CI FINANCIAL CORP.

FIRST QUARTER 2018 RESULTS

CONFERENCE CALL

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PRESENTATION

Peter W. Anderson, CEO, CI Financial

Welcome to the CI Financial conference call for the first quarter of 2018. Joining me on the call, as always, is Doug Jamieson, CI's Chief Financial Officer. He'll provide a financial update for the quarter and for the ongoing integration of Sentry Investments. Also available on the call are members of CI's executive team to answer your questions on our various business lines.

In the first quarter, we continued to execute on our various strategic initiatives. Among other things, in the last few months, we've almost completed the successful integration of Sentry. We realigned the retail sales team across Canada to support both CI and Sentry products. We incorporated the core Sentry portfolio management group into our lineup of investment teams. We also began the integration of parts of First Asset and BBS into our various CI businesses.

In the first quarter, higher levels of volatility returned to the financial markets after an unusually stable year in 2017. Last year, the S&P declined more than 1 percent on just roughly 2 percent of the trading days. In Q1 of this year, that has increased to more than 15 percent. This has both positive and negative implications for firms like CI.

Before handing the call over to Doug, there are several important points I want to address. First, as I said, the Sentry integration continues to go well. Although retail sales remain in redemptions, the overall integration is well ahead of schedule and it delivered everything and more than what we forecasted. Doug will get into a lot more detail shortly.

Second, with regards to our Canadian retail business, both CI Investments and Sentry funds were in redemptions for the quarter. I can point to several factors for this. As I said on the last call in Q4, we expected to be in redemptions in 2018, with improvements coming in the second half of the year. This continues to be our outlook. However, we are very pleased with the strong gross sales we see in all of CI's businesses and especially in our retail business. I'll talk about this later in the call.

Finally, the short-term performance of some of our funds continues to impact retail sales. Certain asset classes, namely Canadian equity, income and balance funds, have lagged the U.S. and global markets in recent years, and these categories are in redemptions, not only with CI, but across the industry. CI has large funds in all of these categories. The performance numbers show that our portfolio managers have proven themselves in the longer term. Fifty of our funds have four and five-star ratings from Morningstar. These funds capped well over 50 percent of our core assets and represent most investment categories and portfolio management teams. I remain fully confident in all of our portfolio management groups.

Finally, I want to confirm our ongoing commitment to buying back CI shares. Last quarter, we purchased roughly $150 million in shares after buying back a similar amount in Q4. At this time, we continue to believe there's no better use of our cash flows than buying back our stock.

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

Douglas J. Jamieson, EVP & CFO, CI Financial

Thank you, Peter.

Looking at Q1 compared to Q4 of 2017, average AUM decreased 0.4 percent to $141.9 billion from $142.5 billion. Net income was $159 million or $0.59 per share compared to adjusted net income of $173.7 million or $0.63 per share. As of last quarter, we booked the provisions noted at the bottom of the slide.

Our accounting change impacted the comparative figures, and I'll get into those details in a minute. Free cash flow was down a similar amount to $166.9 million. The main reasons for the decline in earnings are the impact to revenue of two fewer days in the quarter; an increase in SG&A primarily related to compensation and investments in technology; bringing to market our marketable securities portfolio; and a decline in other revenue related to distributions received last quarter on seed capital investments.

Now looking at Q1 year-over-year highlights. Average assets under management were up 19 percent from $119.4 billion in last year's first quarter. Net income was up 9 percent from $146.5 million, and free cash flow grew 9 percent as well. The increase over the prior year is primarily attributable to the acquisition of Sentry, boosting CI's AUM, offset by a decline in margins as net management fees in basis points were down about 4 percent year-over-year and SG&A in basis points were up about 6 percent in the asset management segment.

We disclosed on the last call that CI would be making an accounting change this quarter, and I'd like to further explain the impact of that change on CI's results. Effective January 1, CI wrote off the entire balance of deferred sales commissions and the related deferred tax to retained earnings. On the income statement, DSC is now treated as a period expense and not capitalized and amortized. This was applied retrospectively, meaning that it is as if DSC was always treated this way from an accounting viewpoint. CI's comparative quarters have all been adjusted. The impact has been to increase historic net income by about $11 million or $12 million each quarter last year or about $0.04 to $0.05 per share. It also reduced EBITDA by the amount of spend during each quarter as it became an expense instead of amortization. CI's total SG&A increased from $130.8 million last quarter to $135.2 million in the first quarter, and in basis points, increased from 36.4 to 38.7.

