus on all aspects of service through all our distribution channels to see where we can value add. We will continue to add to all our investment management teams to keep our competitive advantages that we have. Lastly, training, technology and service will continue to be key initiatives in 2013.

That concludes my formal presentation, but before I take questions, I just want to remind you that our annual meeting will be held on the afternoon of Thursday, June 13th at our offices at 15 York Street. That's right above Real Sports Bar, for those of you who are more familiar with that institution. It will be followed by a reception on our ninth floor patio, similar to last year, where I will have CI's management team and board of directors present to be able to answer questions you might have about our business at that time.

And with that, I'd like to say thank you once again and open it to any questions you might have.

MODERATOR: Thank you. We will now take questions from the telephone lines. Our first question is coming from John Aiken (Barclays Capital). Please go ahead.

AIKEN: Good afternoon. I'll start off with a question for Doug. Doug, we're taking a look at the strong cash flow that you pointed out and with the expectations that Q2 through Q4 are going to be a little bit stronger because it doesn't have the RSP season, but also the dynamics that we're seeing greater front-end load sales. With your debt ratio EBITDA to debt now well below .7 and continuing to grind down, do we seen an end to this? Or are you going to continue to repay debt with a cash flow and lower your leverage?

JAMIESON: Absent being able to repurchase any significant amount of stock, we're generating so much cash that that's what we see going forward is net debt coming down, but we'd like to see a chance to buy back more stock. Otherwise, like I said, $100 million plus in free cash every quarter and we pay out dividends of around 70, it leaves $30 million to either pay down debt or buy back stock.

AIKEN: Although if you want a cheaper share price, you should stop increasing your dividend. And Steve, I guess more of a philosophical question for you. I understand the benefit of the asset administration business for CI, but is there any level of assets under admin where that facet of the operations actually gets materially above break-even? Or is this something that is just going to trundle along at break-even for the foreseeable future?

MACPHAIL: Our philosophy with the Assante business is that we look to reinvest as much into that business as we can. We could make that more profitable if we wanted to, but I think it'd be at the detriment of long-term growth to that business. So if you take the first quarter, for example, you would've notice that expense has jumped up in that business because we spent a lot on branding on the Assante side of the business. Through a lot of the meetings that I personally have with the Assante advisors, National Counsels, etc., the whole branding side is very important to them and we take a long-term approach in this that we want to see this business continue to grow and flourish. If you're just trying to maximize every penny out of that channel, then you certainly can't do that. So I'd like to say that we could see it being more but my goal right now is to reinvest as much in the Assante business as we can, so I don't ever see that contributing a lot.

Now notwithstanding, where we are rewarded is the fact a lot of the Assante advisors are very supportive of CI and this whole home-field advantage that we've talked about is where you hope to participate on that side. And we've been very successful in that area of increasing that partnership with the Assante advisors, and part of that partnership means that we take the money that we'd make on that business and reinvest it into the business for them in technology, branding, things like that.

AIKEN: Great. Thanks guys.

MODERATOR: Thank you. The following question is from Geoff Kwan (RBC Capital Markets). Please go ahead.

KWAN: Hi, good afternoon. The first question I had was just the management fee as a percentage of average assets. I think you guys kind of touched on it before. In the quarter, I think it was down about a basis point and a half, and I know that there's been recent quarters that you've had that happen, but was the decline quarter of a quarter because of the mix, whether or not it's retail versus institutional or just bonds versus equity?

JAMIESON: It's primarily retail versus institutional. In the fourth quarter, we had some institutional money come in partway through the quarter, and so that was fully weighted in the first quarter and dropped the average fee down a little.

KWAN: Okay. And then in terms of on the institutional pipeline, can you kind of talk about where it stands today in terms of RFPs or just broadly speaking?

MACPHAIL: Yes, Geoff, I can. We're in about six finals right now, we're looking at. We have some business that we've won that will fund in the second quarter. So that will be positive for us from a business perspective. So I don't see this as being a year where we're going to knock the ball out of the park, but I certainly see net-positive sales on the institutional side for this business. I would say more positively – and at some point in time I should introduce you to Neil Kerr who heads up that whole business for us – that we're getting a lot more products on the shelf between the Cambridge team and the Signature team, and we ultimately think that's what will lead to a lot of growth in that business for us.

KWAN: Okay. And the last question I had is obviously on the retail side you've been doing quite well in the net sales. Where do you see the opportunities to further improve your net-sales momentum from where you are right now? Maybe just talk about specific distribution channels or products that you think might resonate with investors.

MACPHAIL: Well we're working on some interesting products right now that I'm really not at liberty to talk about, but hopefully they'll come to fruition in the next five or six months, and I think that will be a very interesting product for the marketplace, if we are able to bring that out. But I would say where we are Geoff is, we look at every distribution channel and the advantage that we bring is that unlike our competitors that don't have any relationship to distribution, because we do, I feel at the end of the day we have a much better understanding of how you value-add to advisors, what are the things they're looking for. I can go through five or six different channels and say where those opportunities are appropriate. So I think you can just go down the list of every place that managed money is distributed and we'd probably try to improve our access into those areas.

