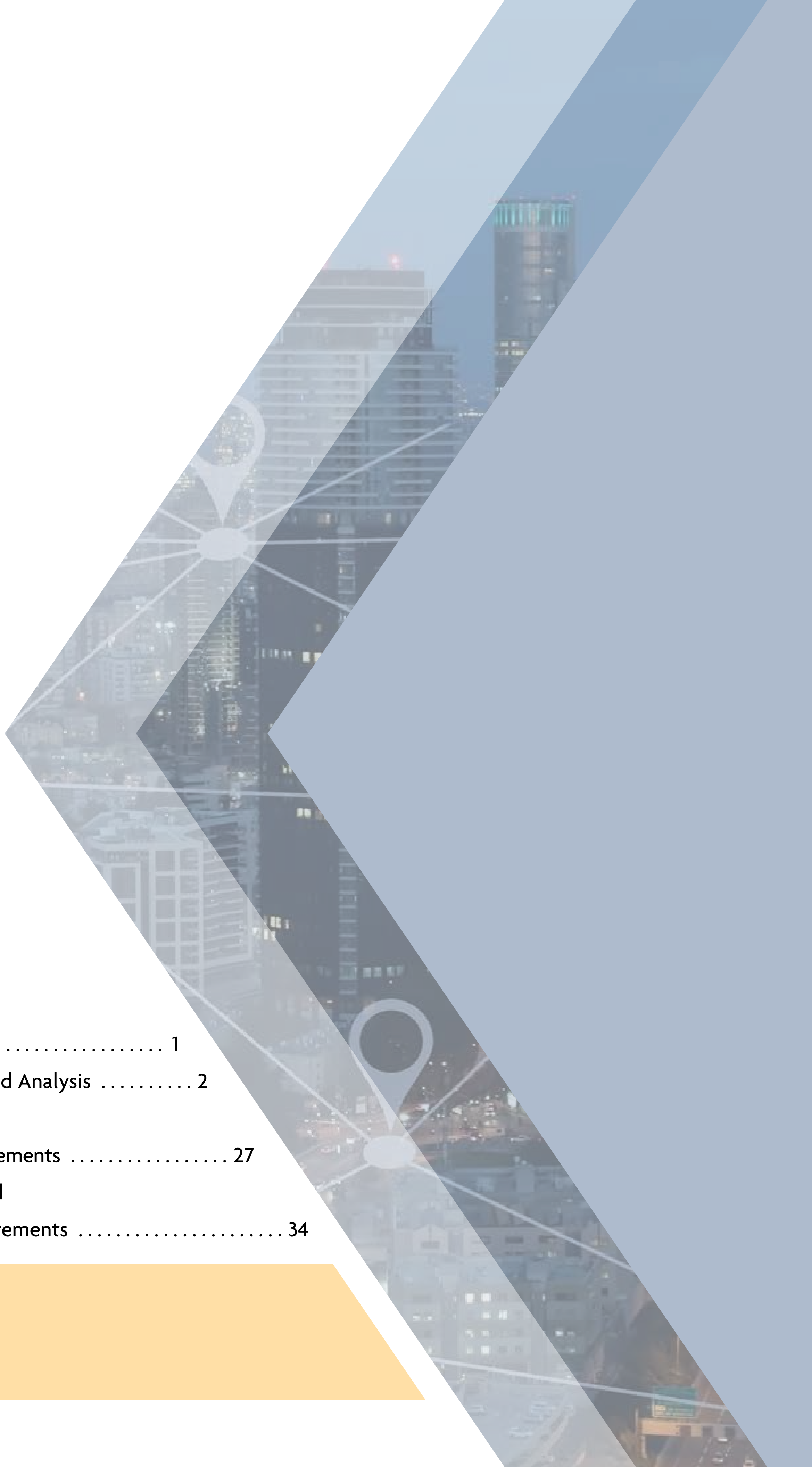
CI Financial

QUARTERLY FINANCIAL REPORT | Q3

September 30, 2018



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| FINANCIAL HIGHLIGHTS |

[millions of dollars, except share amounts]	As at and for the quarters ended Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	% change quarter-over-quarter	% change year-over-year
Assets under management	136,526	138,182	139,223	143,028	121,725	(1)	12
Assets under advisement	44,359	43,717	42,658	42,699	40,759	1	9
Total assets	180,884	181,900	181,881	185,727	162,484	(1)	11
Average assets under management	138,322	139,487	141,870	142,469	120,304	(1)	15
Management fees	509.9	506.3	513.7	532.1	452.9	1	13
Total revenues	569.0	564.6	573.5	594.4	504.1	1	13
Selling, general & administrative	131.4	129.7	135.2	130.8	108.7	1	21
Trailer fees	160.6	159.6	162.0	167.8	139.3	1	15
Net income	158.3	160.0	159.1	139.5	153.6	(1)	3
Adjusted net income[1]	158.2	159.9	159.0	173.7	153.6	(1)	3
Basic earnings per share	0.62	0.61	0.59	0.51	0.60	2	3
Adjusted earnings per share[1]	0.62	0.61	0.59	0.63	0.60	2	3
Diluted earnings per share	0.62	0.60	0.59	0.51	0.60	3	3
Free cash flow[1]	169.2	163.0	166.9	180.6	159.1	4	6
Return on equity[2]	39.1%	38.6%	39.3%	39.9%	40.5%	1	(3)
Dividends paid per share	0.2350	0.3525	0.3525	0.3525	0.3525	(33)	(33)
Dividend yield	3.5%	6.0%	5.1%	4.7%	5.2%		
Average shares outstanding	256,739,584	264,090,648	269,648,509	274,261,643	257,630,053	(3)	—
Shares outstanding	251,755,586	260,562,210	266,560,958	271,884,495	255,752,744	(3)	(2)
Share price							
High	24.38	27.71	30.23	29.78	28.19	(12)	(14)
Low	19.95	23.36	27.02	27.32	25.79	(15)	(23)
Close	20.51	23.63	27.60	29.77	27.29	(13)	(25)
Change in share price	(13.2%)	(14.4%)	(7.3%)	9.1%	(1.3%)		
Total shareholder return	(12.3%)	(13.2%)	(6.1%)	10.4%	—%		
Market capitalization	5,164	6,157	7,357	8,094	6,979	(16)	(26)
P/E Ratio (adjusted earnings)[2]	8.4	9.7	11.4	12.5	11.7	(13)	(28)
Long-term debt (including the current portion)	1,444.0	1,428.5	1,366.3	1,118.1	1,067.9	1	35
Net debt[1]	1,209.3	1,126.2	1,053.2	860.9	691.1	7	75
Net debt to adjusted EBITDA[1]	1.30	1.21	1.13	0.86	0.80	7	63

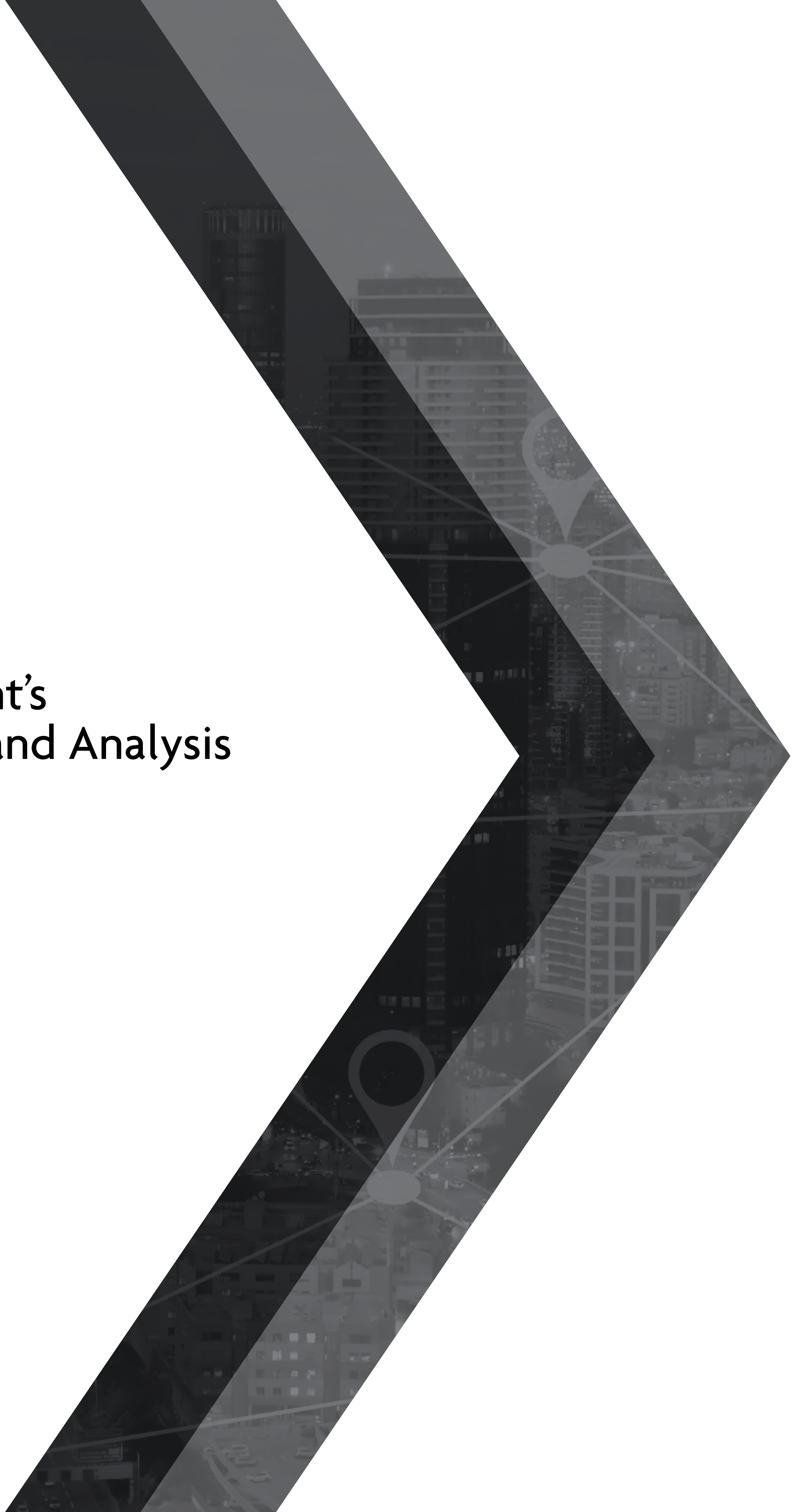
[1] Adjusted net income, free cash flow, net debt, and EBITDA are not standardized earnings measures prescribed by IFRS. Descriptions of these measures, as well as others, and reconciliations to the nearest IFRS measures, where necessary, are provided in the "Non-IFRS Measures" section of this MD&A.

[2] Trailing 12 months, calculated using adjusted net income.

Management's Discussion and Analysis

September 30, 2018

CI FINANCIAL CORP



This Management's Discussion and Analysis ("MD&A") dated November 8, 2018 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at September 30, 2018, compared with December 31, 2017, and the results of operations for the quarter ended September 30, 2018, compared with the quarter ended September 30, 2017 and the quarter ended June 30, 2018.

CI's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM" or "Assante"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and its subsidiaries, including CI Private Counsel LP ("CIPC"), as well as the operating results and financial position of First Asset Investment Management Inc. ("First Asset") and Grant Samuel Funds Management Pty Limited ("GSFM"). The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM"), as well as the operating results and financial position of BBS Securities Inc. ("BBS").

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. Forward-looking statements are typically identified by words such as "believe", "expect", "foresee", "forecast", "anticipate", "intend", "estimate", "goal", "plan" and "project" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would". These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest and foreign exchange rates, global financial markets, changes in government regulations or in tax laws, industry competition, technological developments and other factors described under "Risk Management" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements.

This MD&A includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. CI believes that these financial measures provide information that is useful to investors in understanding CI's performance and facilitate a comparison of quarterly and full year results from period to period. Descriptions of these non-IFRS measures and reconciliations to the nearest IFRS measure, where necessary, are provided in the "Non-IFRS Measures" section of this MD&A.

Note that figures in tables may not add due to rounding.

