CI FINANCIAL CORP.

FIRST QUARTER 2015 RESULTS

CONFERENCE CALL

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Corporate Participants

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Stephen MacPhail: Welcome to CI's earnings call for the quarter ended March 31st, 2015. With me today are my colleagues, Doug Jamieson, Executive Vice-President and Chief Financial Officer; Derek Green, President, CI Investments; and Steven Donald, President, Assante Wealth Management. CI's share price continues to perform well, especially year-to-date, reflecting the continued growth in our business. We've maintained our position as one of the best performing stocks since 1994 and have been in the top 10 for the past 16 years now.

Looking at some of the highlights for the first quarter, I am pleased to report that CI earned $0.51 per share, up 19% on a year-over-year basis. Our average assets under management for the first quarter were up 14% from the prior year and up 5% from the immediately prior quarter. Assets at Assante and Stonegate Private Counsel are now $34 billion. Our net sales for Q1 were 1.2 billion, behind what we did in 2014, but I will mention that we had a great April and we currently have year-to-date net sales in line with 2014 at $2 billion. Our net debt was down 37% from the prior year, putting CI in a very low debt position. And most importantly, we increased our dividend to $0.11 per share per month, representing the sixth dividend increase since the first quarter of 2013.

And with that, let me turn it over to Derek Green, President of CI Investments. Derek?

Derek Green: Thanks, Steve. As Steve mentioned, we've had a very good start to this year. First quarter's gross sales were $4.5 billion, up 2% versus the same period in 2014. Net sales came in at 1.2 billion, down from 2014, and year-to-date net sales are $2 billion, which is right in line with where they were in 2014. Since 1994, CI has achieved positive net sales in 88% of all quarters. This is an unrivalled statistic in the industry and something we're very, very proud of.

We continued to deliver strong performance. Seventy percent of our assets are first or second quartile over 10 years. Seventy-three percent of our managed solutions are first or second quartile over 10 years, and we continue to build on our brand awareness and to deliver premier advisor education events.

The following slide is a slide that Steve showed you before and it's been recently updated. This is what I would consider one of our biggest competitive advantages. In 2014, we held three major conferences. We had over 1,000 advisor events and roadshows and training sessions, and if you look at the number of one-on-one meetings, branch meetings and group meetings, conference calls, that number comes in at over 30,000, so there's really a huge opportunity of touchpoints with our clients. And then finally, regulatory reform is something that we spend a ton of time and a ton of money on. We've done 109 events.

So at this time, I'd like to pass the conference call over to my colleague, Steve Donald. Steve?

Steven Donald: Thanks, Derek. I'll take a few minutes to update you on our advisory business, Assante Wealth Management and Stonegate Private Counsel. The success of 2014 continued through the first quarter. Our assets have reached 34 billion, up 13% from Q1 of 2014, and up 6% over this current quarter. We've also had strong inflows through the quarter, both on an absolute basis and on a relative basis. According to IFIC, industry mutual fund flows for the first quarter, the RSP season, were up 10% to 26.3 billion.

We use industry fund flows as a proxy for the flows managed by the distribution companies, and at Assante, our sales have increased 17% on a year-over-year basis, so we're happy with our absolute sales and our growth rate relative to the broader industry. I attribute this growing sales trend to an increasing proportion of our business coming from the high net worth market. We've seen a significant increase in very large accounts moving to Assante and to Stonegate. These clients are looking for a more robust or complete wealth management offering.

Our scale has allowed us to continue to invest in our business to further set us apart in terms of execution on a service promise. Three primary areas where we're investing in our business right now are: wealth planning support, key to dealing with the increasingly complex needs of our clients; technology – significant investments are required here to deal with the continually evolving regulatory demands of our business, but technology also drives efficiency gains into our advisors' practices and probably most importantly, enhances the security of our clients' information – and thirdly, branding. Changes in our profession are going to put a lot of money into motion and we feel that it's critical that our clients and potential clients have an awareness of Assante and of Stonegate, who we are and what we stand for, to make it as easy as possible for clients and for advisors to join Assante.

