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OPERATOR: Good afternoon. My name is Sarah, and I will be your conference Operator today. At this time, I would like to welcome everyone to the CI Financial 2010 First Quarter Results conference call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key.

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EBITDA, earnings before interest, taxes, depreciation, and amortization, adjusted EBITDA, pre-tax operating earnings, and adjusted income are not standardized earnings measured prescribed by GAAP, Generally Accepted Accounting Principles. However, management believes that most of its shareholders, creditors, other stakeholders, and investment analysts prefer to include the use of these performance measures in analyzing CI's results. CI's method of calculating these measures may not be comparable to similar measures presented by other companies.

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I would now like to turn the conference call over to William Holland, CEO of CI Financial Corp. Please go ahead.

WILLIAM HOLLAND (Chief Executive Officer, CI Financial): Thank you very much, Sarah, and good afternoon. Reporting on the first quarter of 2010 is the polar opposite of the same quarter last year, which I think I described as watching a car crash over and over again. We've now strung together four straight quarters in this amazing market rally, and I must admit I'm actually really starting to get used to it.

The year-over-year numbers are exceptional any way you cut it, and I think it's very difficult to take much credit for it given the environment that we've been in. I will quickly go through a few of the highlights, and then chat with you about anything that you like.

In the first quarter, our average assets were $63 billion, up 29 per cent from the same quarter last year. But if you take the low point of last year to the recent high, that number is actually 45 per cent, and I can tell you I don't remember a time when we've ever had one year growth in assets of 45 per cent.

Our EBITDA per share rose in line by 28 per cent to $0.55 on an adjusted basis for the quarter. Our earnings also in line, up 29 per cent to $0.27 for the quarter.

Our pre-tax operating earnings increased by 35 per cent to $0.50. Our gross sales were up 34 per cent to $2.86 billion. Our net sales tripled to just under $700 million.

On the cost side, where I think we can take a lot of credit, our SG&A dropped by 14 per cent from 49 basis points in the first quarter of 2009, to 42 basis points this quarter. Our market share increased considerably from 9.1 per cent last year to 9.5 per cent, up just a touch over 4 per cent. Most importantly, I would think, is our stock increased from $14 to $21.50, an increase of 54 per cent.

During this period of time, we reduced our debt considerably from $931 million to $657 million, down 29 per cent. In the first quarter of 2010, we paid dividends of $0.18, and that compares to zero in the same quarter of last year. During this quarter, we bought back $16 million worth of shares. Last year at this time we bought back $12 million, a 33 per cent increase.

On the sales front, our sales are starting to get back to the pre-crash levels. Over the last six months we've had $5.1 billion worth of sales. We've had redemptions of $4 billion, net sales of $1.1 billion, which is pretty much in line with the last five or six years. The redemptions have started to get up towards historical levels as well.

The only thing I would say on the sales side is given the magnitude of the rally, I would've thought that the gross sales would've been even higher. And I would've also thought during the worst of the market, that the redemptions would've also been higher. So I think on balance, it's all pretty good.

If you look at the consistency of sales, we were net sales in every month again, and I'd like to update this chart because I think it's very important. Since we went public in 1994, we have had net sales in 88 per cent of all months, and there is no competitor that is even close. And I think if you look at the average through all IFIC companies, I think the average is more like 63, 64 per cent.

What drives sales and assets is obviously fund performance. Our fund performance continues to be very good. Over the last year, more middle of the pack; 44 per cent of our assets are in the top two quartiles. But when you start looking out at three, five and 10 years, 54 per cent of our assets are in the top quartile over three years, and 83 per cent in the top two quartiles over that period of time. Over five years, we have 52 per cent of our assets in the top quartile, and 83 per cent again in the top two quartiles. Looking out over 10 years, 77 of all of our assets are in the top quartile.

If you look at our top three fund managers – Harbour, Signature, and Tetrem – over almost every single period of time, they have exceptional performance. In the top two quartiles almost all the time, the exception being, and quite notably, over the last year most of Harbour's assets (which are really two big funds), performed way below their peer group. But investors expect in a huge rally for him to underperform. His performance has always been the best in very difficult markets.

Just a couple of thoughts here. If you look at our average assets in Q2, they are now up 3 per cent over the average of Q1, so Q2 is setting up pretty good.

So far in the second quarter we bought back an additional 1.4 million shares.

Our gross sales are continuing to improve towards the pre-crisis levels. The redemptions that we faced, a lot of them were just because we had a huge seg fund bubble of sales in 2000, and there was resets that were available, and these were 10-year seg funds. Advisors kept resetting it, so when the market took a huge dive after the first quarter of 2000, these guarantees were locked in, and so these investors kept the money. After 10 years, these assets were actually in the money, and the insurance companies had to make good on the guarantee, so we had what would now be described as a redemption bubble in February, March, and April. Given that the sales eased a lot in the second quarter of 2000, these redemptions will also start to moderate considerably.