TABLE 1: SUMMARY OF QUARTERLY RESULTS

[millions of dollars, except per share amounts]	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
INCOME STATEMENT DATA								
Management fees	509.9	506.3	513.7	532.1	452.9	462.6	449.5	448.6
Administration fees	50.2	47.5	48.1	45.8	42.0	41.6	44.6	43.2
Other revenues	8.9	10.8	11.7	16.5	9.3	6.1	8.5	14.5
Total revenues	569.0	564.6	573.5	594.4	504.1	510.3	502.6	506.3
Selling, general & administrative	131.4	129.7	135.2	130.8	108.7	111.6	108.0	102.4
Trailer fees	160.6	159.6	162.0	167.8	139.3	142.3	138.0	138.3
Investment dealer fees	40.1	37.6	37.7	37.3	34.5	34.2	36.7	35.6
Deferred sales commissions paid	4.1	5.6	8.5	7.3	6.5	7.1	10.3	7.8
Interest expense	11.6	9.9	9.3	8.6	5.7	5.3	5.4	4.6
Other expenses	3.5	4.2	4.6	49.2	1.7	3.5	3.7	32.2
Total expenses	351.2	346.7	357.4	401.0	296.5	304.0	302.1	320.8
Income before income taxes	217.8	218.0	216.2	193.4	207.6	206.3	200.5	185.5
Income taxes	59.5	58.0	57.0	53.9	54.0	96.8	54.1	48.9
Non-controlling interest	0.1	0.1	0.1	0.1	—	(0.2)	(0.1)	0.2
Net income attributable to shareholders	158.2	159.9	159.0	139.4	153.6	109.6	146.5	136.4
Earnings per share	0.62	0.61	0.59	0.51	0.60	0.42	0.55	0.51
Diluted earnings per share	0.62	0.60	0.59	0.51	0.60	0.42	0.55	0.51
Dividends paid per share	0.2350	0.3525	0.3525	0.3525	0.3525	0.3475	0.3450	0.3450

OVERVIEW

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, pooled funds, exchange-traded funds, structured products and other fee-earning investment products for Canadian investors. CI also has asset management operations in Australia through its subsidiary GSFM. CI's products are distributed primarily through brokers, independent financial planners and insurance advisors, including ACM and AFM financial advisors. CI operates through two business segments, Asset Management and Asset Administration. The Asset Management segment provides the majority of CI's income and derives its revenue principally from the fees earned on the management of several families of mutual, segregated, pooled, exchange-traded and closed-end funds, structured products and discretionary accounts. The Asset Administration segment derives its revenue principally from commissions and fees earned on the sale of investment funds and other financial products and ongoing service to clients.

The key performance indicator for the Asset Management segment is the level of assets under management ("AUM") and for the Asset Administration segment, it is the level of assets under administration ("AUA"). Assets Under Advisement are comprised of AUA and assets held by clients of advisors with Stonegate Private Counsel. Total assets are comprised of AUM and Assets Under Advisement. CI's AUM and AUA are primarily driven by fund performance as well as the gross sales and redemptions of its investment products. As most of CI's revenues and expenses are based on daily asset levels throughout the year, average assets for a particular period are critical to the analysis of CI's financial results. While some expenses, such as trailer fees, vary directly with the level of AUM, a portion of CI's expenses do not. In particular, the amount of deferred sales commissions paid depends on the amount of deferred load fund sales. Over the long term, CI manages the level of its discretionary spend to be consistent with or below the growth in its revenue, though in any given period, CI may choose to make investments in people or technology that benefit the long-term growth of the company.

CI uses several performance indicators to assess its results. These indicators are described throughout the results of operations and the discussion of the two operating segments and include the following measures prescribed by IFRS: net income and earnings per share; and measures not prescribed by IFRS: adjusted net income, adjusted earnings per share, operating cash flow, free cash flow, EBITDA, adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, dealer gross margin, net debt, asset management margin, and SG&A efficiency margin. Descriptions of these non-IFRS measures and reconciliations to IFRS are provided below.

NON-IFRS MEASURES

CI reports certain financial information using non-IFRS measures as CI believes that these financial measures provide information that is useful to investors in understanding CI's performance and facilitate a comparison of quarterly and full-year results from period to period.

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

CI defines adjusted net income as net income, net of non-controlling interest, and net of other provisions and adjustments. CI uses adjusted net income and adjusted earnings per share to compare underlying profitability for different periods.

TABLE 2: ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

[millions of dollars, except per share amounts]	**Quarter ended Sep. 30, 2018**	**Quarter ended Jun. 30, 2018**	**Quarter ended Sep. 30, 2017**	**Nine months ended Sep. 30, 2018**	**Nine months ended Sep. 30, 2017**
Net Income	158.3	160.0	153.6	477.5	409.4
Add:					
Provisions for compensation, legal and tax costs	—	—	—	—	45.0
Less:					
Non-controlling interest	0.1	0.1	—	0.3	(0.3)
Adjusted net income	**158.2**	**159.9**	**153.6**	**477.1**	**454.7**
Adjusted earnings per share	**0.62**	**0.61**	**0.60**	**1.81**	**1.74**

OPERATING CASH FLOW AND FREE CASH FLOW

CI measures its operating cash flow before the change in operating assets and liabilities, and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Operating assets and liabilities are affected by seasonality, interest is primarily paid semi-annually, and tax installments paid may differ materially from the cash tax accrual.

Free cash flow is calculated as operating cash flow adjusted for provisions. CI uses this measure, among others, when determining how to deploy capital.

TABLE 3: OPERATING CASH FLOW AND FREE CASH FLOW

[millions of dollars]	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017
Cash provided by operating activities	174.0	175.5	192.4	429.9	438.1
Add:					
Income taxes paid	58.2	56.3	24.3	182.9	155.0
Interest paid	7.1	9.5	1.5	25.9	9.3
Less:					
Net change in non-cash working capital	70.1	78.3	59.1	139.7	179.6
Operating cash flow	**169.2**	**163.0**	**159.1**	**499.0**	**422.8**
Add:					
Provisions for compensation, legal and tax costs	—	—	—	—	45.0
Free cash flow	**169.2**	**163.0**	**159.1**	**499.0**	**467.8**

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

CI uses EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted EBITDA, which it defines as EBITDA, net of non-controlling interest, and net of other provisions and adjustments, to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of intangibles and other items. This permits comparisons of companies within the industry, normalizing for different financing methods and levels of taxation. Adjusted EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow. Adjusted EBITDA margin expresses adjusted EBITDA as a percentage of total revenue.

TABLE 4: EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

[millions of dollars, except per share amounts]	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017
Net Income	158.3	160.0	153.6	477.5	409.4
Add:					
Interest Expense	11.6	9.9	5.7	30.7	16.3
Provision for income taxes	59.5	58.0	54.0	174.5	204.9
Amortization of intangibles and other	5.2	5.1	3.3	15.1	9.9
EBITDA	**234.6**	**232.9**	**216.6**	**697.7**	**640.5**
EBITDA per share	**0.91**	**0.88**	**0.84**	**2.65**	**2.45**
Less:					
Non-controlling interest	0.2	0.2	—	0.6	(0.2)
Adjusted EBITDA	**234.4**	**232.6**	**216.6**	**697.1**	**640.8**
Adjusted EBITDA per share	**0.91**	**0.88**	**0.84**	**2.65**	**2.45**
Total revenue	569.0	564.6	504.1	1,707.2	1,516.9
Adjusted EBITDA Margin	**41.2%**	**41.2%**	**43.0%**	**40.8%**	**42.2%**

NET DEBT

CI calculates net debt as long-term debt (including the current portion) less cash and marketable securities, net of cash required for regulatory purposes and non-controlling interests. Net debt is a measure of leverage and CI uses this measure to assess its financial flexibility.

TABLE 5: NET DEBT

[millions of dollars]	As at Sep. 30, 2018	As at Dec. 31, 2017
Current portion of long-term debt	224.0	222.0
Long-term debt	1,220.0	896.1
	1,444.0	1,118.1
Less:		
Cash and short-term investments	115.7	124.6
Marketable securities	138.8	145.3
Add:		
Regulatory capital and non-controlling interests	19.8	12.6
Net Debt	**1,209.3**	**860.9**

DEALER GROSS MARGIN

CI monitors its operating profitability on the revenues earned within its Asset Administration segment by measuring its dealer gross margin, which is calculated as administration fee revenue less investment dealer fees, divided by administration fee revenue. CI uses this measure to assess the profitability of the Asset Administration segment before SG&A expenses.

TABLE 6: DEALER GROSS MARGIN

[millions of dollars]	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017
Administration fees	94.8	91.4	83.1	278.2	252.4
Less:					
Investment dealer fees	76.4	73.0	68.4	222.6	207.5
	18.4	18.4	14.7	55.6	44.9
Dealer gross margin	**19.4%**	**20.1%**	**17.7%**	**20.0%**	**17.8%**

ASSET MANAGEMENT MARGIN

CI assesses the overall performance of the asset management segment using a trailing 12-month asset management margin, where deferred sales commissions, trailer fees, and SG&A expenses are deducted from management fees and measured as a percentage of management fees. This margin removes any distortion caused by other revenues and expenses, eliminates the financing impact of back-end load funds because it is net of trailer fees and DSC, and it also eliminates revenue mix variances because it is measured as a percentage of management fees and not average AUM. Using a trailing 12-month margin eliminates any seasonality associated with SG&A expenses.

TABLE 7: ASSET MANAGEMENT MARGIN

[millions of dollars - trailing 12 months]	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Mar. 31, 2018	Quarter ended Dec. 31, 2017	Quarter ended Sep. 30, 2017
Management fees	**2,062.0**	**2,005.0**	**1,961.3**	**1,897.1**	**1,813.6**
Less:					
Deferred sales commissions paid	26.7	29.2	30.8	32.6	33.0
Trailer fees	682.5	660.1	642.0	616.8	585.7
Net management fees	1,352.8	1,315.6	1,288.5	1,247.7	1,194.8
Less:					
SG&A expenses	433.1	415.3	402.4	380.0	354.8
	919.7	900.3	886.1	867.7	840.0
Asset management margin	**44.6%**	**44.9%**	**45.2%**	**45.7%**	**46.3%**

SG&A EFFICIENCY MARGIN

CI uses a trailing 12-month SG&A efficiency margin to assess its costs relative to management fees earned, net of deferred sales commissions and trailer fees, which are not directly controllable by CI. These expenses are determined by the type, class and load of funds in which CI's clients invest. SG&A expenses are subtracted from these net management fees and the remainder is measured as a percentage of net management fees. Using a trailing 12-month margin eliminates any seasonality associated with SG&A expenses.

TABLE 8: SG&A EFFICIENCY MARGIN

[millions of dollars - trailing 12 months]	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Mar. 31, 2018	Quarter ended Dec. 31, 2017	Quarter ended Sep. 30, 2017
Management fees	2,062.0	2,005.0	1,961.3	1,897.1	1,813.6
Less:					
Deferred sales commissions paid	26.7	29.2	30.8	32.6	33.0
Trailer fees	682.5	660.1	642.0	616.8	585.7
Net management fees	**1,352.8**	**1,315.6**	**1,288.5**	**1,247.7**	**1,194.8**
Less:					
SG&A expenses	433.1	415.3	402.4	380.0	354.8
	919.7	900.3	886.1	867.7	840.0
SG&A efficiency margin	**68.0%**	**68.4%**	**68.8%**	**69.5%**	**70.3%**

ASSETS AND SALES

CI is one of Canada's largest independent investment fund companies with assets under management of $136.5 billion and assets under advisement of $44.4 billion at September 30, 2018, as shown in Table 9. Assets under advisement are comprised of AUA and assets held by clients of advisors with Stonegate Private Counsel. Assets under management increased 12% year over year, mainly due to CI's acquisition of Sentry Investments Corp. ("Sentry") on October 2, 2017, as well as fund performance, partially offset by net redemptions of funds. The 9% increase in assets under advisement from last year was due to market performance, net sales, and advisor recruitment. Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, exchange-traded funds, pooled funds and assets under advisement, were $180.9 billion at September 30, 2018, up $18.4 billion from $162.5 billion at September 30, 2017.

TABLE 9: TOTAL ASSETS

[billions of dollars]	**As at September 30, 2018**	**As at September 30, 2017**	**% change**
Assets under management	136.5	121.7	12
Assets under advisement[1]	44.4	40.8	9
Total assets	**180.9**	**162.5**	**11**

[1]Includes $26.9 billion and $24.7 billion of assets managed by CI and held by clients of advisors with Assante and Stonegate in 2018 and 2017, respectively.