The last thing I'll touch on is the status of regulatory change. There really aren't a lot of developments to report since our last call. We're waiting on the CSA report on best interest and mutual fund fees anticipated sometime this year, and that'll give us a stronger sense of the direction regulation is going to take. We believe that we've been successful in positioning our advisors for potential change and even if broader change is delayed, their practices will be stronger and they will grow at an accelerated pace as the outcomes of CRM2 are absorbed into the market over the next few years. Bottom line, we're neutral to positive, probably more leaning to positive on the impact of current and potential regulatory change.

So in summary, we've had a great start to the year at Stonegate and at Assante, and we feel that we're very well positioned to continue our momentum as the landscape unfolds moving forward. With that, I'll now hand the call over to Doug to review our financial results.

Doug Jamieson: Thank you, Steve. This slide of financial highlights compares the first quarter of this year with the first quarter of last year. The average assets were up 14% from 93.5 billion a year ago to 106.5 billion. Next, net income was 144.5 million and that was up 19% from 121.7 million last year, and on a per share basis, was $0.51, up from $0.43 and that's an increase of 19%. These numbers include $7.5 million fair value adjustment to the contingent consideration related to the purchase of Marret. We had initially provided for 12.5 million at the time of purchase, and that balance has now been written down to zero. We also accelerated the amortization of certain Marret management contracts by $3 million and took a $4 million legal provision in the quarter. Adjusting for these three items, net income was 141.4 million or $0.50 per share, and that is up 16% from last year's first quarter.

EBITDA per share was up $0.09 to $0.84, a 12% increase. Dividends paid were up 9%. CI paid out 81.3 million last year at a rate of $0.285 for that quarter and 88.9 million in the first quarter this year at a rate of $0.315. As Steve mentioned, long-term debt declined from approximately 500 million last year to 312 million this year, and net debt has declined 123 million from 334 million to less than 211 million, and that's calculated as the gross public debt outstanding of 300 million plus 12 million drawn on the credit facility, less just over 100 million of excess cash and marketable securities. This gives CI a net debt to EBITDA ratio of 0.2 to 1, and that continues to provide CI with substantial financial flexibility.

Now we can take a quick look at quarter-over-quarter highlights. Average AUM was up 5% to 106.5 billion, and net income was up 3% from 140.4 million to 144.5 million and the $0.51 of earnings per share was up 2%. Now, adjusting for the three items mentioned earlier, brings net income this quarter to 141.4 million or $0.50 versus 135.4 million in the prior quarter, and that's an increase of 4%; and if the first quarter contained two more days to match the fourth quarter, then earnings growth would have been higher than the change in average AUM. EBITDA grew from 230 million to 235.4 million, an increase from $0.82 per share to $0.84, and the dividends paid of $88.9 million was an increase of 3% from 86.3 million last quarter.

CI's EBITDA margin has held steady at about 48% over the past several quarters, which reflects that even as CI's average management fee rate has declined with the mix of business, we generate approximately $0.48 of EBITDA on each revenue dollar. CI's asset management margin measures how much we retain out of management fees after paying trailers, SG&A and DSC on a trailing 12-month basis, and this is within the asset management segment. So you see that we are left with over $42 of every 100 in management fees earned, up from about 40 one year ago. This measure eliminates the financing impact of front-end versus back-end funds since we have already deducted trailers and DSC, and it also eliminates the distortion of equity and fixed-income mix changes and retail and institutional mix changes because it is measured as a percentage of management fees and not AUM.

CI's SG&A, calculated as a percentage of assets under management and we are showing it here in annualized basis points, has declined from the first quarter of last year. We saw on the quarterly highlights slide that CI's average AUM grew by 14% from last year, while at the same time, SG&A spend grew by less than 9%, so we see the drop from 36.3 to 34.6 basis points year-over-year. The basis point increase from last quarter primarily relates to there being two fewer days this quarter, as average assets increased more than the increase in spending at 5%, whereas SG&A spend increased 4%. Spending can be a little front-end loaded for the year, so we expect SG&A to increase by much smaller amounts, if at all, over the remaining quarters this year.