In the asset management segment, spend increased $1.2 million, as the continued realization of synergies from the integration of Sentry were more than offset by compensation and spend on technology. In the asset management segment, spend was up $3.3 million as a result of the inclusion of BBS for an entire quarter as well as increased compensation.

As CI looks to invest in key areas of the business, most of which will improve service and convenience for our clients and employees, and some of which will provide for cost efficiencies down the road, we are targeting a 4 percent annual increase in SG&A. CI's Q4 SG&A was just over $130 million or $520 million annualized. We're looking at the $540 million range for all of 2018, depending on those PM expenses that are calculated on basis points of assets managed.

For each of the past five quarters shown here, CI's quarterly free cash flow and then some has been returned to shareholders. As I stated last quarter, we continue to favour buybacks over dividend increases and expect this level of repurchase to continue. We are comfortable with CI's debt level at 1.1 times net debt-to-EBITDA and would remain so even up to 1.5 times or more, indicating that we have the runway to continue buying back stock at this pace.

I'll now turn it back to Peter.

Peter W. Anderson, CEO, CI Financial

Thanks, Doug.

At CI, we remain focused on our strategy, with a goal to exceed investors’ long-term goals, while creating value for shareholders of our company. Q1 was challenging for the industry as evidenced by the share performance of most asset managers in North America. However, we remain confident CI Financial is moving in the right direction. Our acquisitions over the last 2.5 years, First Asset, GSFM, Sentry and BBS, have met our goal of adding scale and optionality for CI. We are responding to the same industry challenges I mention on every call, including the passive versus active debate, increased regulation, fees, market volatility, overcapacity of active managers and the banks' market share. At CI, we're confident our company is well positioned to meet these challenges and continue to be a leader in our industry.

Now let me talk you through the results of our business lines.

Assante, Stonegate and Private Client continue to be solid growth engines for our business. Although market volatility has marginally slowed sales, the metrics we control, including advisor recruitment, continue to be very positive. We expect to exceed last year's recruitment results, measured by the number of new advisors and new assets in 2018. Through the remainder of this year, we'll be executing on several growth plans for the business, including launching new products and other services for advisors and their clients.

First Asset, our active ETF business, had another strong quarter. Sales in Q1 of 2018 were almost double of those in Q1 of 2017. We are maintaining a strong share in the actively managed ETF market even as more competitors enter the space. Last quarter, we announced our intention to integrate First Asset into CI by the end of Q2, including sales, marketing, product development and portfolio management. This project is proceeding very well and with our ETFs being supported by our larger sales force, we expect First Asset to continue to gain momentum in the broker and other channels.

CI Institutional Asset Management posted excellent results, reporting higher growth and net sales in Q1. We said on the Q4 call that 2018 was setting up to be another solid year for our institutional business, and we still expect that to be the case. There is $25 million of investments that have been committed but is yet to be funded. In addition, we have been shortlisted for substantial number of potential new opportunities and our list of RFPs is at an all-time high.

Grant Samuel Fund Management, or GSFM, in Australia continues to meet our expectations. We had positive net sales in both its retail and institutional businesses in the first quarter. As I mentioned on the last call, one of the benefits of this acquisition is the ability to offer CI portfolio managers in Australia, and GSFM managers in Canada. At the end of 2017, GSFM launched a fund managed by CI’s Cambridge team into the retail and institutional channels in Australia. As well, we expect to bring one of their portfolio management teams, Munro Partners, to the Canadian market later this year.

CI through GSFM has an ownership position in Munro. Last evening, we learned they won Best New Emerging Manager in the Australian market.

We continue to be extremely impressed with the team at BBS Securities, and we're very pleased with the integration to date. Assets under administration and account openings have grown significantly since we've closed that transaction, in part because they are now part of the CI family, but also because of their superior technology and product offerings. We are working to take advantage of many opportunities to leverage their knowledge and technology throughout CI, especially at Assante, Stonegate and CI Private Client. However, we can't forget that this is a vital and growing standalone business.