During a period characterized largely by trade uncertainty, global asset markets delivered mixed results for the third quarter of 2018, with the U.S. equity market reaching new highs and outpacing many of its global counterparts. The S&P 500 Index, a broad measure of U.S. equities, gained 7.7% for the quarter and was up 10.6% for the year-to-date in U.S. dollar terms. Although the Canadian dollar has lost ground relative to its U.S. counterpart over the course of the year, it strengthened moderately in the most recent three-month period, resulting in a 6.0% quarterly return for the S&P 500 Index in Canadian dollars and 14.2% for the year-to-date.

The Canadian S&P/TSX Composite Index dipped slightly, losing 0.6% for the quarter, but the benchmark remained up about 1.4% for the year-to-date. The Canadian market's muted performance for 2018 resulted from weakness in the energy and materials sectors and the uncertainty of trade talks with the U.S.

The change in AUM during each of the past five quarters is detailed in Table 10 and a breakdown of CI's sales is provided in Table 11.

TABLE 10: CHANGE IN ASSETS UNDER MANAGEMENT

[billions of dollars]	Quarter ended Sep. 30, 2018	Quarter ended Jun. 30, 2018	Quarter ended Mar. 31, 2018	Quarter ended Dec. 31, 2017	Quarter ended Sep. 30, 2017
Assets under management, beginning	138.182	139.223	143.028	121.725	121.111
Gross sales	3.015	3.209	5.187	4.251	3.667
Redemptions	5.433	6.028	6.515	5.657	3.652
Net sales	(2.418)	(2.819)	(1.328)	(1.406)	0.015
Acquisitions (divestitures)	—	(1.025)	—	19.019	—
Fund performance	0.762	2.803	(2.477)	3.690	0.599
Assets under management, ending	**136.526**	**138.182**	**139.223**	**143.028**	**121.725**
Average assets under management	**138.322**	**139.487**	**141.870**	**142.469**	**120.304**

CI's Canadian business, excluding products closed to new investors, had $2.7 billion in gross sales and $2.4 billion in net redemptions for the quarter ended September 30, 2018. CI's international business had $186 million in net sales in the third quarter, up $201 million from the same quarter last year. CI's closed business, comprised primarily of segregated fund contracts that are no longer available to new investors, had $227 million in net redemptions for the quarter.

TABLE 11: SALES BREAKDOWN

	Quarter ended September 30, 2018		
[millions of dollars]	**Gross Sales**	**Redemptions**	**Net Sales**
Canadian Business			
Retail	2,154	4,204	(2,051)
Institutional	533	860	(327)
	2,687	5,064	(2,377)
International Business			
Retail	93	62	31
Institutional	223	68	155
	317	130	186
Closed Business	11	239	(227)
Total	**3,015**	**5,433**	**(2,418)**

RESULTS OF OPERATIONS

For the quarter ended September 30, 2018, CI reported net income attributable to shareholders of $158.2 million ($0.62 per share) versus $153.6 million ($0.60 per share) for the quarter ended September 30, 2017 and $159.9 million ($0.61 per share) for the quarter ended June 30, 2018.

CI's total revenue was $569.0 million in the third quarter of 2018, an increase of 12.9% when compared to total revenue of $504.1 million in the same period in 2017. On a consecutive quarter basis, total revenue increased 0.8% from $564.6 million in the second quarter of 2018. The increase from the same quarter last year was primarily due to the addition of Sentry. The increase from the prior quarter was a result of higher management fees and administration fees, as the third quarter included an additional day relative to the second quarter, while average AUM declined 0.8%.

SG&A expenses for the third quarter of 2018 were $131.4 million, compared to $108.7 million in the same quarter of 2017 and $129.7 million in the prior quarter. SG&A increased from the third quarter of 2017 primarily due to the additions of Sentry and BBS. SG&A increased 1.3% from the prior quarter mainly due increased spend on technology and marketing. As an annualized percentage of average AUM, SG&A expenses were 0.377%, up from 0.359% for the third quarter of last year and up from 0.373% for the prior quarter.

In the third quarter of 2018, CI paid $4.1 million in deferred sales commissions, compared with $6.5 million in the same quarter of 2017 and $5.6 million in the prior quarter. Consistent with the Canadian mutual fund industry, CI's proportion of sales into deferred load funds, relative to front-end load funds, has been steadily decreasing over the past few years.

Interest expense of $11.6 million was recorded for the quarter ended September 30, 2018 compared with $5.7 million for the quarter ended September 30, 2017 and $9.9 million for the quarter ended June 30, 2018. The change in interest expense reflects the changes in average debt levels and average interest rates, as discussed under the Liquidity and Capital Resources section.

For the third quarter of 2018, CI recorded $59.5 million in income tax expense for an effective tax rate of 27.3% compared to $54.0 million in the third quarter of 2017 and $58.0 million in the prior quarter. CI's effective tax rate may differ from its statutory tax rate, which is currently 26.5%, as a result of some expenses being non-deductible or partially deductible, or some revenue items not being fully taxable.

ASSET MANAGEMENT SEGMENT

The Asset Management segment is CI's principal business segment and its operating results are presented in Table 12.

TABLE 12: RESULTS OF OPERATIONS - ASSET MANAGEMENT SEGMENT

[millions of dollars]	**Quarter ended Sep. 30, 2018**	**Quarter ended Jun. 30, 2018**	**Quarter ended Sep. 30, 2017**
Management fees	509.9	506.3	452.9
Other revenue	0.9	2.8	2.8
Total revenue	510.9	509.1	455.7
Selling, general and administrative	107.5	105.4	89.7
Trailer fees	168.7	167.8	146.3
Deferred sales commissions paid	4.3	5.9	6.8
Amortization of intangibles	1.5	1.4	0.8
Other expenses	1.0	1.8	0.9
Total expenses	282.9	282.2	244.5
Non-controlling interest	0.2	0.2	(0.1)
Income before taxes and non-segmented items	227.8	226.7	211.3

Revenues

Revenues from management fees were $509.9 million for the quarter ended September 30, 2018, an increase of 12.6% from $452.9 million for the quarter ended September 30, 2017 and an increase of 0.7% from $506.3 million for the quarter ended June 30, 2018. The increase in management fees from the third quarter of last year was mainly due to the acquisition of Sentry. The increase in management fees from the prior quarter was mainly due to the third quarter having one extra day relative to the second quarter. Net management fees (management fees less trailer fees and deferred sales commissions) as a percentage of average AUM were 0.966%, down from 0.989% for the third quarter last year and up from 0.957% for the prior quarter.

For the quarter ended September 30, 2018, other revenue was $0.9 million versus $2.8 million for each of the quarters ended September 30, 2017 and June 30, 2018, respectively. The decrease was primarily a result of lower redemption fee revenue and lower gains on marketable securities.

Expenses

SG&A expenses for the Asset Management segment were $107.5 million for the quarter ended September 30, 2018, compared with $89.7 million for the third quarter in 2017 and $105.4 million for the prior quarter. SG&A expenses increased from the same quarter last year primarily due to the acquisition of Sentry. As a percentage of average AUM, SG&A expenses were 0.308% for the quarter ended September 30, 2018, up from 0.296% for the quarter ended September 30, 2017, and up from 0.303% in the quarter ended June 30, 2018. The increase as a percentage of average AUM from the prior quarter primarily reflects additional investments in technology and marketing, while average AUM decreased 0.8%.

Another measure that CI uses to assess its costs is the SG&A efficiency margin, as discussed in the "Non-IFRS Measures" section and as set out in Table 8. CI's current quarter SG&A efficiency margin was 68.1%, down from 70.1% in the third quarter of last year and down slightly from 68.3% in the prior quarter. For the trailing 12 months, CI's SG&A efficiency margin was 68.0% as of September 30, 2018, compared with 70.3% for the same period one year ago. The decrease is primarily a result of CI reinvesting in its business.

Trailer fees were $168.7 million for the quarter ended September 30, 2018, up 15.3% from $146.3 million for the quarter ended September 30, 2017 and up 0.5% from $167.8 million for the prior quarter. Net of inter-segment amounts, this expense was $160.6 million for the quarter ended September 30, 2018 versus $139.3 million for the third quarter of 2017 and $159.6 million for the second quarter of 2018. The increase from the same quarter last year is due to the inclusion of Sentry.

In the third quarter of 2018, before inter-segment eliminations, CI paid $4.3 million in deferred sales commissions, compared with $6.8 million in the same quarter of 2017 and $5.9 million in the prior quarter. CI's proportion of sales into deferred load funds, relative to front-end load funds, has been steadily decreasing over the past few years.

Other expenses for the quarter ended September 30, 2018 were $1.0 million, compared to $0.9 million in the same quarter of last year and $1.8 million in the previous quarter.

The asset management margin for the third quarter of 2018 was 45.0% compared to 46.4% in the third quarter of 2017 and 44.9% in the prior quarter. For the trailing 12 months, the asset management margin was 44.6% as at September 30, 2018 versus 46.3% for the same period last year. The decrease in margin is a function of management fees increasing at a lower rate relative to the increase in SG&A. The calculations and definitions of asset management margin can be found in the "Non-IFRS Measures" section and in the trailing 12-month calculations in Table 7.

Income before taxes and non-segmented items for CI's principal segment was $227.8 million for the quarter ended September 30, 2018, up 7.8% from $211.3 million in the same period in 2017 and up 0.5% from $226.7 million in the previous quarter.

ASSET ADMINISTRATION SEGMENT

The Asset Administration segment operating results are presented in Table 13.

TABLE 13: RESULTS OF OPERATIONS - ASSET ADMINISTRATION SEGMENT

[millions of dollars]	**Quarter ended Sep. 30, 2018**	**Quarter ended Jun. 30, 2018**	**Quarter ended Sep. 30, 2017**
Administration fees	94.8	91.4	83.1
Other revenue	8.0	8.0	6.4
Total revenue	102.8	99.4	89.6
Selling, general and administrative	23.9	24.4	19.1
Investment dealer fees	76.4	73.0	68.4
Amortization of intangibles	1.0	1.0	0.6
Other expenses	0.1	0.1	(0.6)
Total expenses	101.4	98.4	87.5
Income before taxes and non-segmented items	1.4	0.9	2.1

Revenues

Administration fees were $94.8 million for the quarter ended September 30, 2018, an increase of 14.1% from $83.1 million for the same period a year ago and an increase of 3.7% from $91.4 million for the prior quarter. The change in administration fees from the same quarter last year related to the change in assets under administration at Assante as well as the addition of BBS. Net of inter-segment amounts, administration fee revenue was $50.2 million for the quarter ended September 30, 2018, up from $42.0 million for the quarter ended September 30, 2017 and up from $47.5 million in the previous quarter.

Other revenue earned by the Asset Administration segment is mainly comprised of non-advisor-related activities. For the quarter ended September 30, 2018, other revenue was $8.0 million, up from $6.4 million in the same quarter of 2017 and unchanged from $8.0 million in the second quarter of 2018.

Expenses

Investment dealer fees were $76.4 million for the quarter ended September 30, 2018 compared to $68.4 million for the third quarter of 2017 and $73.0 million for the quarter ended June 30, 2018. Net of inter-segment amounts, investment dealer fees were $40.1 million, up from $34.5 million for the same quarter last year and up from $37.6 million for the quarter ended June 30, 2018. Investment dealer fees generally fluctuate with Assante's administration fee revenue.

As discussed in the "Non-IFRS Measures" section of this MD&A and as set out in Table 6, dealer gross margin was $18.4 million or 19.4% of administration fee revenue for the quarter ended September 30, 2018 compared to $14.7 million or 17.7% for the third quarter of 2017 and $18.4 million or 20.1% for the previous quarter. The significant increase in dealer gross margin as a percentage of administration fee revenue from the third quarter of 2017 was mainly due to the inclusion of BBS, which earns administration fees but does not pay investment dealer fees.

SG&A expenses for the segment were $23.9 million for the quarter ended September 30, 2018 compared to $19.1 million in the third quarter of 2017 and $24.4 million in the second quarter of 2018. The increase in SG&A expenses from the same period last year is due to the addition of BBS as well as an increase in Assante's discretionary spend.

The Asset Administration segment had income before taxes and non-segmented items of $1.4 million for the quarter ended September 30, 2018, compared to $2.1 million for the third quarter of 2017 and $0.9 million for the prior quarter.

LIQUIDITY AND CAPITAL RESOURCES

CI generated $499.0 million of free cash flow in the first nine months of 2018, compared to $467.8 million for the same period of 2017. Reconciliations of free cash flow to cash provided by operating activities are provided in the "Non-IFRS Measures" section and set out in Table 3.