We're seeing money market assets flow into long-term funds. Over the last year, money market assets have dropped from about 5.6 per cent, to something resembling historical averages of 2.7 per cent.

We announced today that we were raising our dividend rate again by 8.3 per cent to $0.065 a month, and that is in keeping with our philosophy of trying to get the earnings of the company back to the owners of the company as quickly and as tax effectively as possible.

I think that will conclude my formal remarks, and I'd be glad to try to take any questions.

OPERATOR: At this time, I would like to remind everyone in order to ask a question, please press star, then the number one on your telephone keypad.

Your first question comes from the line of John Reucassel from BMO Capital Markets. Your line is open.

JOHN REUCASSEL: Just a quick question. On the seg fund redemptions, the 4 billion you had in the quarter, how much of that would've been on the seg fund side?

WILLIAM HOLLAND: Our seg fund redemption, I don't know what the exact number is, but they’re literally up 50 per cent over last year.

JOHN REUCASSEL: Would they be material within the 4 billion number?

WILLIAM HOLLAND: Not within the 4 billion, but of the net sales it's very material. And you have the withdrawals from the regular monthly GMWB, but it's really this group of assets that locked in their guarantee in the first quarter of 2000 that is now able to get out. And, of course, they're getting out, and in some cases, the guarantees are really in the money.

But that's slowed a lot. If you remember back to 2000, in the second quarter things really slowed down, and then the ability to reset and all that stopped being as available. So it's really a small period of time, a blip, and it should work its way out probably by the third quarter. Really most of it is already behind us.

JOHN REUCASSEL: Okay. Just want to look at the cash flow, Bill. I guess it looks like you're generating in the quarter about 100 million, and you paid a dividend of 53. I'm just trying to figure out . . . you paid down your cash balances it looks like to pay down debt. But when you talk about paying the money back to the shareholders, should we say the funding of commissions is mainly going to be debt finance, or are you done with the debt reduction? Maybe talk a bit about where the priorities are.

WILLIAM HOLLAND: I think that the benefits of de-levering are clearly behind us now. The forecast that we're using internally shows us having net debt of $485 million at year-end. If we've got a run rate of EBITDA at 700, I think we're under-levered.

So during the last four months, we bought back a considerable number of shares. I think that moving the dividend up is the preferred choice now, and obviously, that's why we did it. I think also that we don't want to de-lever further, and that we're probably entering into a period of time where we could look at business opportunities that clearly weren't available during the stock market crisis. I think as you get into something resembling a more normal environment, I think some of the smaller firms are realizing that this is not a hospitable environment for them and there'll probably be some opportunities. So we doubt that de-levering will become a significant problem, and if at the end we don't find opportunities we like, at some point we'll stop paying down debt and buy back shares again.

JOHN REUCASSEL: Okay, in a big way. You opened my last question – you opened the box on opportunities. This M&A in the fund business, is it related businesses, or what gives you some confidence that there might be some M&A activity after what's seemed to be an awfully long drought?

WILLIAM HOLLAND: Well, I think it's common sense. I think that we had no interest in acquisitions a year ago either, even when we got calls and expressions of interest. And I think that when I look at it, what I'm interested in is saying, okay, what about the businesses that fit in with ours? Would we look at institutional business? The right kind of institutional business. We've had great success with Altrinsic in Connecticut. We would look at the high net worth business, we would look at alternative products, and I think that there's a lot of businesses that exist. I think that when I talk to these people they seem quite interested in some type of roll into CI paper, because it helps in succession issues that they have. And so as we keep building out these businesses, I think there's opportunities there for us to do something.

I can tell you where we're not going to be is in the retail brokerage business; the capital markets business. After that, I think we're somewhat open.

JOHN REUCASSEL: Okay, but look for maybe more institutional high net worth, not necessarily mutual fund – pure mutual fund acquisitions?

WILLIAM HOLLAND: Yes, I think that a pure mutual fund acquisition would have to have some interesting component to it, otherwise I'm just not sure that's our first choice right now.

JOHN REUCASSEL: Okay, thank you.

OPERATOR: Your next question comes from the line of Geoff Kwan from RBC Capital Markets. Your line is open.

GEOFF KWAN: Good afternoon. Just to follow-up on John's question. I wanted to get a sense from you, not necessarily just M&A related, but where do you see opportunities for growth beyond your current businesses? And also you made a comment on the alternative space. Is this a change of view? I thought you'd previously talked about when you had a hedge fund business, it was a horrible business to be in because the flows were pretty choppy. I just wanted to get an update on that.