The SG&A efficiency margin, measured on a trailing 12-month basis within the asset management segment, looks at an available pool of management fees less trailer fees and DSC and how much of that pool remains after deducting SG&A spend. In the past 12 months, CI has retained 71.8% of that available pool, up from 69.6 one year earlier. Put another way, CI spends less than 30% of the amount available after paying trailer fees and DSC out of management fees.

Next, we have five quarters of free cash flow, and we see a slight drop in free cash flow to 143 million from last quarter and an increase of 20 million from the first quarter last year. Note that the first quarter's typically a low point because of the increased spend on DSC during RSP season, so the better comparison is the year-over-year growth of 16% or 20 million. This year-over-year increase is a result of operating cash flow growing by more than 10 million, and we spent 10 million less on deferred sales commissions this year as the trend away from deferred load sales is continuing. And here in the first part of the table, we have some details on the level of free cash flow for last quarter and this quarter. Operating cash flow growing from 172 to 175 million, less commissions of 24 million and 32 provides 148 million of free cash flow last quarter and 143 million this quarter.

The next section details the amounts returned to shareholders. We repurchased $38 million in stock in the fourth quarter and another 47 million this quarter and increased the dividends paid, 89 million, up from 86 million last quarter. And now, CI's run rate quarterly dividend payout is 93 million with the increase announced today. CI is returning the majority of its free cash to shareholders and we are very comfortable with this level of dividend payout and targeting buying back at least a million shares each quarter at this valuation level.

CI's return on equity hit 29% this quarter and is another indicator of the strong performance of CI. This return has grown over the past year from 25% as CI leverages the growth in its AUM to earnings growth and the limited need for additional capital to support that growth. And this chart of CI's annual dividends paid since 2009 shows a compounded annual growth rate of 14% through our forecast for this year.

I will now turn it back to Steve.

Stephen MacPhail: Thank you, Doug. Looking at our dividend chart, moving on to the assets under management. What you can see is we finished Q1 with our assets under management up almost 3% from the Q1 average, and our average AUM in the second quarter is now also up 3%, which sets the stage for our dividend increase, but it also makes us optimistic about Q2 at this point in time.

I'll now address the Notice of Assessment we reported, having recently received it. First, the period to which it applies is based on the two and a half years when CI was an income trust in 2006 to 2008. CI and our expert advisors, which include our external auditors, legal counsel and valuators, all agree that the CRA position is without merit. We've already filed our Notice of Objection and we'll vigorously defend this matter. We've not taken a provision in respect of this matter other than for legal expenses, should we need to incur them. Again, this is based on our view the CRA position is without merit.

And here's a bit of the background. As I mentioned, the reassessment applies to a period when CI was an income trust. You might recall that CI was one of the largest and last companies to convert to being an income trust. CI adopted exactly the same structure as over 100 over public entities before it. There was nothing unique to what we did. As you know, CI is not a company to take risks, and as such, we obtained an advanced tax ruling from CRA with respect to our structure. Furthermore, Bill Holland had a meeting specifically on income trusts with then Deputy Minister of Finance Mark Carney to gain assurances that they were happy with the income trust structures in Canada. When creating our income structure, we used an expert valuator, one of the most reputable law firms in Canada, and others experienced in income trust conversions to guide us. Needless to say, we and everyone involved was stunned that CRA has reassessed CI. We are not aware of any of the other hundreds of income trusts being reassessed in this manner, including ones almost exactly like CI. In fact, we know some of them have been reviewed, or most of them have been reviewed without any reassessment and are actually now statute-barred from further review. We are hopeful that the entire issue gets vacated at appeals, but to be clear, we're 100% committed to resolving this issue in tax court if required. Lastly, although the whole issue is, as one analyst put it to me earlier today, an annoyance, it will not impact CI's dividend or share buyback policies.