CI primarily uses cash flow to fund capital expenditures, fund acquisitions, pay down debt, pay dividends on its shares, and repurchase shares through its normal course issuer bid. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and support planned business operations for at least the next 12 months.

CI's cash flows experience two forms of seasonality: 1) one-third of deferred sales commissions are historically paid out in the first quarter; and 2) the balance of cash income taxes and incentive compensation are paid at the end of February. These factors may cause cash flow fluctuations from quarter to quarter.

TABLE 14: SUMMARY OF CASH FLOWS

[millions of dollars]	**Nine months ended Sep. 30, 2018**	**Nine months ended Sep. 30, 2017**
Free cash flow	499.0	467.8
Less:		
Investments in marketable securities, net	(6.2)	21.9
Capital expenditures	9.0	7.5
Share repurchases, net	496.6	262.7
Dividends paid	250.0	273.5
Debt repaid / (drawn)	(325.2)	(308.8)
Working capital and other items	83.6	55.5
	507.8	312.3
Net change in cash	(8.8)	155.6
Cash at January 1	124.6	117.9
Cash at September 30	115.7	273.5

During the first nine months of September 30, 2018, CI invested $12.1 million in marketable securities and received proceeds of $18.4 million from the disposition of marketable securities. Excluding BBS' securities owned, at market, the fair value of CI's investments as of September 30, 2018 was $138.8 million. This is comprised of seed capital investments in CI funds and strategic investments.

During the nine months ended September 30, 2018, CI invested $9.0 million in capital assets, up from $7.5 million in the nine months ended September 30, 2017. These investments related primarily to technology and leasehold improvements.

During the first nine months of 2018, CI paid dividends of $250.0 million and repurchased 20.2 million shares under its normal course issuer bid at a total cost of $497.0 million, or $24.59 per share. CI's current dividend rate is $0.18/share per calendar quarter.

The statement of financial position for CI at September 30, 2018 reflected total assets of $4.307 billion, a decrease of $38 million from $4.345 billion at December 31, 2017. This change was primarily due to a decrease in cash, investments and accounts receivable and prepaid expenses.

CI's cash and cash equivalents decreased by $8.8 million in the first nine months to $115.7 million as of September 30, 2018. Accounts receivable and prepaid expenses decreased by $17.9 million to $218.5 million as of September 30, 2018. Capital assets increased by $1.7 million during the nine months ended September 30, 2018 as a result of $9.0 million in capital additions less $7.3 million in amortization.

Total liabilities increased by $426.4 million during the nine months to $2.866 billion at September 30, 2018. This change was mainly attributable to a $325.9 million increase in debt, as well as an increase in dividends payable, as CI has declared dividends through 2019. During the quarter CI issued a $325 million debenture with a July 20, 2023 due date, at a 3.52% interest rate. In total, CI had $1,225.0 million in outstanding debentures at September 30, 2018 with a weighted average interest rate of 3.16% and a carrying value of $1,220.0 million.

As of September 30, 2018, CI had drawn $224 million against its $700 million credit facility. Principal repayments on any drawn amounts are only required at the maturity of the facility. Following the quarter, CI amended the credit facility agreement, which now has a maturity date of December 11, 2021.

Net debt, as discussed in the "Non-IFRS Measures" section and as set out in Table 5, was $1,209 million at September 30, 2018, up from $861 million at December 31, 2017. This increase was primarily due to CI returning more cash to shareholders in the form of share repurchases and dividends, relative to the amount of free cash flow that was generated for the period. The average gross debt level for the nine months ended September 30, 2018 was $1,378 million, compared to $889 million for the same period last year.

At September 30, 2018, excluding the current portion of long-term debt, CI was in a positive working capital position. This, in addition to the availability of its credit facility, reflects the ability of CI to meet its cash flow requirements.

CI's ratios of debt to adjusted EBITDA and net debt to adjusted EBITDA were 1.6 to 1 and 1.3 to 1, respectively. CI was within its financial covenants with respect to its credit facility, which required that the debt to EBITDA ratio remain below 2.5 to 1, and assets under management not fall below $85 billion, based on a rolling 30-day average. Under the amended credit facility, which was signed following the end of the quarter, CI's debt to EBITDA ratio must remain below 3.0 to 1.

Shareholders' equity was $1.438 billion at September 30, 2018, a decrease of $465.0 million during the nine months ended September 30, 2018.

RISK MANAGEMENT

CI is exposed to a number of risks that are inherent in the wealth management business. Some factors which introduce or exacerbate risk are within the control of management and others are, by their nature, outside of CI's direct control but must still be managed. Effective risk management is a key component to achieving CI's business objectives and protecting company and client assets. It is an ongoing process involving the Board of Directors and the company's Risk Management Committee, comprised of senior executives representing CI's business units, and the company's Risk Management Team. The Board has delegated primary responsibility for oversight of risk management to the Audit and Risk Committee of the Board of Directors.

Monitoring, evaluating and managing risk is a shared responsibility at CI. The Risk Management Committee and Risk Management Team work together to manage risk and ensure that business strategies and activities are consistent with CI's risk appetite. Regular reports are provided to the Audit and Risk Committee of CI's Board.

As noted above, the Risk Management Committee is comprised of senior executives from each core business unit and operating area at CI. CI has developed an enterprise-wide approach to monitoring, evaluating and managing risk. The members of the Risk Management Committee identify and evaluate specific and material risks, applying both a quantitative and a qualitative analysis and then assess the likelihood of occurrence of a particular risk event. Once risks have been identified and rated, strategies and procedures are developed to minimize or avoid negative consequences and these risk mitigation processes are implemented and monitored with each business unit.

The risks described below are not the only risks facing CI. The risks set out below are risks and uncertainties that the Risk Management Committee currently believe could materially affect CI's future financial performance. The reader should carefully consider the risks described below, and the other information contained in this MD&A, including under the heading "Forward-Looking Statements" before making an investment decision.

MARKET RISK

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity and commodity prices. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in prices and volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in the performance of CI's investment funds and may adversely affect CI's assets under management, management fees and revenues, which would reduce cash flow to CI and ultimately impact CI's ability to meet its financial obligations.

MARKET RISK FOR THE ASSET MANAGEMENT SEGMENT

At September 30, 2018, approximately 28% of CI's assets under management were held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 50 basis point change in interest rates would cause a change of about $6 million in annual pre-tax earnings in the Asset Management segment.

At September 30, 2018, about 51% of CI's assets under management were based in Canadian currency. While CI's concentration in Canadian currency assets reduces its exposure to foreign exchange risk, approximately 25% of CI's assets under management were based in U.S. currency. Any change in the value of the Canadian dollar relative to U.S. currency will cause fluctuations in CI's assets under management. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of about $27 million in the Asset Management segment's annual pre-tax earnings.

About 61% of CI's assets under management were held in equity securities at September 30, 2018, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer- specific risk through diversification. CI estimates that a 10% change in the prices of equity indexes would cause a change of about $70 million in annual pre-tax earnings.

CI has a control environment that ensures market risks are reviewed regularly. CI's compliance group reviews and monitors CI's fund and portfolio investments are in compliance with investment policies and regulations. CI also reviews investment processes, portfolio positioning and attribution of results of its investment teams on a regular basis.

MARKET RISK FOR THE ASSET ADMINISTRATION SEGMENT

CI's operating results are not materially exposed to market risk impacting the asset administration segment given that this segment usually generates less than 1% of the total income before non-segmented items (this segment reported a gain of $1.4 million before income taxes and non-segmented items for the quarter ended September 30, 2018). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any one component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of approximately $4 million to the Asset Administration segment's annual pre-tax earnings.

POLITICAL AND MARKET RISK

CI's performance is directly affected by financial markets and political conditions, including any political change and uncertainty in the United States, Europe and abroad. These changes may cause significant volatility and decline in the global economy or specific international, regional and domestic financial markets which are beyond the control of CI. There can be no assurance that financial market performance will be favourable in the future. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance, which could negatively impact CI's business and impede the growth of CI's assets under management and revenue.

STRATEGIC RISK

Strategic risks are risks that directly impact the overall direction of CI and the ability of CI to successfully identify growth opportunities and implement proposed solutions. The key strategic risk is the risk that management fails to anticipate, and respond to, changes in the business environment, including demographic, regulatory and competitive changes. CI’s performance is directly affected by the financial market and business conditions, including the legislation and policies of the governments and regulatory authorities having jurisdiction over CI’s operations. These are beyond the control of CI; however, an important part of the risk management process is the ongoing review and assessment of industry and economic trends and changes. Strategies are then designed to effectively respond to any anticipated changes, including identifying acquisition opportunities, developing new business lines, introducing new products, and implementing cost control strategies.

Part of CI’s strategy includes strategic acquisitions and investments in growth opportunities. Strategic acquisitions may benefit CI through increasing fee earning assets, broadening CI’s distribution relationships, enhancing CI’s business capabilities and capturing cost synergies. CI embarks on a thorough due diligence process prior to any acquisition; however, there can be no assurances that the anticipated benefits of any acquisition will be achieved. The success of an acquisition is contingent upon many factors, including retaining key employees, securing assets acquired, obtaining legal and regulatory approvals, integrating operations and vendor relationships, and having favourable economic conditions.

REPUTATION RISK

Reputation risk is the potential negative impact of a deterioration of CI’s image or lower public confidence in the CI brand, its senior management or its products and services. Operational errors, poor performance, regulatory investigation or sanctions, litigation or employee misconduct could result in reputational harm to CI. Through its Codes of Conduct, governance practices, risk management programs, policies, procedures and training, CI attempts to prevent and detect any activities by CI officers, directors, and employees that would harm CI’s reputation. While all employees, directors and officers are expected to protect the reputation of CI, there can be no assurances that unauthorized or unsuccessful activities may result in damage to CI’s reputation, which could adversely affect CI’s business and profitability.

COMPETITION RISK

CI operates in a highly competitive environment, with competition based on a variety of factors, including the range of products offered, brand recognition, investment performance, business reputation, financing strength, the strength and continuity of institutional, management and sales relationships, quality of service, level of fees charged and level of commissions and other compensation paid. CI competes with a large number of mutual fund companies and other providers of investment products, investment management firms, broker-dealers, banks, insurance companies and other financial institutions. Some of these competitors have, and potential future competitors may have, greater technical, financial, marketing, distribution or other resources than CI. The trend toward greater consolidation within the investment management industry has increased the strength of a number of CI’s competitors. CI’s competitors seek to expand market share by offering different products and services and more competitive pricing than those offered by CI. While CI continues to develop and market new products and services and remain competitive with respect to fees, there can be no assurance that CI will maintain its current standing or market share or investment performance relative to its competitors, which may adversely affect the business, financial condition or operating results of CI.

In addition, there are uncertainties involved in the introduction of new products and services, including technical requirements, operational controls and procedures, compliance with regulatory requirements and shifting market preferences. The development and introduction of new products and services may require ongoing support and investment. A failure to manage the risks involved in the implementation of new products and services may lead to operational lapses, increased capital requirements, and competitive alternatives, which could adversely affect CI's standing, market share or investment performance relative to its competitors and negatively impact the business, financial condition or operating results of CI.

DISTRIBUTION RISK

CI distributes its investment products through a number of distribution channels, including brokers, independent financial planners and insurance advisors. CI's access to these distribution channels is impacted by the strength of the relationship with certain business partners and the level of competition faced from the financial institutions that own those channels. While CI continues to develop and enhance existing relationships, there can be no assurance that CI will, in the future, enjoy the level of access that it has in the past, which would adversely affect its sales of investment products.

REGULATORY AND LEGAL RISK

CI's business is dependent upon compliance with and continued registration under securities laws in all jurisdictions in which CI and its subsidiaries carry on business. Laws and regulations applied at the national and provincial level generally grant governmental agencies and self-regulatory bodies broad administrative discretion over the activities of CI, including the power to limit or restrict business activities as well as impose additional disclosure requirements on CI products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of CI's business segments or its key personnel or financial advisors, and the imposition of fines and censures. It is also possible that the laws and regulations governing a subsidiary's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to CI. To the extent that existing or future regulations affecting the sale or offering of CI's product or services or CI's investment strategies cause or contribute to reduced sales of CI's products or lower margins or impair the investment performance of CI's products, CI's aggregate assets under management and its revenues may be adversely affected. In addition, the constant rate of change in the securities regulatory environment governing CI's business may require additional human resources and operations which will increase costs.