Finally, our primary retail business, CI Investments. While our gross sale levels continue to be strong, this was a challenging quarter from a net redemption standpoint. Without making any excuses, the factors that contributed to this include: first, many of our portfolio management teams have taken a conservative approach to the equity markets, leading to less exposure to technology on a global basis causing short-term underperformance compared to other growth managers. Second, Canadian focused mandates, equity balance and income redemptions throughout the industry today. This is impacting some of our largest funds. Third, our closed block of business. Given our segregated fund business is not open to new sale, it will continue to be a drag on our retail net sales.

Finally, the Sentry acquisition. Without a doubt, the Sentry acquisition over the short term has had an effect on our business. The acquisition has created change and uncertainty for advisors, leading them to re-examine the business with CI and Sentry. Sentry was in redemptions when we acquired this business, and we expected this in all of the models that we did prior in the acquisition. We believe these are short-term issues and Sentry continues, in our opinion, to look like a very good acquisition.

Although there are also some very positive metrics, which confirm to us that our current strategy is producing results, consider the following: our current funds have very competitive longer-term performance, as shown by Morningstar. We continue to see very strong gross sales throughout CI, especially in our retail sales business, a very positive sign. And we're very encouraged by the number of new advisors buying CI products for the first time. We attribute this partly to the new relationships we have made during the Sentry transaction. We remain very confident in our retail strategy and in our large retail sales team and management, led by Roy Ratnavel.

In summary, we were successful in Q1 in executing our strategy in integrating the Sentry acquisition and continuing to grow our business. Unfortunately, this success was overshadowed by two significant short-term challenges - our redemptions in retail sales and some performance issues with portfolio managers. I think these are also interconnected. We remain committed to our portfolio management teams, who have provided investors with exceptional long-term performance, and were key to the growth of CI assets in the past. With regard to our retail sales team, as I said earlier, we remain confident in the current strategy and our people.

In the operational parts of our business, we are focused on expense management and the prudent use of cash flow. We are investing, and we'll continue to invest in areas where we expect solid returns, including sales, technology, operations and distribution. We are positive about our position in the Canadian market and are focused on exceeding expectations of our investors, advisors, employees and shareholders. And finally, we're planning to continue to buy back CI stock. We believe this is an excellent use of our cash flows today.

And with that, I conclude my remarks, and we will be pleased to take any of your questions.

QUESTION AND ANSWER SESSION

Operator

Our first question is from Gary Ho from Desjardins. Please go ahead.

Gary Ho, Desjardins Capital Markets

Thanks. Good afternoon. First question, just going back to the SG&A here. I guess, the BBS and Sentry inclusion and the annual comp increased, but you also mentioned technology spend. Can you elaborate what you are spending on specifically? And also second part to that, is the 4 percent increase in SG&A a medium-term target that we should think about as kind of reinvestment in the business as well?

Douglas J. Jamieson, EVP & CFO, CI Financial

Gary, it's Doug. First off, yes, I'd say that’s a short-to-medium-term target. I'd say for 2018 and that’s what we're looking for. As Peter said, we still look for ways to find cost savings, but we are looking to reinvest in the business. I mentioned technology, and in specific, we have initiatives looking at enhancing our website, our mobile access, and then we have longer-term initiatives looking at AI and Big Data, as well as systems throughout the company, in the middle office and the back office. So, there's quite a few things going on in the technology area.

Gary Ho, Desjardins Capital Markets

Okay. And then, second question is on the average management fee side. I guess, there's a shift to more of a fee-based and that put pressure on fees, but as well, you're gaining more assets on the institutional side and more of the redemptions on the retail side. What impact does that have on your fee compression? Are we still looking in that three to five basis points per year range?

Douglas J. Jamieson, EVP & CFO, CI Financial

Yes. And as we've seen over the past year, it was about four basis points drop in our net management fees. So, three to five range, unless we see some other reasons to change that trajectory, that's what we expect.

Gary Ho, Desjardins Capital Markets

Okay. And then just lastly, just quick one. Just on the Canadian retail outflows at $1.6 billion. Just wondering if you can break that down between the legacy, CI, First Assets and Sentry? Or if not, just kind of color between those three buckets would be good?

Peter W. Anderson, CEO, CI Financial

Gary, it's Peter. I'm not going to get into a lot of detail, but I would certainly say that we had redemptions in Sentry's retail, we also had redemptions in CI retail, and we were in net sales with First Asset.