KWAN: Okay, thank you.

MODERATOR: Thank you. Once again, please press star one on your telephone keypad if you want to ask a question. Our following question is from Paul Holden (CIBC World Markets). Please go ahead.

HOLDEN: Thanks. Good afternoon. The first question I want to ask is on the shift in mix in terms of the load structure on the fund so, as Doug pointed out, much more frontend-loaded funds being sold versus DSC. Wondering what's kind of driving that.

MACPHAIL: I can answer that question for you. It's just the advisor's businesses have changed. They're less inclined to do DSC business. If you go back into the '90s, the vast majority of the business was done on a DSC basis, but now advisors are much more inclined to go basically no load, which it is. There was a term called low-load, but they're going in no-load and just having a kind of a recurring fee after the fact, and that seems to be increasingly popular in a lot of the channels we're dealing with so that the percentage of DSC business we do is significantly declining. And if I looked out two or three years from now, I suspect it'll be a small fraction of our business at that point in time.

HOLDEN: Okay, so really it's a matter of shifting from DSC to really the low-load versus front-load?

MACPHAIL: Yes, working with them, we don't see a lot going into low-loads, to be perfectly honest with you. Even the low-load business is a small percentage of what we would do. And the trend's been going on, like this, for 12 years now. People are just noticing it much more because the predominant amount of our business is not in a DSC basis anymore, whereas back in the '90s we had a time when 85% of our business was on a deferred low basis.

HOLDEN: Alright, I guess I was looking shorter term because your gross sales were up 44% year over year while DSC commissions were only up 8%. So it seems like even within the last year there's been a significant shift. Next question would be on the news on the character conversion transactions. So I see you've stopped net new sales in some of those funds. I was wondering what your ability is to replace those products as a source of net sales?

MACPHAIL: Well, if you want more insight into what we do, we could spend 20 minutes on the whole plan we had when we launched it. You might recall, Paul, we weren’t the first to come out of the gate and respond to what was going on because there was not a very clear picture coming out of Revenue Canada on this whole thing. We took our time, and by the time we announced what we were doing, I say what differentiated us from our competitors, is that we had a very clear picture and understanding of what our advisors could do, so whether you called into Client Service, Inside Sales or the wholesalers, you immediately knew what your other alternatives were. We also ensured that we had similar products, just not character conversion products, available right there and then. And to be perfectly honest with you, we didn’t seem to see a change in sales. So we haven’t experienced any change, and the alternative funds that we’ve offered are just as popular as the other ones were. That was unfortunate that that change occurred because, I think it hurts a lot of the retirees and people like this that were just trying to squeeze a few more basis points out of their retirements funds, but that’s a separate issue. The bottom line is we had alternative products, and at the end of the day, when you take the cost of the forward out and add it into the yield, probably the net effect isn’t as big as most people might think it was going to be. So we took out what was potentially a negative, and I think, turned it into a positive through our channels.

HOLDEN: And then a final question is with respect to the disclosure on trailer fees, it seems like that’s going to have a bigger impact on Assante versus your fund manufacturing platform. So maybe you can talk a little bit about that from Assante’s perspective, particularly with respect to the potential for increased costs as you have to start providing clients with additional information.

MACPHAIL: Well first, I’ll just deal with the last one. It’s not going to be an additional cost to us to change the reporting, that’s just annual reporting and its programming, we’re changing forms all the time. So I wouldn’t worry about that aspect of it.

The other one, what you're referring to is the trailer fee side, and Paul, you'll recall from any of the meetings I've had with you, I've always talked about the key thing in Assante is all the services we provide in addition to asset management whether it be estate planning, wealth planning, legal advice, tax advice. So a client of Assante gets a very holistic approach to their wealth management. So we've never had issues on the Assante side about fees because the whole premise of the Assante business is they're not just out there flogging funds, they're trying to provide a whole level of service.

I do think it will lead to consolidation in the industry. I think a lot of the smaller businesses that don't have the resources like we would at Assante to provide all these other wealth planning activities, will suffer accordingly. And if you go back to the question I was asked just a while ago, do I anticipate the Assante business all of a sudden making lots of money as the assets grew on the distribution side, I would say no, and that's because we're taking that money and reinvesting it to pay for lawyers, accountants, people like that so we're not worried about it at all. Steve Donald heads up our Assante business, it's clearly, I would say, the industry leader in educating people right now on preparing for the changes in the fee disclosures, and we've spent a lot of time with the Assante channel starting last year on how to prepare for that. So I'm 100% comfortable, and the net result is that it can actually lead to a strengthening of the Assante position at the end of the day as this is introduced over the next three years.

HOLDEN: So as some of these smaller financial planning firms struggle with the increased requirement for disclosure, would you be interested in buying those smaller financial planning networks?