Given the nature of CI's business, CI may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing CI, its directors, officers, employees or agents in this respect include potential liability for violations of corporate laws, securities laws, stock exchange rules and misuse of investors' funds. Some violations of corporate laws, securities laws or stock exchange rules could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's subsidiaries' right to carry on their existing business. CI may incur significant costs in connection with such potential liabilities.

INFORMATION TECHNOLOGY RISK

CI uses information technology and the internet to streamline business operations and to improve the client and advisor experience. However, with the use of information technology and the internet, email messaging and other online capabilities, CI is exposed to information security risk that could potentially have an adverse impact on its business. CI is dependent on its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data that it transmits through its information technology systems. Any information technology event, such as a hacker attack or virus, or internal issue, such as the failure to implement sufficient controls, could result in unauthorized access to sensitive or confidential information, theft, operational disruption, regulatory actions, legal liability or reputational harm. CI actively monitors this risk and continues to develop controls to protect against cyber threats that are becoming more sophisticated and pervasive. In addition, CI has and will continue to implement safeguards to control access to sensitive information, through password protection, encryption of confidential information and other means. Notwithstanding these measures, CI cannot fully mitigate the risk associated with information technology security. If mobile electronic devices, such as laptops or smart phones, are stolen, lost or left unattended, such devices may become exposed to hacking or other unauthorized use. As well, CI is dependent on the efficiency and effectiveness of the technology it uses and keeping pace with a continuously evolving information technology landscape. Malfunctioning of any of the technologies used by CI and being slow to keep pace could disrupt the company's success and negatively impact CI's financial position and reputation.

CI's business is dependent on the physical integrity of its infrastructure, including its office space, storage centers and other facilities. CI has taken precautions to protect the physical security of its infrastructure, and the sensitive information contained therein, through passkey protection, limited after-hours access and clean desk policies. However, a breach of the physical integrity of CI infrastructure may leave sensitive information vulnerable to unauthorized access and use, increasing a possible security risk, which could negatively impact CI's business and reputation.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. The operational risk that CI is exposed to may arise from, technology failures, business disruption, theft and fraud, failure of key third parties, employee errors, processing and execution errors, and inaccurate or incomplete client information. Operational risk may result in a financial loss but can also lead to regulatory sanctions and harm to CI's reputation. Operational risk driven by people and processes are mitigated through human resources policies and practices, and a strong internal control environment. Operational risks driven by systems and services are managed through controls over technology development and change management as well as enhanced procedures for oversight of third-party service providers. While CI continuously monitors its operational risks, there can be no assurances that CI's internal control procedures can mitigate all operational risks.

TAXATION RISK

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. CI Investments is considered a large case file by the Canada Revenue Agency and, as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustments. While CI regularly assesses the likely outcome of these audits in order to determine the appropriateness of its tax provision, there can be no assurance that CI will accurately predict the outcomes of these audits. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected.

REDEMPTION RISK

CI earns revenue primarily from management fees earned for advising and managing investment fund assets. The level of these assets is dependent on (i) sales; (ii) redemptions; and (iii) investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors.

Significant investment fund redemptions could adversely impact the returns of investors in the affected funds by impacting market values and increasing transaction costs or taxable distributions. Continued large redemptions could negatively impact the prospects and operating results of CI.

KEY PERSONNEL RISK

The success of CI is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel, could adversely affect CI's business. The retention of these key managers and the identification and development of the next generation of managers is an area of focus for CI. CI has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

The success of CI is also dependent upon, among other things, the skills and expertise of its human resources, including the management and investment personnel with specialized skills related to, among other things, marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These highly skilled and often highly specialized individuals play an important role in developing, implementing, operating, managing and distributing CI's products and services. Accordingly, the recruitment and retention of skilled personnel, continuous training and transfer of knowledge are key activities that are essential to CI's performance. CI has taken, and will continue to take, steps to encourage our key employees to remain employed at CI, including the implementation of long-service awards, employee engagement strategies and enhanced transparency measures with respect to compensation. In addition, the growth in total assets under management in the industry and the reliance on investment performance to sell financial products has increased the demand for experienced and high- performing portfolio managers. Compensation packages for these managers may increase at a rate well in excess of inflation and well above the rates of increase observed in other industries and the rest of the labour market. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could result in a loss of clients and a decline in sales and adversely affect CI's business.

The market for financial advisors is extremely competitive and is increasingly characterized by frequent movement by financial advisors among different firms. Individual financial advisors of AWM have regular direct contact with clients, which can lead to a strong and personal client relationship based on the client's trust in the individual financial advisor. The loss of a significant number of financial advisors could lead to the loss of client accounts which could have a material adverse effect on the results of operations and prospects of AWM and, in turn, CI. Although AWM uses or has used a combination of competitive compensation structures and equity with vesting provisions as a means of seeking to retain financial advisors, there can be no assurance that financial advisors will remain with AWM.

INSURANCE RISK

CI maintains various types of insurance which include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, agents' insurance and general commercial liability insurance. Management evaluates the adequacy of CI's insurance coverage on an ongoing basis. However, there can be no assurance that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the relevant policies. A judgment against CI in excess of available coverage could have a material adverse effect on CI both in terms of damages awarded and the impact on the reputation of CI.

CAPITAL RISK

Certain subsidiaries of CI are subject to minimum regulatory capital requirements. This may require CI to keep sufficient cash and other liquid assets on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may subject it to fines, suspension or revocation of registration by the relevant securities regulator. A significant operating loss by a registrant subsidiary or an unusually large charge against regulatory capital could adversely affect the ability of CI to expand or even maintain its present level of business, which could have a material adverse effect on CI's business, results of operations, financial condition and prospects.

CREDIT RISK

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. CI is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries, as well as issuers whose securities are held by CI. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. CI does not have significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of individual counterparties and holding collateral where appropriate.

One of the primary sources of credit risk arises when CI extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. CI faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if CI is unable to recover sufficient value from the collateral held. The credit extended is limited by regulatory requirements and by CI's internal credit policy.

LIQUIDITY RISK

Liquidity risk is the risk that CI may not be able to generate sufficient funds and within the time required in order to meet its obligations as they come due. While CI currently has access to financing, unfavourable market conditions may affect the ability of CI to obtain loans or make other arrangements on terms acceptable to CI.

SHARE CAPITAL

As at September 30, 2018, CI had 251,755,586 shares outstanding.

Employee Incentive Share Option Plan: At September 30, 2018, 7.0 million options to purchase shares were outstanding, of which 5.9 million options were exercisable at prices ranging from $27.44 to $35.88.

Restricted Share Unit ("RSU") Plan: 925,000 RSUs were outstanding as at September 30, 2018.

Deferred Share Unit ("DSU") Plan: 20,770 DSUs were outstanding as at September 30, 2018.

Additional details about the above Plans can be found in Note 6 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI's contractual obligations at September 30, 2018.

PAYMENTS DUE BY YEAR

[millions of dollars]	**Total**	**1 year or less**	**2**	**3**	**4**	**5**	**More than 5 years**
Long-term debt	1,449.0	224.0	—	450.0	200.0	325.0	250.0
Operating leases	91.3	13.3	12.4	12.1	11.7	11.6	30.2
Total	**1,540.3**	**237.3**	**12.4**	**462.1**	**211.7**	**336.6**	**280.2**

SIGNIFICANT ACCOUNTING ESTIMATES

The September 30, 2018 Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, refer to Note 1 of the December 31, 2017 Notes to Consolidated Financial Statements. Note 2 of the December 31, 2017 Consolidated Financial Statements provides a discussion regarding the methodology used for business acquisitions. Note 4 of the December 31, 2017 Consolidated Financial Statements provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

NEW ACCOUNTING POLICIES

Effective, January 1, 2018, CI retrospectively adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. Note 2 of the September 30, 2018 Notes to Consolidated Financial Statements provides a discussion regarding the new accounting standards and the impact the adoption had on the consolidated financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with management, are responsible for the design of CI's disclosure controls and procedures as defined in National Instrument 52-109 (NI 52-109). Management evaluated, with participation of the CEO and CFO, the effectiveness of the disclosure controls and procedures (as at September 30, 2018). Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these disclosure controls and procedures were effective as at September 30, 2018 and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

Management, under the supervision of the CEO and CFO, is responsible for the design and maintenance of adequate internal controls over financial reporting as defined in NI 52-109 for the purposes of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to its inherent limitations, internal controls over financial reporting can only provide reasonable, not absolute, assurance that the financial statements are free of misstatements. The COSO framework was used to assist management, along with the CEO and CFO, in the evaluation of these internal control systems. Management, under the direction of the CEO and CFO, concluded that the internal controls over financial reporting were effective as at September 30, 2018. Management used various tools to evaluate internal controls over financial reporting which included interaction with key control systems, review of policy and procedure documentation, observation or reperformance of control procedures to evaluate the effectiveness of controls and concluded that these controls are effective. For the quarter ended September 30, 2018, there have been no changes to the internal controls that have materially affected, or are reasonably likely to affect, internal controls over financial reporting

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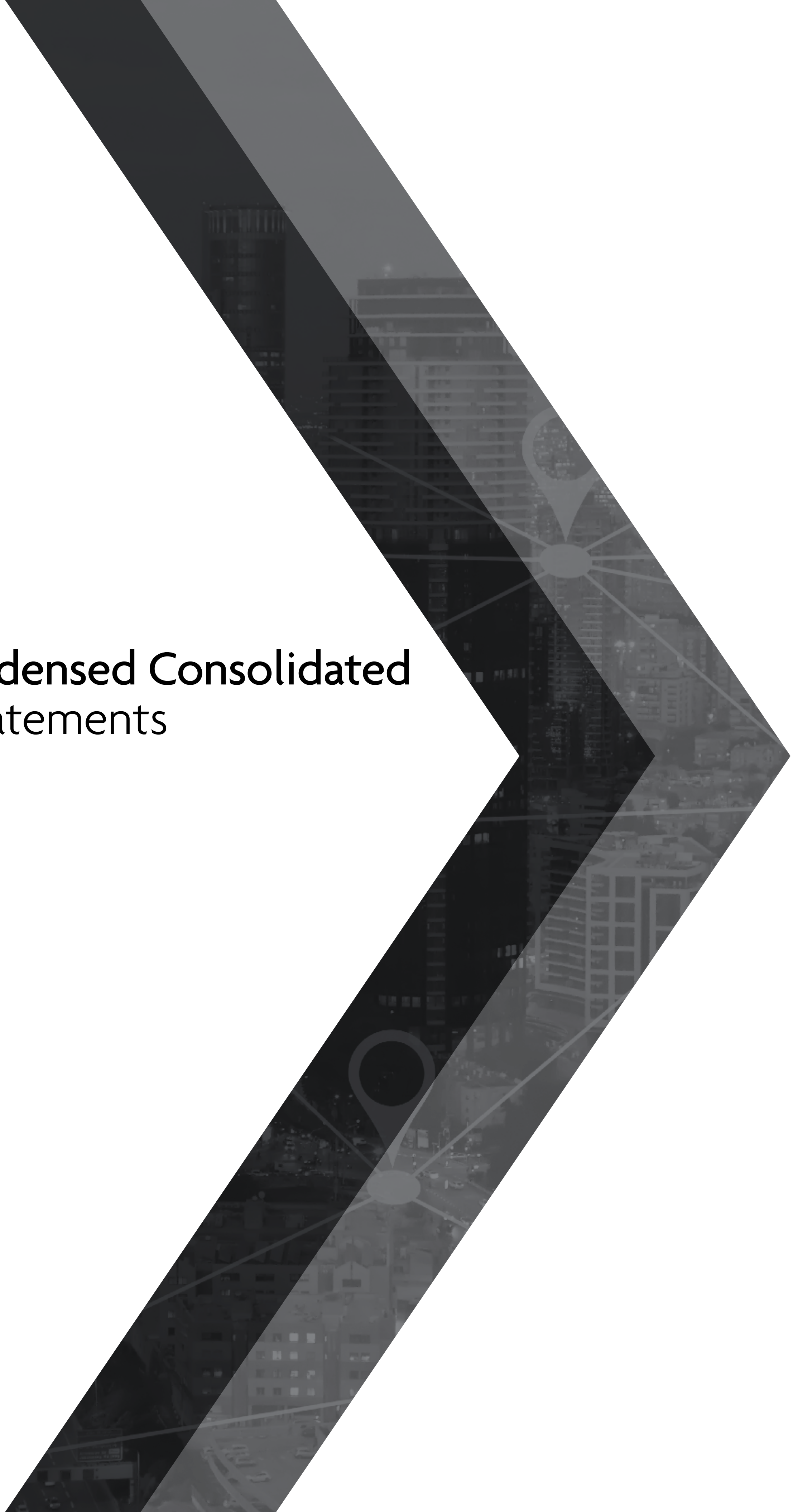
Additional information relating to CI, including the most recent audited annual financial statements, management information circular and annual information form, is available on SEDAR at www.sedar.com and on CI's website at www.cifinancial.com. Information contained in or otherwise accessible through the websites mentioned in this MD&A does not form part of, and is not incorporated by reference into, this MD&A.