Gary Ho, Desjardins Capital Markets

Okay, that's it from me. Thank you.

Operator

The following question is from Geoff Kwan from RBC Capital Markets. Please go ahead.

Geoff Kwan, RBC Capital Markets

Hi, good afternoon. Peter, just wanted to confirm your comment earlier. So you're still sticking that you think on the Canadian retail open products that it will be positive net sales on a monthly basis by the end of this year. Is that correct?

Peter W. Anderson, CEO, CI Financial

Yes. I think, we will see improved sales by the end of the year. I'm not saying that we're going to be in net sales for the year, but I think that we will see positive sales monthly towards the end of the year.

Geoff Kwan, RBC Capital Markets

Okay. Okay. And then, just I mean, given the flows. I mean, it sounds like everything's on track despite—maybe, what we saw in Q1. Do you think that there is anything that say on the sales and marketing side, whether or not spending a little bit more than you are right now might accelerate that return, or are you comfortable with kind of the plans on spending to get yourselves back to the black?

Peter W. Anderson, CEO, CI Financial

In terms of spending, we've increased our wholesaling team by probably 25 percent to 30 percent in the last year and a half. We brought on a large number of wholesalers from Sentry. We'd already done quite a large growth plan the year before. We have reduced the territories by wholesalers. We've created a compensation model that's paid on sales. We've created a prospecting program for our wholesalers, which is working out really well already.

We're spending more even today. We're on the road with our portfolio managers quite a lot. So, no, I think, we're spending a lot of money. And I'd add to that that we're also training our sales team, both the external sales team and our internal sales team, more than we ever have done before. Finally, we've increased our management. We have individuals now that head inside sales team. We have people who oversee the IIROC channel and the MFDA Sun Life. We're very focused on our real core distribution channels to ensure that we're doing everything we can.

I'm quite confident in our strategy we have today, and I think we are investing more money today in sales than we ever have.

Geoff Kwan, RBC Capital Markets

Okay. And then, when I take a look at the last two quarters or so, if I'm looking at Q4 and Q1, and I take your operating cash flow, take off cap ex, which you had in DSC in Q4 and then also after paying the dividend, so for those two quarters, I get to roughly about positive $30 million. And when I look at your share buybacks over the last two quarters, it's roughly about $300 million. So effectively kind of either using up $270 million in either cash or taking on some debt to do the share buyback. Is that the right math, or is there something—a nuance that might give a different response?

Douglas J. Jamieson, EVP & CFO, CI Financial

I'm not sure what the $30 million is. You said you subtracted cap ex?

Geoff Kwan, RBC Capital Markets

Sorry, I'm taking your operating cash flow. Taking off the cap ex, which isn't that much. Taking off the working cap changes and the interest and income taxes paid as well as the dividend. So getting more of a net, yes.

Douglas J. Jamieson, EVP & CFO, CI Financial

Yes. We don't subtract the working capital. We feel like that fluctuates with no changes. We calculate our free cash flow by previously adding back or deducting the sales commissions and now it’s just free cash flow similar to the operating cash flow for work changes and working capital.

But we look at it as at the level of buyback we're doing now, debt would go up by $80 million to $100 million a quarter.

Geoff Kwan, RBC Capital Markets

Right. Okay. Okay, so that's helpful. And just one last thing was just, it would be helpful, I guess, when you guys report your future quarters, if you're able to also include the net redemptions from the closed business in the press release that would kind of make it easier for us to gauge kind of the total in aggregate net redemption. I know the issues that you talked about on the closed business.

Peter W. Anderson, CEO, CI Financial

Okay.

Geoff Kwan, RBC Capital Markets

Thank you.

Operator

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

Paul Holden, CIBC

Thank you. Good afternoon. So, maybe let’s go back to the conversation on the share repurchases and the increase in debt. How high are you willing to take that net debt-to-EBITDA for share repurchases alone. Is it still 1.5 times are you willing to go to something higher?

Douglas J. Jamieson, EVP & CFO, CI Financial

Depending on the situation. We're very comfortable up to 1.5 times net debt-to-EBITDA. Now if we went above that we would have to have a very good reason or a good way to get back towards 1.5 times, but we certainly feel mildly underleveraged at the moment so.