So to wrap up on a positive note, CI's AUM in Q2 is up 3% from our Q1 average, giving CI a positive start to the quarter and facilitating our dividend increase. Strategically, we continue focusing on growing CI's AUM to $150 billion and our Assante business to 50 billion. As I mentioned, we're confident we will successfully resolve the CRA issue. Market performance has been good year-to-date for our existing clients and it creates a positive environment for future sales. I can assure you that every department at CI is focused on doing what is necessary to maintain our competitive advantages. And finally, we have continued to have a positive outlook for long-term profitability and dividend growth and continuing stock buybacks. With that, that finishes the formal part of our presentation and I'd like to open it up to any questions you might have for myself or my colleagues. Thank you.

Operator: The first question is from John Aiken. Please go ahead.

John Aiken (Barclays Capital): Good afternoon. Steve, I think characterizing the CRA issue as an annoyance is actually giving the CRA a little bit too much credit. But in your commentary, you talked about this issue not having an impact in terms of your dividend growth, your share buybacks, but does this give you any pause in terms of other deployment opportunities such as acquisitions or growing the business?

Stephen MacPhail: No, not at all. We don't see any case where there's any material amount that CI would have to worry about paying out here, as we do long-term capital planning. This just does not even come into our consideration.

John Aiken: Great, and I guess this question's for Derek. Was hoping you might be able to square the circle for me. Implying that year-to-date sales are in line with 2014 does imply very strong sales in April, but yet if I recall properly, that you actually had flat AUM in the quarter and I believe the equity markets on both sides of the border were up. Is there something that I'm missing? Was there something that's dragging down performance in April?

Derek Green: Our AUM was slightly down in April. It was a strong month, both for retail and institutional. I think the biggest impact on AUM would be the rally in the Canadian dollar, and I think that's the single biggest impact.

John Aiken: Great. Thanks, Derek.

Operator: Thank you. The next question is from Gary Ho. Please go ahead.

Gary Ho (Desjardins Securities): Just one little quick question on the CRA and the Notice of Reassessment. I know the timing's very much up in the air but any indication from your lawyers or accountants when this might get resolved?

Stephen MacPhail: It's Steve MacPhail here. We just filed within the last week the Notice of Appeal and if you look at how these are dealt with, they can be dealt with in any time up to 24 months, typically somewhere between 18 and 24 months is when the CRA deals with them. We're hoping in this case because of the significance of the case that it would be dealt with earlier. So that part is outside of our control; however, at any time after 90 days, so after July 31st, we can elect to go directly to tax court on that, and that's just a decision we haven't made at this point in time, but that's the only thing that we can control the timing on. And then once you go to tax court, it could be any time after that. So if we have to go to court, this won't be resolved in the near term, but we certainly would hope, if the decision is made to vacate this issue, that that could occur any time within the next six to eight months.

Gary Ho: Okay, perfect. And then second question, I want to get your thoughts on the recent changes to the Sun Life seg fund products and the relationship there. I think this was already in the net redemptions mode last year. Correct me if I'm wrong, but what could be the incremental impact going forward? How should we think about this, and any colour on the duration of these products?

Derek Green: I don't think it's going to be a huge impact. Seg funds, for the last few years, I would say the last three or four years, have really not been nearly as big a seller for us. But we're committed to being in the guaranteed space. We already have a guaranteed mutual fund, and we're exploring some other opportunities to have a seg partner. Markets don't go up forever and seg funds become more popular or guaranteed products are more popular when markets misbehave, so we want to be in that space. So I don't think it's going to be a big impact over the long term.

Gary Ho: And any colour on the duration of the seg fund block?

Derek Green: No, I don't think so.

Gary Ho: Okay. And then lastly for Steve Donald, there was talk Assante may launch a robo-advisor platform, selling mutual fund products. That kind of makes sense to me, but can you give us some colour in terms of pricing or a potential launch date or just generally strategy behind that?