Interim Condensed Consolidated
Financial Statements

(unaudited)

September 30, 2018
CI FINANCIAL CORP

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

[in thousands of Canadian dollars]	As at September 30, 2018 $	As at December 31, 2017 $	As at January 1, 2017 $
ASSETS			
Current			
Cash and cash equivalents	**115,748**	124,582	117,899
Client and trust funds on deposit	**347,633**	327,733	185,424
Investments	**171,843**	200,910	85,013
Accounts receivable and prepaid expenses	**218,479**	236,356	148,218
Total current assets	**853,703**	889,581	536,554
Capital assets, net	**44,962**	43,241	34,741
Intangibles	**3,371,157**	3,375,840	2,407,966
Other assets	**37,154**	36,592	206,735
Total assets	**4,306,976**	4,345,254	3,185,996
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	**279,748**	299,004	222,742
Current portion of provision for other liabilities *[note 5]*	**20,512**	61,210	37,246
Dividends payable *[note 7]*	**181,264**	64,598	61,015
Client and trust funds payable	**348,764**	375,647	183,148
Income taxes payable	**2,439**	1,124	8,585
Current portion of long-term debt *[note 4]*	**224,000**	222,000	—
Total current liabilities	**1,056,727**	1,023,583	512,736
Deferred lease inducement	**11,788**	12,214	11,770
Dividends payable long-term *[note 7]*	**90,632**	—	—
Long-term debt *[note 4]*	**1,220,014**	896,119	758,658
Provision for other liabilities *[note 5]*	**22,609**	37,385	48,063
Deferred income taxes *[note 2]*	**464,279**	470,393	309,549
Total liabilities	**2,866,049**	2,439,694	1,640,776
Equity			
Share capital *[note 6(a)]*	**2,191,627**	2,360,257	1,885,066
Contributed surplus	**28,047**	22,058	18,062
Deficit *[note 2]*	**(780,376)**	(493,534)	(369,689)
Accumulated other comprehensive income (loss) *[note 2]*	**(1,180)**	14,301	9,148
Total equity attributable to the shareholders of the Company	**1,438,118**	1,903,082	1,542,587
Non-controlling interests	**2,809**	2,478	2,633
Total equity	**1,440,927**	1,905,560	1,545,220
Total liabilities and equity	**4,306,976**	4,345,254	3,185,996

(see accompanying notes)

On behalf of the Board of Directors:

William T. Holland
Director

Tom P. Muir
Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited)

For the three-month period ended September 30

[in thousands of Canadian dollars, except per share amounts]	**2018** **$**	**2017** **$**
REVENUE		
Management fees	**509,943**	452,863
Administration fees	**50,193**	41,980
Redemption fees	**3,450**	3,201
Realized and unrealized loss on investments *[note 2]*	**(234)**	—
Other income	**5,691**	6,055
	569,043	504,099
EXPENSES		
Selling, general and administrative *[note 11]*	**131,394**	108,723
Trailer fees	**160,600**	139,343
Investment dealer fees	**40,100**	34,538
Deferred sales commissions *[note 2]*	**4,081**	6,485
Amortization of intangibles	**2,433**	1,422
Interest *[note 4]*	**11,569**	5,718
Other	**1,030**	294
	351,207	296,523
Income before income taxes	**217,836**	207,576
Provision for (recovery of) income taxes		
Current	**58,026**	54,397
Deferred *[note 2]*	**1,469**	(378)
	59,495	54,019
Net income for the period	**158,341**	153,557
Net income (loss) attributable to non-controlling interests	**112**	(42)
Net income attributable to shareholders *[note 2]*	**158,229**	153,599
Other comprehensive income (loss), net of tax *[note 2]*		
Unrealized gain on available-for-sale financial assets, net of income taxes [2017 - $162]	**—**	1,064
Exchange differences on translation of foreign operations	**(509)**	(331)
Total other comprehensive income (loss), net of tax	**(509)**	733
Comprehensive income for the period	**157,832**	154,290
Comprehensive income (loss) attributable to non-controlling interests	**112**	(42)
Comprehensive income attributable to shareholders *[note 2]*	**157,720**	154,332
Basic earnings per share attributable to shareholders *[note 6(e)]*	**$0.62**	$0.60
Diluted earnings per share attributable to shareholders *[note 6(e)]*	**$0.62**	$0.60

(see accompanying notes)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited)

For the nine-month period ended September 30

[in thousands of Canadian dollars, except per share amounts]	**2018** **$**	**2017** **$**
REVENUE		
Management fees	**1,529,977**	1,365,003
Administration fees	**145,826**	128,163
Redemption fees	**11,788**	11,253
Realized and unrealized gain (loss) on investments *[note 2]*	**(221)**	518
Other income	**19,815**	11,999
	1,707,185	1,516,936
EXPENSES		
Selling, general and administrative *[note 11]*	**396,364**	328,326
Trailer fees	**482,181**	419,605
Investment dealer fees	**115,411**	105,416
Deferred sales commissions *[note 2]*	**18,237**	23,952
Amortization of intangibles	**7,123**	4,166
Interest *[note 4]*	**30,703**	16,338
Other	**5,216**	4,782
	1,055,235	902,585
Income before income taxes	**651,950**	614,351
Provision for (recovery of) income taxes		
Current	**178,255**	208,552
Deferred *[note 2]*	**(3,766)**	(3,609)
	174,489	204,943
Net income for the period	**477,461**	409,408
Net income (loss) attributable to non-controlling interests	**331**	(295)
Net income attributable to shareholders *[note 2]*	**477,130**	409,703
Other comprehensive income (loss), net of tax *[note 2]*		
Unrealized gain on available-for-sale financial assets, net of income taxes of [2017 - $834]	**—**	5,465
Reversal of gains to net income on available-for-sale financial assets, net of income taxes of [2017 - $(27)]	**—**	(215)
Exchange differences on translation of foreign operations	**(649)**	6
Total other comprehensive income (loss), net of tax	**(649)**	5,256
Comprehensive income for the period	**476,812**	414,664
Comprehensive income (loss) attributable to non-controlling interests	**331**	(295)
Comprehensive income attributable to shareholders *[note 2]*	**476,481**	414,959
Basic earnings per share attributable to shareholders *[note 6(e)]*	**$1.81**	$1.57
Diluted earnings per share attributable to shareholders *[note 6(e)]*	**$1.81**	$1.57

(see accompanying notes)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

For the nine-month period ended September 30

[in thousands of Canadian dollars]	**Share capital** *[note 6(a)]* $	**Contributed surplus** $	**Deficit** *[note 2]* $	**Accumulated other comprehensive income (loss)** *[note 2]* $	**Total shareholders' equity** $	**Non-controlling interests** $	**Total equity** $
Balance, January 1, 2018	**2,360,257**	**22,058**	**(478,702)**	**(531)**	**1,903,082**	**2,478**	**1,905,560**
Comprehensive income (loss)	**—**	**—**	**477,130**	**(649)**	**476,481**	**331**	**476,812**
Dividends declared *[note 7]*	**—**	**—**	**(457,169)**	**—**	**(457,169)**	**—**	**(457,169)**
Shares repurchased, net of tax	**(171,117)**	**—**	**(321,635)**	**—**	**(492,752)**	**—**	**(492,752)**
Issuance *[note 6]*	**534**	**—**	**—**	**—**	**534**	**—**	**534**
Issuance of share capital for equity-based plans, net of tax	**1,953**	**(1,547)**	**—**	**—**	**406**	**—**	**406**
Compensation expense for equity-based plans, net of tax	**—**	**7,536**	**—**	**—**	**7,536**	**—**	**7,536**
Change during the period	**(168,630)**	**5,989**	**(301,674)**	**(649)**	**(464,964)**	**331**	**(464,633)**
Balance, September 30, 2018	**2,191,627**	**28,047**	**(780,376)**	**(1,180)**	**1,438,118**	**2,809**	**1,440,927**
Balance, January 1, 2017	1,885,066	18,062	(369,689)	9,148	1,542,587	2,633	1,545,220
Comprehensive income (loss)	—	—	409,703	5,256	414,959	(295)	414,664
Dividends declared *[note 7]*	—	—	(272,561)	—	(272,561)	—	(272,561)
Shares repurchased, net of tax	(74,945)	—	(184,081)	—	(259,026)	—	(259,026)
Issuance *[note 6]*	2,189	—	—	—	2,189	—	2,189
Issuance of share capital for equity-based plans, net of tax	805	(805)	—	—	—	—	—
Compensation expense for equity-based plans, net of tax	—	6,185	—	—	6,185	—	6,185
Change during the period	(71,951)	5,380	(46,939)	5,256	(108,254)	(295)	(108,549)
Balance, September 30, 2017	1,813,115	23,442	(416,628)	14,404	1,434,333	2,338	1,436,671

(see accompanying notes)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three-month period ended September 30

[in thousands of Canadian dollars]	**2018** **$**	**2017** **$**
OPERATING ACTIVITIES (*)		
Net income for the period	**158,341**	153,557
Add (deduct) items not involving cash		
Realized and unrealized loss on investments	**234**	—
Equity-based compensation	**3,902**	2,628
Amortization of intangibles	**2,433**	1,422
Amortization and depreciation of other	**2,771**	1,903
Deferred income taxes	**1,469**	(378)
Cash provided by operating activities before net change in operating assets and liabilities	**169,150**	159,132
Net change in operating assets and liabilities	**4,839**	33,268
Cash provided by operating activities	**173,989**	192,400
INVESTING ACTIVITIES		
Purchase of investments	**(7,866)**	(3,592)
Proceeds on sale of investments	**79**	22
Additions to capital assets	**(1,888)**	(1,711)
Decrease in other assets	**2,384**	467
Additions to intangibles	**(1,175)**	(1,675)
Cash paid to settle contingent liability *[note 5]*	**—**	(15)
Interest in joint operation	**—**	(609)
Cash used in investing activities	**(8,466)**	(7,113)
FINANCING ACTIVITIES		
Increase in amounts drawn on credit facility	**(308,000)**	(90,000)
Issuance of debentures	**323,233**	248,820
Repurchase of share capital	**(188,758)**	(100,041)
Issuance of share capital	**—**	—
Dividends paid to shareholders	**(61,129)**	(90,985)
Cash used in financing activities	**(234,654)**	(32,206)
Net increase (decrease) in cash and cash equivalents during the period	**(69,131)**	153,081
Cash and cash equivalents, beginning of period	**184,879**	120,377
Cash and cash equivalents, end of period	**115,748**	273,458
(*) Included in operating activities are the following:		
Interest paid	**7,118**	1,516
Income taxes paid	**58,152**	24,300

(see accompanying notes)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the nine-month period ended September 30

[in thousands of Canadian dollars]	**2018** **$**	**2017** **$**
OPERATING ACTIVITIES (*)		
Net income for the period	**477,461**	409,408
Add (deduct) items not involving cash		
Realized and unrealized loss (gain) on investments	**221**	(518)
Fair value adjustment to contingent consideration	**—**	—
Equity-based compensation	**10,011**	7,672
Amortization of intangibles	**7,123**	4,166
Amortization and depreciation of other	**7,989**	5,688
Deferred income taxes	**(3,766)**	(3,609)
Cash provided by operating activities before net change in operating assets and liabilities	**499,039**	422,807
Net change in operating assets and liabilities	**(69,119)**	15,295
Cash provided by operating activities	**429,920**	438,102
INVESTING ACTIVITIES		
Purchase of investments	**(12,139)**	(29,522)
Proceeds on sale of investments	**18,384**	7,617
Additions to capital assets	**(9,047)**	(7,521)
Decrease (increase) in other assets	**132**	(1,429)
Additions to intangibles	**(3,531)**	(9,768)
Cash paid to settle contingent liability *[note 5]*	**(11,129)**	(13,997)
Interest in joint operation	**—**	(609)
Cash used in investing activities	**(17,330)**	(55,229)
FINANCING ACTIVITIES		
Increase in amounts drawn on credit facility	**2,000**	60,000
Issuance of debentures	**323,233**	248,820
Repurchase of share capital	**(497,024)**	(262,660)
Issuance of share capital	**405**	—
Dividends paid to shareholders	**(250,038)**	(273,474)
Cash used in financing activities	**(421,424)**	(227,314)
Net increase (decrease) in cash and cash equivalents during the period	**(8,834)**	155,559
Cash and cash equivalents, beginning of period	**124,582**	117,899
Cash and cash equivalents, end of period	**115,748**	273,458
(*) Included in operating activities are the following:		
Interest paid	**25,928**	9,267
Income taxes paid	**182,867**	155,041

(see accompanying notes)

CI Financial Corp. ["CI"] is a publicly listed company (TSX: CIX) incorporated under the laws of the Province of Ontario and has its registered office and principal place of business located at 2 Queen Street East, Toronto, Ontario.