Paul Holden, CIBC

Understood. Okay. That’s what I was trying to get. And then I want to also circle back to an earlier on a questioning around fee compression. So the average management fee is one way to look at it and another way to look at it, which I think—but I guess, the way you more look at it is sort of if you will the net revenue capture rate. So the average fee minus trailer fees. With your increasing mix towards institutional and fee-based, will that net revenue capture change significantly?

Douglas J. Jamieson, EVP & CFO, CI Financial

No. The net revenue is the mix of institutional, it's the mix of ETFs, it's the mix of retail mutual funds. We just take out the trailer fee as if everything we sold was on the mutual fund side, Class F. The change in that is (unless we actually cut fees), just the mix of the business.

Paul Holden, CIBC

Correct. So that's what I'm trying to get at. That three to five basis points per year is not a net negative, that’s just a top line negative? Is that correct?

Douglas J. Jamieson, EVP & CFO, CI Financial

No, because the top line may go down as we get more fee-based business.

Paul Holden, CIBC

Okay. So put another way, your margins on fee based and your margins on institutional are lower than traditional Class A mutual funds?

Douglas J. Jamieson, EVP & CFO, CI Financial

The fee-based could be the same margin as traditional.

Paul Holden, CIBC

Okay. So the net revenue rate then will not change for mix. Okay. Last question. So when I think about the factors you highlighted that are influencing net redemptions in Canadian retail, I would argue a lot of those factors or at least some of those factors are out of your control and probably a matter of timing in terms of playing the market more conservatively for now. So then my question would be given that case, why spend as much as you are on sales today? Like why not wait until the opportunity is more ripe to push hard on sales?

Peter W. Anderson, CEO, CI Financial

I don't think you can mark a time. With the acquisition of Sentry, we had the opportunity of increasing the number of wholesalers that we had and bring their talents over to the company. The one thing I would say was sort of anecdotal, but the sales team that we brought over and the ones that are still with us are exceptional sales people and if we didn't keep them they would have gone somewhere else.

We see that the value of the team, and we're seeing significant growth in new advisors that we never did business with before, which is positive. And that's only started in the last quarter since we really geared up this team. So, we don't think in terms of people you can take your foot off the pedal and then step on the gas again. I just think that you've got to be consistent. Two years ago, we were definitely under resourced on the sales side. Today, I think we're properly resourced.

Paul Holden, CIBC

Okay, fair enough. Thank you.

Operator

Thank you. Our following question is from Tom MacKinnon from BMO Capital Markets. Please go ahead.

Tom MacKinnon, BMO Capital Markets

Yes. Thanks very much. Good afternoon. It sounds like with respect to the net outflows issue, especially given that you've got strong gross sales, I'm trying to square this with the fact that you talk about performance issues, short-term performance issues. Why wouldn't that be impacting your gross sales? And so you're getting good gross sales despite the short-term performance issues, but you seem to be having more of a redemption issue here. So I'm just trying to marry these statements that you're making and determine really what's driving this continued net sales lead?

Neal A. Kerr, EVP, Investment Management, CI Investments

Hi Tom, Neal Kerr here. Addressing the trailing fund performance first, as we indicated, we've got a variety of managers that are defensively positioned. We also have a fair amount of value style in some of our larger products as well as a Canadian bias in those products. So, there are a number of funds that are $4 billion, $5 billion, each in size that are Canadian focused with a value tilt. Those are generally out of favour across the industry, including at CI, so that's the outflow story.

On the inflow story, we have an incredible number of funds today that have four and five-star ratings from Morningstar. It's actually 50 funds at the end of Q1 that have those ratings across a whole variety of asset classes and we could look at 10 different asset classes and find at least one CI fund with a five-star rating.

Therefore, we've got a good product. It's available on a variety of platforms and using an extensive sales team across all channels, we're continuing to drive gross sales.

Roy Ratnavel, EVP and National Sales Manager, CI Investments

It's Roy Ratnavel, Head of Retail Sales. In addition to the comments made by Neal, and as you heard from Peter earlier, we do have a prospecting strategy within our sales team. We're going after advisors who do not have any assets at CI, so the gross sales are really coming from that segment of the client. The outflows coming from clients who have got us here through the balanced funds and equity income funds that have been popular for the last decade. And that's really the story there.