Steven Donald: Sure. The article that was put in the paper was very premature. We're in the very, very early stages of looking at the potential of having an automated platform for our advisors to help them in delivering service. Our thinking around the process is that we'd like to create a platform to help our advisors deal with smaller but high-potential accounts. Our objective is definitely not to go out and try to scoop up as many small accounts as we possibly can. It's about our advisors, about creating an efficient platform for our advisors to use with their high-potential accounts. We also think that there might be opportunity, as we look at our existing tools, to leverage some of the development into the platforms that we use for our core clients, mass affluent and high net worth as well.

Gary Ho: Okay. Perfect. That's it for me.

Operator: Thank you. The next question is from Geoff Kwan. Please go ahead.

Geoff Kwan (RBC Capital Markets): Good afternoon. Just was wondering if you can talk about, with the net sales that you had to start the quarter being good, if there's anything specific that might be driving it, and also similarly, has there been much in the way of changes of the types of funds that clients are buying also, the types of funds that clients are redeeming?

Derek Green: I would say the biggest impact from my perspective – and January was the month that was quite a slow start and I would say Q4 was fairly volatile. There was lots of noise in the market, and I think people were just sitting on cash, waiting to deploy it. I would also say that the value funds, they haven't been attracting the flows that they have in the past, it was more the growth or GARP funds were getting it. January was disappointing, February was behind the previous February, March was good and April was actually excellent and ahead of 2014. So there was no one particular thing. We had a large institutional account that rebalanced and so it wasn't one big factor. It was a number of little things.

Geoff Kwan: Okay. That's it for me. Thank you.

Operator: Thank you. The next question is from Graham Ryding. Please go ahead.

Graham Ryding (TD Securities): There was an announcement recently, the Canadian ETF Association announced that they were going to do a deal with the Mutual Fund Dealers Association to provide or increase access to ETFs. Just wondering if you think this is a pretty notable development. It looks to me like it could be over the longer term. I was just interested in your view on this and if perhaps there's any structural issues within the MFDA channel given it's got a relatively low percentage of fee-based platforms within the dealers, if that's an issue that could maybe limit the penetration of ETFs within this channel.

Derek Green: I'll take a crack at it and then Steve Donald can ring in on this as well. I don't think it's a huge development. ETFs have been around for a long time and what the MF dealers are going to be required to do is find a correspondent network to facilitate the trades and the clearing. ETFs are relatively small, about half the market share that they are in the United States right now. I think it's about 6% in Canada. So I don't think it's a huge issue, but do you have any comments on that, Steve?

Steven Donald: No, I would just echo your comments, that the most significant barrier at this point, and it is a short-term barrier, as you say, Graham, is access to clearing. So NBCN is trying to figure that out. From a longer-term perspective, as you point out, dealers will have to have a fee-based platform in place and I think, broadly, I mean speaking on our IIROC practice, we don't have a great deal of adoption into the ETF space, even though we have the fee-based platform available to our IIROC advisors, so while I could see some migration over the longer term, I don't think it's going to be significant, as Derek says.

Graham Ryding: Great. Maybe I could just throw one more in. I noticed the fund performance, in particular on some of your larger Signature funds, seems to have lagged somewhat in 2014 and year-to-date just relative to its track record of the past five years. Just any colour on what's driving that? Is there any concern that if that persists, that could be an overhang on net sales?

Derek Green: Sure. As you said, it's really the short-term numbers year-to-date, the one-year numbers. I would say it's specific to them being a little more defensive than they've been in the past. We've just passed the sixth anniversary of the start to a great bull market, so I think it's the second-longest or maybe it's the third-longest running bull market in history, so it makes sense for our money managers –we're not forecasting a crash or even a significant pullback – but they're being a little more defensive and historically, when Eric Bushell and his team raised cash, they've done a good job at managing the risks. So the risk-adjusted return, it's nothing untoward. In fact, the team has never been stronger or had more personnel. We're up to 42 investment professionals on the team now so they've got the right people and I definitely think it's just from being a little more defensive.