CI's primary business is the management and distribution of a broad range of financial products and services, including mutual funds, segregated funds, exchange-traded funds, financial planning, insurance, investment advice, wealth management and estate and succession planning.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of CI have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ["IAS 34"] as issued by the International Accounting Standards Board ["IASB"] and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2017.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of CI on November 8, 2018.

BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements of CI have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements have been prepared on a going concern basis. CI's presentation currency is the Canadian dollar, which is CI's functional currency. The notes presented in these unaudited interim condensed consolidated financial statements include, in general, only significant changes and transactions occurring since CI's last year-end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ["IFRS"] for annual financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2017.

BASIS OF CONSOLIDATION

The unaudited interim condensed consolidated financial statements include the accounts of CI and all its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities over which CI has control, when CI has the power, directly or indirectly, to govern the financial and operating policies of an entity, is exposed to variable returns from its activities, and is able to use its power to affect such variable returns to which it is exposed.

CI's principal subsidiaries are as follows:

- CI Investments Inc. ["CI Investments"], Assante Wealth Management (Canada) Ltd. ["AWM"], First Asset Capital Corp. ["First Asset"], BBS Securities Inc. ["BBS"] and their respective subsidiaries. Effective, June 1, 2018, Sentry Investments Corp. amalgamated with CI Investments.

- CI holds a controlling 65% interest in Marret Asset Management Inc. ["Marret"]. A non-controlling interest is recorded in the unaudited interim condensed consolidated statements of income and comprehensive income to reflect the non-controlling interest's share of the income and comprehensive income, and a non-controlling interest is recorded within equity in the interim condensed consolidated statements of financial position to reflect the non-controlling interest's share of the net assets of Marret.
- CI holds a controlling 80% interest in Grant Samuel Funds Management ["GSFM"] and granted a put option to shareholders for the remaining 20% minority interest. CI considers the non-controlling interest in GSFM to have already been acquired and consolidates 100% of the income and comprehensive income in the consolidated statements of income and comprehensive income. GSFM has an interest in a joint arrangement classified as a joint operation. The unaudited interim condensed consolidated financial statements include GSFM's recognition of its share of the joint operation's assets, liabilities, income and comprehensive income.

Hereinafter, CI and its subsidiaries are referred to as CI.

2. NEW ACCOUNTING STANDARDS

[A] IFRS 15

Effective January 1, 2018, CI retrospectively adopted IFRS 15, R*evenue from Contracts with Customers* ["IFRS 15"]. IFRS 15 replaces prior guidance, including IAS 18, *Revenue*. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Prior to the adoption of IFRS 15, commissions paid on sales of deferred sales charge mutual funds were capitalized and amortized over the redemption period. CI has determined that these costs are within the scope of IFRS 15 and do not qualify as an incremental cost of acquiring its fund contracts. Accordingly, CI now recognizes the related sales commissions as an expense at the date incurred. The retrospective application of IFRS 15 resulted in the derecognition of previously recognized deferred sales commissions and the related deferred tax liability on CI's unaudited interim condensed consolidated statements of financial position of $153,644 as at January 1, 2018 ($202,811 as at January 1, 2017). CI will recognize sales commissions as an expense at the date incurred rather than deferring and recognizing over the redemption period. CI has assessed and determined that there are no other significant impacts resulting from the application of IFRS 15.

[B] IFRS 9

Effective January 1, 2018, CI retrospectively adopted IFRS 9, *Financial Instruments* ["IFRS 9"] replacing IAS 39, *Financial Instruments* ["IAS 39"]. IFRS 9 provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held.

Under IFRS 9, financial assets are classified as either fair value through profit or loss [“FVPL”], fair value through other comprehensive income [“FVOCI”] or amortized cost and financial liabilities are categorized as either FVPL or amortized cost. For financial liabilities designated as FVPL, IFRS 9 requires the presentation of the effects of changes in the liability’s credit risk in other comprehensive income instead of net income. The application of IFRS 9 resulted in the reclassification of investments of $117,830 to FVPL as at January 1, 2018, which were previously classified as available-for-sale under IAS 39 as at December 31, 2017. CI recognized a decrease in opening deficit of $14,832 with a corresponding decrease in the opening accumulated other comprehensive income as at January 1, 2018. The classification of all other assets and liabilities are consistent with previous classification under IAS 39 with the exception that assets previously classified as loans and receivables and other liabilities under IAS 39 are now classified as amortized cost under IFRS 9.

Upon adoption of IFRS 9 on January 1, 2018, CI also applied amendments to IFRS 7, *Financial Instruments: Disclosures* and elected not to restate comparative information. Prior year comparative information has been presented in accordance with its previous accounting policy.

<u>The following is the new accounting policy for financial assets under IFRS 9:</u>

Financial assets are classified as FVPL or amortized cost. Financial liabilities are classified as FVPL or other.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability. Financial instruments classified as FVPL are carried at fair value in the consolidated statements of financial position and any gains or losses are recorded in net income in the period in which they arise. Financial instruments classified as FVPL include cash and cash equivalents, investments as well as contingent consideration included in provision for other liabilities.

Financial assets and liabilities classified as amortized cost are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Such accounts include client and trust funds on deposit, accounts receivable, accounts payable and accrued liabilities, dividends payable, client and trust funds payable, provision for other liabilities and long-term debt.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, highly liquid investments and interest bearing deposits with original maturities of 90 days or less.

Client and trust funds

Client and trust funds on deposit include amounts representing cash held in trust with Canadian financial institutions for clients in respect of self-administered Registered Retirement Savings Plans and Registered Retirement Income Funds, and amounts received from clients for which the settlement date on the purchase of securities has not occurred or accounts in which the clients maintain a cash balance. Client and trust funds on deposit also include amounts for client transactions that are entered into on either a cash or margin basis and recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. For margin accounts, CI extends credit to a client for the purchase of securities, collateralized by the financial instruments in the client’s account. Amounts loaned are limited by margin regulations of the Investment Industry Regulatory Organization of Canada ["IIROC"] and other regulatory authorities, and are subject to CI's credit review and daily monitoring procedures. The corresponding liabilities related to the above accounts and transactions are included in client and trust funds payable.

Investments

Investments include securities owned, at market, principally for the purpose of selling or repurchasing in the near term. Securities owned, at market, are classified as FVPL and are initially recognized on the consolidated statements of financial position at fair value with transaction costs expensed as incurred. Subsequent realized and unrealized gains and losses are included in administration fees income in the consolidated statements of income and comprehensive income in the period in which they arise. Securities transactions are recorded on a trade-date basis. Market value is based on quoted prices where an active market exists. For securities in non-active markets, market value is based on valuation techniques and management's best estimate of fair value.

Also included in investments are marketable securities that consist of CI's seed capital investments in CI mutual funds and strategic investments. Investments in marketable securities are measured at fair value and recognized on the trade date. Mutual fund securities are valued using the net asset value per unit of each fund. Realized and unrealized gains and losses are recognized using average cost and recorded in net income. Distributions from mutual fund securities are recorded as other income. Distributions that are reinvested increase the cost base of the mutual fund investments.

Impairment of financial assets

CI recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 months of expected credit losses. For trade receivables, CI applies the simplified approach to providing for expected credit losses, which allows for the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized.

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

[C] APPLICATION IMPACT OF IFRS 9 AND IFRS 15 ON FINANCIAL STATEMENTS:

The following table shows the impact of the application of IFRS 9 and IFRS 15 to deficit and accumulated other comprehensive income balances on the unaudited interim condensed consolidated statements of financial position:

	January 1, 2018	December 31, 2017	January 1, 2017
	$	$	$
Deficit prior to application of IFRS 9 and IFRS 15	(339,890)	(339,890)	(166,878)
Deferred sales commissions	(205,478)	(205,478)	(272,699)
Deferred income taxes	51,834	51,834	69,888
Accumulated other comprehensive income	14,832	—	—
Total adjustment to deficit	(138,812)	(153,644)	(202,811)
Deficit subsequent to application of IFRS 9 and IFRS 15	(478,702)	(493,534)	(369,689)
Accumulated other comprehensive income prior to application of IFRS 9	14,301	14,301	9,148
Accumulated other comprehensive income	(14,832)	—	—
Accumulated other comprehensive income subsequent to application of IFRS 9	(531)	14,301	9,148

The comparative unaudited condensed consolidated statement of income and comprehensive income was not restated for the application of IFRS 9. The following table shows the impact of the application of IFRS 15 to the unaudited interim condensed consolidated statements of income and comprehensive income:

	Year ended December 31, 2017	9 months ended September 30, 2017	3 months ended September 30, 2017
	$	$	$
Net income attributable to shareholders prior to application of IFRS 15	499,927	371,341	140,825
Amortization of deferred sales commissions	98,515	76,144	23,863
Deferred sales commissions paid	(31,295)	(23,952)	(6,485)
Deferred income taxes	(18,054)	(13,830)	(4,604)
Differences in net income	49,166	38,362	12,774
Net income attributable to shareholders subsequent to application of IFRS 15	549,093	409,703	153,599
Comprehensive income attributable to shareholders prior to application of IFRS 15	505,080	376,597	141,558
Differences in net income	49,166	38,362	12,774
Comprehensive income attributable to shareholders subsequent to application of IFRS 15	554,246	414,959	154,332

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

The following table shows the impact of the application of IFRS 15 to the unaudited interim condensed consolidated statements of cash flows:

	Year ended December 31, 2017	9 months ended September 30, 2017	3 months ended September 30, 2017
	$	$	$
Cash provided by operating activities prior to application of IFRS 15	612,403	462,054	198,885
Deferred sales commissions paid	(31,295)	(23,952)	(6,485)
Cash provided by operating activities subsequent to application of IFRS 15	581,108	438,102	192,400
Cash used in investing activities prior to application of IFRS 15	(183,098)	(79,181)	(13,598)
Deferred sales commissions paid	31,295	23,952	6,485
Cash used in investing activities subsequent to application of IFRS 15	(151,803)	(55,229)	(7,113)

3. BUSINESS ACQUISITION

Sentry Investments Corp.

On October 2, 2017, CI completed the acquisition of all outstanding shares of Sentry Investments Corp. and Sentry Investments Inc. [collectively, "Sentry"], a Canadian asset management company, for total consideration of $807,607, in cash of $257,607 and CI common shares of $550,000. The acquisition was accounted for using the acquisition method of accounting and the results of operations have been consolidated from the date of the transaction.

Details of the net assets acquired as at October 2, 2017, at fair value, are as follows:

	$
Cash and cash equivalents	23,897
Accounts receivable and prepaid expenses	33,256
Investments	34,251
Capital assets	5,962
Management contracts	616,750
Income taxes receivable	8,936
Accounts payable and accrued liabilities	(62,544)
Deferred lease inducements	(1,858)
Deferred income taxes	(161,943)
Fair value of identifiable net assets	496,707
Goodwill on acquisition	310,900
Total acquired cost	807,607

The acquired fund management contracts with a fair value of $616,750 include $612,750 that have an indefinite life and $4,000 with a finite life. The goodwill on acquisition is not deductible for income taxes. Goodwill of $310,900 relates to the asset management segment.