WILLIAM HOLLAND: I don't want to be only in the hedge fund business, and I don't want it to be a huge part of our business, but I think it's compatible with our business. We'd really want to look at it and make sure it's the type of businesses that fit in with ours.

I can't say I could exactly pinpoint what kind of opportunities we would look for, but I'd just say we're probably a little more open-minded as we get bigger and bigger, and the mutual fund industry essentially is getting smaller and smaller. I think we've got to diversify a little bit more. And I think that there's still room to take advantage of scale and synergy with smaller businesses, but they have to be something other than mutual funds. That's why I say things like institutional businesses. We have great success with our ownership in Altrinsic. We've had pretty good success in our own institutional business here that's started to pick up a little bit, and we've really only been in it for a couple years. We've always had a high net worth business with our PMA program. But I do think that as you see this domination of the banks, that the smaller firms that are struggling are likely to look for some ways to roll into companies that allow them to compete better.

GEOFF KWAN: Okay, and the last question I had was just if there's any update on the relationship with Scotiabank?

WILLIAM HOLLAND: Well, I don't even know how qualified I am to answer that question anymore. It's been asked so many times. But I do think that as of now, you should conclude that for the foreseeable future, Bank of Nova Scotia is content on being a passive, non-partner shareholder. I think that answers the question.

Over the 20 months since they bought a 38 per cent stake from Sun Life, we've had a series of discussions. We have talked to them constantly for 20 months on ways that we could create a partnership that would benefit both sides. And if you remember early on, their stated objective was something like they wanted to obtain board seats, they wanted to merge their fund business in. They wanted ultimately to have some “path to control”, I think, was the words that they used.

When you look at the bid ask today, it would look something like this: They want effective control meaning they want to have considerably more ownership. They want Board seats, they want dilution protection, but they still want to be able to compete with us, with their fund company. And their position is they do not want to pay a premium to increase their stake to something resembling effective control. Now I would like to be seven feet tall and play centre for the Toronto Raptors, but it's not happening.

Our view is that they can either control or they can compete, but they just can't do both. And if they want to get effective control, they have to pay the appropriate takeover premium. And that's really the bid ask as it stands right now, and why I think that for the foreseeable future they are just going to be a passive shareholder. I think what we have here is almost a perfect Mexican standoff.

GEOFF KWAN: Great, thank you.

OPERATOR: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad.

Your next question comes from the line of Doug Young from TD Newcrest. Your line is open.

DOUG YOUNG: Hi, Bill. I think a lot of the stuff's been answered already. But I just wanted to confirm that the weaker net sales in April (and this is relative to what our expectations would've been) are really around the seg fund discussion that you've already had. Is that essentially correct?

WILLIAM HOLLAND: It would be, yes. More than 100 per cent of what we would've expected the net sales would be seg fund redemptions.

DOUG YOUNG: Yes, okay. And then I wanted to go back to the big picture. You look back over the last five, six years or whatnot, and I guess my question is, can margins – given all the structural changes that have happened – get back to peak levels for CI? And if not, what are some of the reasons why that that would be?

WILLIAM HOLLAND: Margins cannot get back to peak level because fees can't get back to peaks. And the pressure on fees, if you look at the top line, always goes down. It goes down because you're selling products on an I-Class basis that have lower fees. Do they have lower margins? Yes. The margins aren't as materially different as the fees are because you're not paying trailer fees and certain other costs, but I don't think that there's any chance that you'd get back to peak margins. I don't think that's in the cards.

And you've got to start looking at it and start saying . . . What if you look at the absolute dominance of the banks' business over the last six months? How would you position it for what you'd be raising fees or coming out with product that pays more fees? What you're seeing is the opposite. You're seeing companies increase the cost side of their business, and pay out much higher compensation to get sales done, and that doesn't often affect the EBITDA line, remember. For that you have to go fishing into the earnings and cash flow part of the business. And so, I see that margin levels, if you're big, getting bigger, and manage it well, it won't be a huge problem. For smaller companies, it's just going to be a horrible ride from here.

DOUG YOUNG: And regarding money market, I know obviously the absorbed costs on that side. Has that now righted itself, or are you still absorbing costs around that side of your business?

WILLIAM HOLLAND: Yes, we have to absorb some costs because short-term rates are still essentially zero. And so you're certainly not making money on money market, but it's not the problem it was a year ago when at the peak we had peaked out at just under 6 per cent of money market. And now we're probably going to bottom out somewhere around 2.3, 2.4. It's probably a year, year and a half out before we get to having normal margins in the money market fund because we're going to need to see six or seven rate hikes before it's profitable. I don't think we'll lose money, but it certainly won't make money.