MACPHAIL: I'm always interested in buying things. You know me, but it has to be at a reasonable price. What we are seeing is a lot more advisors wanting to join Assante, and it's not a flood of advisors going into Assante, but I would say over the last three years, we're continuing to see a pickup of people interested in joining the Assante business. And Steve Donald's team is pretty picky with who they want to come into that business, but we are doing net adds into that business all the time now, and I think that's a reflection of what's going on as people want to go forward. But absolutely, I would look at where it makes sense to pick up smaller firms.

HOLDEN: Okay, that's great. Thank, Steve.

MACPHAIL: You're welcome.

MODERATOR: Thank you. Our following question is from Scott Chan (Canaccord Genuity). Please go ahead.

CHAN: Good afternoon, guys. Just on the retail flows, the 1.6 billion net year to date, can you give us kind of a breakdown on which asset classes are people buying? Have you seen any different trends? I think you mentioned global before. And is there any specific PM groups that are just shining? I'm assuming Cambridge and Signature are getting the majority of the net sales year to date. Is that a fair assumption?

MACPHAIL: That's a fair assumption. Yes, they would be. The Signature group continues to be very strong because of some of the balanced product and things like this that they have, but also we're seeing increased interest with Black Creek, so we're seeing pickups. Their assets are over a billion dollars now. Cambridge certainly has done very well, they're at about 6.2 billion in assets right now. That's double from a year ago. On the margin we're starting to see a big shift in what products are being bought across the board, and a lot more equity type products.

CHAN: Thanks. And can you give us an update just on the Class I and Class F business? Has there been any traction there on any of those segments?

MACPHAIL: Well, that I think was what Geoff Kwan was asking me about. We're starting to see slow improvements in the institutional area, that I like to call the true institutional business. We're going to fund a mandate in Q2. Last year was a good year.

Don't forget that we brought a huge mandate in and that's what Doug talked about, that came in Q4, which is why it pushed down that top line margin in Q1. I don't suspect we'll get big mandates like that again because those are few and far between, but we are starting to see a lot more finals that we're getting. So if we can walk away from this year with three or four 100 million dollars in institutional businesses, you know, I'm going to call that a win.

CHAN: Okay, and just my final question. Just going back to Geoff's question on average fees. The general trends been down quarter over quarter, but just based on current trends with equity markets higher, more of the net sales going to the higher merchant retail product, are we going to start to see maybe a stabilization in average fees? Or should we expect still a slight downward based on the asset mix with fixed income and potentially the institutional stuff too?

MACPHAIL: Well, I'm going to go out on a limb here based on what Doug told me earlier today. But we think Q1 to Q2 should be flat.

CHAN: Flat?

MACPHAIL: Yes, because we don't have new institutional business coming in, and so then we have the benefit of more investments into equity funds that have gone in and rising equity markets. When you go through the whole mechanics of how that whole thing is calculated, then we suspect this could be flat, maybe and a potentially slightly positive increase this quarter. It takes a lot to move the needle when you have 82 billion in assets. Like we went through that sensitivity today for the sake of the board so they understood it better. It's not something that's going swing five basis points on you in one quarter. That's pretty well impossible to achieve, but we do see a slight improvement on them.

CHAN: Okay. That's what I figured. Thanks a lot, guys.

MACPHAIL: You're welcome.

MODERATOR: Thank you. Our following question comes from John Reucassel (BMO Nesbitt Burns). Please go ahead.

NEWSCATLE: It doesn't look like there's a lot of acquisitions out there and not buying back stocks, so you've been raising the dividend. Is there payout ratio that you have a hard stop on or that you're not comfortable with? Have you ever had that discussion with the board?

MACPHAIL: No, we look at the circumstances surrounding the business every time we evaluate the dividend, and I think where we are today is at the higher end of where we would probably might be, but it's not as high as I concern myself with. I could easily see us being two or three percentage points higher than where we are today and I wouldn't bat an eye at it. I look at the dividend increase today, there was just no sense in saying, "Oh, let's wait another three months to do it." It wasn't going to accomplish anything, we'd already reached our asset targets and profitability targets with respect to a dividend increase. So now we'll just see how things play out, and a lot of it ties back to as Doug mentioned, what do we do with the capital.

And you're right, there are not a lot of acquisitions out there, and maybe that changes. The one thing about our business is whatever we think it is today, it's going to change within three months, and maybe there's some good opportunities, maybe we end up paying a small investment manager in the U.S. that we want to pick up similar to when we helped John Hawk start the Altrinsic business and maybe that cost us 25 or 30 million, I'm just pulling a number out of the air. So I think a lot of things can change. The only thing I don't like on the dividend, I don't like it to get too high because then you don't want to be restricted by having too high a dividend policy with the company because you never want to be in a position that you want to reduce it, so you just want to slowly increase it consistent with profitability growth, and I think that's where we are right now.

MODERATOR: Thank you. We have no further questions registered on the telephone lines at this time. Please go ahead Mr. MacPhail.

MACPHAIL: With that, I'd like to say thank you very much for coming to, or listening in on our Q1 conference call and I look forward to either seeing you at the annual meeting or in early August we'll be releasing our second quarter results. Thank you very much and have a good night.

MODERATOR: Thank you. The conference has now ended. Please disconnect your lines at this time, and we thank you for your participation.

End.