Tom MacKinnon, BMO Capital Markets

And how come you can't keep some of those balanced and income old CI advisors and have them flip into some of these newer, faster, these newer growth funds?

Roy Ratnavel, EVP and National Sales Manager, CI Investments

We are capturing some of it. We can't capture all of them. Sometimes when people make allocations to their portfolios they switch out of the product and then go into, perhaps, different platforms as people's business model change and expectations change. But for us, we are catching some of it, and we do know that. We are getting significant traction on some of the global and global fixed income products.

Tom MacKinnon, BMO Capital Markets

And how long do you think we're going to continue to see a drag from some of these Canadian value funds?

Peter W. Anderson, CEO, CI Financial

With our portfolio managers, their performance is improving. There's still headwinds of a shift in asset classes, as we talked about before, from Canadian equity, balanced and income to global. We see that. We're seeing traction as Roy said, in our prospecting and in new advisors coming to CI. I'd like to have more clarity, but we're certainly seeing what we're focusing on in our Canadian retail business. We are seeing that the work that we're doing is working. That's why we're optimistic. For me, as a CEO, I'm quite pleased with what I've seen. It's just going to take time.

Tom MacKinnon, BMO Capital Markets

Okay. And then, one more question about the buyback. How much more room, Doug, do you think you might be able to have before you hit 1.5 times net debt-to-EBITDA. This looks like—maybe, do think you can continue at this pace for another three quarters and buying five million shares per quarter and then you would hit that?

Douglas J. Jamieson, EVP & CFO, CI Financial

Obviously, it's dependent on our free cash flow each quarter, but, yes, considering at 1.1 times, we can get to 1.5 times in three or four quarters.

Tom MacKinnon, BMO Capital Markets

Okay. And then what? And then what do you do? Then it’s not buying back stock anymore? Just bring the leverage down and then crank it up again?

Douglas J. Jamieson, EVP & CFO, CI Financial

Well, maybe we don't buy back five million shares. We certainly still have a lot of free cash flow.

Tom MacKinnon, BMO Capital Markets

Okay, thanks.

Operator

Thank you. A following question is from Graham Ryding from TD Securities. Please go ahead.

Graham Ryding, TD Securities

Hi, good afternoon. Maybe I could just clarify a couple of things. The SG&A growth, I think, in your slide, it says 5 percent 2018, but I thought I heard your comment say 4 percent. Just maybe some clarity on what's the growth for this year?

Douglas J. Jamieson, EVP & CFO, CI Financial

Yes. I was just seeing if people were both listening and watching at the same time. I'd say, we're trending pretty close to 4 percent right now. And we're certainly comfortable in the 4 percent to 5 percent range.

Graham Ryding, TD Securities

So call it 4.5 percent?

Douglas J. Jamieson, EVP & CFO, CI Financial

The issue is part of our spend is determined by the level of assets under management, so some of our PM costs are asset-dependent. Meaning if our assets go up, we probably would be closer to the 5 percent.

Graham Ryding, TD Securities

Okay. That works. Just Sentry, you mentioned it was in redemptions before the acquisition closed. It’s obviously been in redemption since then. Why are you confident that this is a short-term issue? Is it your investments in the sales and marketing? Or what is it that's giving you the confidence that this trend is going to reverse?

Peter W. Anderson, CEO, CI Financial

We are seeing some signs that the redemption levels over at Sentry are stabilizing, so that's improving. I look at our entire business line. I don't look at Sentry versus CI versus whatever, I include them all. But we do certainly break that out. So, yes, I think we're seeing some signs that the Sentry business as a standalone is levelling off and improving slightly. That's why I get some confidence.

Graham Ryding, TD Securities

Okay. If I do some—make some assumptions about fund performance in April, looks like you had redemptions in April. Is that accurate?

Peter W. Anderson, CEO, CI Financial

I would say that we remain in redemption, yes.

Graham Ryding, TD Securities

Okay. And then, your BBS general leverage of the technology there into your Assante and Stonegate channels, can you give us some examples of what you're looking at on that front?