Graham Ryding: Thanks for the colour. Appreciate it.

Operator: Thank you. The next question is from Scott Chan. Please go ahead.

Scott Chan (Canaccord Genuity): Good afternoon. Derek, just on the sales and advisors events slide, and it's good that you guys track it now, looking into 2015, is this something that is going to be kind of a bit higher in terms of conferences and touchpoints with advisors, or how does that compare year-to-date versus last year at this point?

Derek Green: We would be ahead so far this year. Something that we've done a lot of are these workshops on regulatory reform and helping advisors transition how they do business, but we're also conscious of managing the cost. If the market were to pull back significantly, we can dial back our spend easily. Last year, we did an event for 1,250 advisors in Vegas. This year, we're going to Dallas. I don't think there'll be 1,250 people signing up. We have a sales plan and we have a budget that we have to adhere to and if the markets remain strong and our assets remain where they are and continue to grow, we'll continue to be out with our money managers, talking to clients and doing events and trying to be good resources to our distribution partners. But if the market were to pull back, Stephen, Doug, ensure that we keep a very close eye on our spend and we'll dial back if we have to.

Scott Chan: Okay, thanks.

Scott Chan: So, and just for Steve, you guys used to report your distribution channels, like Assante, Sun Life, IROC, MFDA, Edward Jones, and if it was up year-over-year or sequentially. Is there any big kind of variances that you've seen in any of those channels in the last couple of quarters?

Stephen MacPhail: No, and in fact in our two key channels, Assante and Sun Life, our business is up year-over-year. So it's been very positive in those two areas so we're pretty happy with it. And those other channels where we continue to make more and more inroads, which has been reflected in our sales.

Scott Chan: Okay. Thanks.

Operator: Thank you. The next question is from Tom MacKinnon. Please go ahead.

Tom MacKinnon (BMO Capital Markets): Yeah, thanks very much for taking my question. Sorry, I got on the call late and you may have already talked about this, but just with respect to the CRA notice and I think it's asking already for a minimum payment of 130 million. Has that been paid, and why do you think that this is not going to change your view towards any kind of dividend increase or share repurchases? Thanks.

Stephen MacPhail: Well, I'll answer the second one first, but in the context of our annual cash flow, $130 million is not a lot of money, first of all. Secondly, we have a very unlevered capital structure and our view is this is just money we're putting on deposit with the CRA on a temporary basis, so you wouldn't adjust any of your plans for that. And I think as Doug's told me, we get 1% interest or some other amazing return on it. So again, that's inconsequential to us from that perspective. It sounds like a big number but not to CI. I want to make that perfectly clear on that front.

Tom MacKinnon: Okay, thank you.

Operator: Thank you. The next question is from Stephen Boland. Please go ahead.

Stephen Boland (GMP Securities): Sorry, similar to Tom's question, he asked about the 130 million, has it been paid? I didn't hear whether that was answered. And just what's the accounting for that? Is it just put into a separate account, or why isn't it provisioned for?

Doug Jamieson: Steve, it's Doug. We have not paid the 130 yet. We will be paying it over the next six months, and we will see it booked on the balance sheet in other assets. It's more of a long-term receivable since we don't know when we'll get it back. So it is going to show up over the next six months.

Stephen Boland: Okay, but there will not be an income statement impact in your view?

Doug Jamieson: No income statement impact.

Stephen Boland: Okay. Thanks very much.

Operator: Thank you. There are no further questions at this time. I'd like to turn the meeting back over to you, Mr. MacPhail.

Stephen MacPhail: Well, with that, I'd like to say thank you very much. I'm happy to have presided over what's now known as another record quarter for CI and thank everyone for attending and we will talk to you in August and just a reminder, our annual meeting is in early June; hope to see a number of you analysts there. Thank you very much.