DOUG YOUNG: Lastly, how often do you and the Board review your dividend? Is it quarterly, or every six months that you would consider potentially bumping it?

WILLIAM HOLLAND: We look at the dividend every quarter, and it's a conversation that kind of goes lockstep with share buyback and debt. And now we would kind of move debt to the side and say we just don't want to reduce our debt anymore. And so now it's really do you buy back the shares, or do you increase the dividend? In the first four months we just kept buying shares back. And we've now looked at it and said, okay, I think the right balance is to have a decent dividend increase. It still gives us more free cash. It gives us a lot of free cash every quarter, but we could buy shares back or the default is always to have the debt go down.

DOUG YOUNG: How does the Bank of Nova Scotia ownership really impact your decision on the buyback versus the dividend?

WILLIAM HOLLAND: Up until now it hasn't. We've been content with them owning. I think our share buyback has probably moved up their ownership half a per cent, and that's okay. I guess you'd have to start paying attention to it as it gets closer to 40 or something. But I would say up until now, very little.

DOUG YOUNG: Good. Thank you.

OPERATOR: Your next question comes from the line of Stephen Boland from GMP Securities. Your line is open.

STEPHEN BOLAND: Hi, Bill.

WILLIAM HOLLAND: Hi, there.

STEPHEN BOLAND: Don't want to belabour the Scotia discussion, but just from your tone, it seems from the last conference call maybe that you're a little more frustrated than you have been. I just want to make sure I'm reading that correctly...

WILLIAM HOLLAND: I don't know if frustrated is the right word. It's your word, so I don't want to pick at it, but a couple months have gone by again, and you know, I'm pragmatic. I mean if after 20 months we haven't been able to find a place to land that both sides thought was a basis of a good partnership, I've got to conclude that there probably isn't the basis of a good partnership. So as a large passive shareholder, great, I think they'll do very well. But the opportunities that we're looking at today are outside of that.

STEPHEN BOLAND: Okay, appreciate that, Bill. Thanks.

OPERATOR: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad.

Your next question comes from the line of Paul Holden from CIBC. Your line is open.

PAUL HOLDEN: Yes, good afternoon. We spent some time talking about the redemption picture for seg funds, but maybe we could talk a little bit about the gross sales outlook. I imagine it's slowed somewhat with the higher fees, volatility increasing in the market. Do you think it comes back? Also, maybe talk about how you think demographic trends may impact seg fund sales going forward, especially with the guaranteed income feature?

WILLIAM HOLLAND: You know, the gross sales are definitely off. And I would say they're off if you look this quarter over, the second quarter of 2010 over, the second quarter of 2009, yes. I bet you the gross sales are off 25, 30 per cent. How much of that is the fee increase, and how much of that is the fact that there's not the same palpable fear out there and people want the guarantees? And the guarantees have been watered down as well. So I think it's a combination of those. I do not think that we will see seg fund sales at the levels that we saw in '07, '08, early '09 again. I think that's another kind of ship that's sailed.

I think that the business will be pretty good, and that the demographics are somewhat favourable towards it. But there's a lot of competing product for everything now, and I think that the seg fund business will continue to be very good. I mean it's a very important part of our business, it's just not what it was a year and two years ago.

PAUL HOLDEN: Okay. And maybe you can, in terms of longer-term trends, talk about what your thoughts are with respect to rolling out product that might address the needs of people that are entering retirement age?

WILLIAM HOLLAND: Well, we certainly have a lot of fixed-income product, and a lot of balanced fund product. Probably more, as a percentage, than we ever thought we would have. And we'll continue to bring out more product along those lines, and continue to look at other ways of getting guaranteed product out there. I think this will evolve a little bit, but I'm not sure that the demographics will change the asset allocation as much as conventional wisdom.

PAUL HOLDEN: Interesting.

WILLIAM HOLLAND: And I think that in the short run, there's more money in fixed-income or conservative investments than there normally would be because of the fear of two 60 per cent bear markets in seven years, and the fear that creates. So of my concerns, that's not getting product out. And getting product out that is more fixed-income oriented is probably pretty easy. I'm not sure the demand is going to be as high as what conventional wisdom thinks though.

PAUL HOLDEN: Okay, thanks for that.

OPERATOR: There are no further questions in queue.

WILLIAM HOLLAND: Well then thank you very much, and I look forward to updating you, I think it is August 11, on our second quarter. Bye now.

OPERATOR: And this concludes today's conference call. You may now disconnect.

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