Peter W. Anderson, CEO, CI Financial

I don’t really want to get into too much detail, but suffice to say that the technology that's there, and throughout BBS, is exactly what we were looking for. Whether it's a separate account platform or even a back office, it's there or will be there. It will also be the back-end of the robo platform we're building. This will be the technology for our discretionary platform for Assante, Stonegate and Private Clients. As you can see, for a little investment that we almost didn't buy because didn't see it, at first, this is an extraordinary opportunity and one I think is going to have payback for long time.

Graham Ryding, TD Securities

Okay, that's good colour. Thank you.

Operator

Thank you. A following question is from Scott Chan from Canaccord Genuity. Please go ahead.

Scott Chan, Canaccord Genuity

Hi, good afternoon. A lot of questions on the capital and buybacks, but what about the other side in terms of dividend? How do you think about dividend growth and acquisitions since you've been very busy on that front over the past year and a half?

Peter W. Anderson, CEO, CI Financial

Scott, on the dividend question, as you know, we always review the dividend quarterly. We continue to believe the uses of our cash flow today is better by buying back our stock. But that doesn't mean that next quarter we wouldn't reverse that and look at something different. But as of today, we think that the best use of our capital is buying back the stock. And then, the second question on acquisitions - there are a lot of things that we see on a daily basis, some of them are more of the investment bankers just bringing them in because they're hoping something will happen. But there's lots going on out there.

Right now, we are very focused on the core part of our business today, and so we're not actively or aggressively looking for things in Canada or outside. But that doesn't mean that if something came to us that we saw that fit well into our business that we wouldn't take a real keen interest. I mean, we've done four in 2.5 years, and I still believe all four of them have added value to the business for various reasons. And we wouldn't stop that. We grew this business through acquisitions, and we don't plan to stop that. We're not looking at anything in particular right now.

Scott Chan, Canaccord Genuity

And just lastly, just on distribution last year, you talked about the IIROC channel, Sentry closing, potentially improve that distribution channel. Can you just give us an update on the progress there, some of the challenges and some of the things that you're trying to do to improve penetration within that channel?

Roy Ratnavel, EVP and National Sales Manager, CI Investments

Scott, this is Roy Ratnavel, again. Sentry Investments had a lot more IIROC-tilted business and one of the reasons for us to get into that is to really get access to those clients that we never had access to. Looking at some of the strategies we put in place, focusing people on it and also product focus as well as the process that we put in to recruit new advisors to the business. And just looking at the trend line, the numbers are higher on gross sales on those segment of the advisors, and we're also seeing some switch from some of the Sentry assets that were leaking out of CI before now is coming into our products. So those two things are very positive.

Scott Chan, Canaccord Genuity

But gross sales were up 12 percent year-over-year, but if you (inaudible) Sentry last year, what was the organic growth rate?

Peter W. Anderson, CEO, CI Financial

Scott, I'm going to have to get back to you. I don't know the exact number.

Scott Chan, Canaccord Genuity

Okay no problem, thank you.

Operator

Our next question is from Jack Barnes. And I don't have the company, so please state your company and proceed with your question.

Jack Barnes, Samlyn Capital

Hey guys. Jack Barnes, Samlyn Capital. Thanks for taking the question. I just want to follow-up on the net sales question. The April AUM update seemed to point to net redemptions that were a bit worse than what you saw in the first quarter. So you have something like $800 million in the month if my math is right. So I guess two questions. One, could you confirm if that math is roughly right? And two, I know you talked about Sentry improving, but just given the fairly sharp pace in net redemptions can you talk about all the factors and size the factors that you expect to drive the sharp improvement in net sales later this year?

Peter W. Anderson, CEO, CI Financial

Jack, I'll go into the second question because you're going to have to remind me on the first one. But the second question, I just want to remind everybody that when we look at sales, we look at the business as a whole. So, what I'm saying is that we expect to see better sales towards the end of the year for the entire business, not just Sentry or CI. And on the first question, again, on sales in the quarter, we don't talk about the exact numbers until the quarter-end. However, I would say to you that as we've already acknowledged that redemptions in our business continue.

Jack Barnes, Samlyn Capital

Okay, got it. Thank you.

Operator

Thank you. So we have no further questions registered at this time. I would now like to turn the meeting back over to Mr. Anderson.

Peter W. Anderson, Chief Executive Officer and Director, CI Financial

Okay. Well, thank you very much, everybody, for taking the time, and we look forward to our Q2 call in August. Thanks very much.