September 30, 2018 and 2017 • *[in thousands of dollars, except per share amounts]

Details of the consideration as at the date of acquisition are as follows:

	$
Cash consideration, including amounts payable	257,607
Share consideration	550,000
Total consideration	807,607

Cash inflow on acquisition is as follows:

	$
Net cash acquired (included in cash flows from investing activities)	23,897
Transaction costs (included in cash flows from financing activities)	(158)
Net cash inflow on acquisition	23,739

BBS Securities Inc.

On November 1, 2017, CI completed the acquisition of all outstanding shares and debt obligations of BBS Securities Inc., and associated entities, including Pario Technology Corp. and Virtual Brokers Wealth Management Inc. [collectively, "BBS"], a financial technology company for $38,369, in cash of $11,169 and CI common shares of $27,200. The acquisition was accounted for using the acquisition method of accounting and the results of operations have been consolidated from the date of the transaction.

Details of the net assets acquired as at November 1, 2017, at fair value, are as follows:

	$
Cash and cash equivalents	5,589
Accounts receivable and prepaid expenses	18,861
Client and trust funds on deposit	112,091
Investments	50,805
Capital assets	778
Fund administration contracts	6,900
Intangible - technology	9,100
Other assets	356
Accounts payable and accrued liabilities	(15,200)
Client and trust funds payable	(164,690)
Deferred lease inducement	(99)
Deferred income taxes	(4,135)
Fair value of identifiable net assets	20,356
Goodwill on acquisition	18,013
Total acquired cost	38,369

The acquired fund administration contracts with a fair value of $6,900 have a finite life. The technology acquired has a fair value of $9,100 and an estimated useful life of 10 years. The goodwill on acquisition is not deductible for income taxes. Goodwill of $18,013 relates to the asset administration segment.

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

Details of the consideration as at the date of acquisition is as follows:

	$
Cash consideration, including amounts payable	11,169
Share consideration	27,200
Total consideration	38,369

Cash inflow on acquisition is as follows:

	$
Net cash acquired (included in cash flows from investing activities)	5,589
Transaction costs (included in cash flows from financing activities)	(46)
Net cash inflow on acquisition	5,543

4. LONG-TERM DEBT

Long-term debt consists of the following:

	As at September 30, 2018 $	As at December 31, 2017 $
Credit facility		
Prime rate loan	**30,000**	—
Banker's acceptances	**194,000**	222,000
	224,000	222,000
Debentures		
$450 million, 2.645% due December 7, 2020	**448,916**	448,568
$200 million, 2.775% due November 25, 2021	**199,221**	199,050
$250 million, 3.904% due September 27, 2027	**248,595**	248,501
$325 million, 3.520% due July 20, 2023	**323,282**	—
	1,220,014	896,119
Long-term debt	**1,444,014**	1,118,119
Current portion of long-term debt	**224,000**	222,000

Credit facility

CI has a $700,000 revolving credit facility with two Canadian chartered banks. Loans are made by the banks under a three-year revolving credit facility, with the outstanding principal balance due upon maturity on December 11, 2018. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. CI is within its financial covenants with respect to its credit facility, which requires that the funded debt to annualized EBITDA ratio remains below 2.5:1 and that CI's assets under management not fall below $85 billion, calculated based on a rolling 30-day average. There can be no assurance that future borrowings or equity financing will be available to CI or available on acceptable terms.

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

Debentures

On July 20, 2018, CI completed an offering pursuant to which it issued $325,000 principal amount of debentures due July 20, 2023 at par [the "2023 Debentures"]. Interest on the 2023 Debentures is paid semi-annually in arrears at a rate of 3.520%. The proceeds, net of transaction costs, were used to repay outstanding indebtedness under the credit facility.

On September 27, 2017, CI completed an offering pursuant to which it issued $250,000 principal amount of debentures due September 27, 2027 at par. The proceeds, net of transaction costs, were primarily used to acquire Sentry Investments Corp.

On February 2, 2017, CI entered into an interest rate swap agreement with a Canadian chartered bank to swap the semi-annual fixed rate payments on the debentures due November 25, 2021 for floating rate payments. As at September 30, 2018, the fair value of the interest rate swap agreement was an unrealized loss of $7,874 and is included in long-term debt in the unaudited interim condensed consolidated statements of financial position.

5. PROVISION FOR OTHER LIABILITIES AND CONTINGENCIES

CI is a party to a number of claims, proceedings and investigations, including legal, regulatory and tax, in the ordinary course of its business. Due to the inherent uncertainty involved in these matters, it is difficult to predict the final outcome or the amount and timing of any outflow related to such matters. Based on current information and consultations with advisors, CI does not expect the outcome of these matters, individually or in aggregate, to have a material adverse effect on its financial position or on its ability to continue normal business operations.

CI has made provisions based on current information and the probable resolution of such contingent consideration, claims, proceedings and investigations as well as for amounts payable in connection with business acquisitions and severance. The movement in amounts provided for contingent liabilities and related expenses during the nine months ended September 30, 2018 and the year ended December 31, 2017, are as follows:

	9 months ended September 30, 2018	**Year ended December 31, 2017**
	$	**$**
Provision for other liabilities, beginning of period	**98,595**	85,309
Additions	**224**	73,244
Amounts used	**(46,991)**	(52,913)
Amounts reversed	**(8,707)**	(7,045)
Provision for other liabilities, end of period	**43,121**	98,595
Current portion of provision for other liabilities	**20,512**	61,210

Provision for other liabilities primarily include the following:

LITIGATION

CI is a defendant to certain lawsuits of which two are class action lawsuits related to events and transactions that gave rise to a settlement agreement with the Ontario Securities Commission ["OSC"] in 2004. Although CI continues to believe that this settlement fully compensated investors affected by frequent trading activity, a provision has been made based on the probable resolution of these claims and related expenses.

CI maintains insurance policies that may provide coverage against certain claims. Amounts receivable under these policies are not accrued for unless the realization of income is virtually certain. During the three and nine months ended September 30, 2018, CI received insurance proceeds of nil, related to the settlement of legal claims [December 31, 2017 - nil]. As at September 30, 2018, CI has accrued $60 for amounts to be received under insurance policies [December 31, 2017 - $53], which is included in accounts receivable.

TAXATION

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency ["CRA"], and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment. During 2017, CI recorded a current income tax expense of $45,000 as a provision for the settlement of outstanding notices of reassessment received for the years 2006 to 2008 ["NORs"]. During the three and nine months ended September 30, 2018, CI reversed nil and $1,466 related to the provision for the NORs. During 2017, the CRA returned $120,756 from deposits placed with the CRA in 2015 and returned nil and $8,392 during the three and nine months ended September 30, 2018, respectively. As at September 30, 2018 , included in accounts receivable and prepaid expenses is nil [December 31, 2017 - $7,130]. Included in provision for other liabilities as at September 30, 2018, is a legal provision of nil related to this matter [December 31, 2017 - $27].

PUT OPTION AND CONTINGENT CONSIDERATION

Included in provision for other liabilities as at September 30, 2018, is a provision for the fair value of the put option granted to minority interest shareholders for the acquisition of GSFM of $13,680, including foreign exchange translation adjustments [December 31, 2017 - $16,742]. During the three and nine months ended September 30, 2018, the put option liability was reduced by $1,167 representing dividends paid by GSFM to non-controlling shareholders. Included in other income for the three and nine months ended September 30, 2018, is a fair value adjustment of $1,144, respectively, and translation of $622 and $751, respectively [three and nine months ended September 30, 2017 - translation of $321 and $(169), respectively].

During the three and nine months ended September 30, 2018, CI made payments of nil and $11,663, respectively, in cash - $11,129 and shares - $534, related to contingent consideration that was payable for the First Asset acquisition [three and nine months ended September 30, 2017 - payments of $15 and $13,997, respectively, in cash - $11,808 and shares - $2,189]. As at September 30, 2018, all contingent consideration related to this acquisition has been paid [December 31, 2017 - provision for other liabilities of $11,603].

RESTRUCTURING

During the year ended December 31, 2017, CI recorded provisions of $39,000, primarily for restructuring, integration and legal costs related to the acquisition of Sentry and BBS. As at September 30, 2018, a provision of $5,818 remains [December 31, 2017, a provision of $29,776].

REMEDIATION

In 2015, CI Investments discovered an administrative error and recorded a provision of $10,750, net of recoveries for the cost to remediate. As at September 30, 2018, a net recovery of $496 remains [December 31, 2017 - $480].

6. SHARE CAPITAL

A summary of the changes to CI's share capital for the period is as follows:

[A] AUTHORIZED AND ISSUED

	Number of shares *[in thousands]*	Stated value $
Authorized		
An unlimited number of common shares of CI		
Issued		
Common shares, balance, December 31, 2016	**265,302**	**1,885,066**
Issuance for acquisition of subsidiary, net of issuance costs	21,276	579,186
Issuance of share capital on exercise of share options	96	1,835
Issuance of share capital on vesting of restricted share units	120	2,419
Share repurchases, net of tax	(14,910)	(108,249)
Common shares, balance, December 31, 2017	**271,884**	**2,360,257**
Issuance for acquisition of subsidiary	17	534
Issuance of share capital on exercise of share options	58	1,700
Issuance of share capital on vesting of restricted share units	2	35
Share repurchases, net of tax	(5,400)	(43,022)
Common shares, balance, March 31, 2018	**266,561**	**2,319,504**
Issuance of share capital on vesting of restricted share units	4	68
Share repurchases, net of tax	(6,003)	(51,623)
Common shares, balance, June 30, 2018	**260,562**	**2,267,949**
Issuance of share capital on vesting of restricted share units	6	150
Share repurchases, net of tax	(8,812)	(76,472)
Common shares, balance, September 30, 2018	**251,756**	**2,191,627**

[B] EMPLOYEE INCENTIVE SHARE OPTION PLAN

CI has an employee incentive share option plan [the "Share Option Plan"], as amended and restated, for the executives and key employees of CI. CI granted nil and 78 thousand options during the three and nine months ended September 30, 2018, respectively [three and nine months ended September 30, 2017 - nil and 599 thousand options, respectively]. The fair value method of accounting is used for the valuation of the 2018 and 2017 share option grants. Compensation expense is recognized over the applicable vesting periods, assuming an estimated average forfeiture rate of 0% for the options issued during 2018 [2017 - 0%], with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder are credited to share capital.

The fair value of the 2018 and 2017 option grants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

Year of grant	2018	2017	2017
# of options granted [in thousands]	78	304	295
Vesting terms	1/3 at end of each year	1/3 at end of each year	1/2 at end of each year
Dividend yield	5.044% - 5.085%	5.238% - 5.337%	5.238% - 5.268%
Expected volatility *(*)*	16%	16%	16%
Risk-free interest rate	2.285% - 2.363%	1.189% - 1.293%	1.189% - 1.229%
Expected life [years]	2.9 - 3.7	2.7 - 3.6	2.7 - 3.0
Forfeiture rate	0%	0%	0%
Fair value per stock option	$2.23 - $2.45	$1.88 - $2.04	$1.88 - $1.94
Exercise price	$28.67	$27.44	$27.44

(*) Based on historical volatility of CI's share price.

A summary of the changes in the Share Option Plan is as follows:

	Number of options *[in thousands]*	Weighted average exercise price $
Options outstanding, December 31, 2016	**8,640**	**31.44**
Options exercisable, December 31, 2016	**3,721**	**31.46**
Options granted	599	27.44
Options exercised (*)	(875)	25.07
Options cancelled	(291)	31.30
Options outstanding, December 31, 2017	**8,073**	**31.84**
Options exercisable, December 31, 2017	**5,014**	**33.03**
Options granted	78	28.67
Options exercised (*)	(609)	27.42
Options cancelled	(127)	33.23
Options outstanding, March 31, 2018	**7,415**	**32.15**
Options exercisable, March 31, 2018	**6,105**	**32.88**
Options cancelled	(238)	31.16
Options outstanding, June 30, 2018	**7,177**	**32.18**
Options exercisable, June 30, 2018	**5,975**	**32.96**
Options cancelled	(127)	31.85
Options outstanding, September 30, 2018	**7,050**	**32.19**
Options exercisable, September 30, 2018	**5,876**	**32.97**

(*) Weighted average share price of options exercised was nil and $29.54 during the three and nine months ended September 30, 2018 [year ended December 31, 2017 - $28.54]

Options outstanding and exercisable as at September 30, 2018 are as follows:

Exercise price	**Number of options outstanding**	**Weighted average remaining contractual life**	**Number of options exercisable**
$	***[in thousands]***	***[years]***	***[in thousands]***
27.44	536	3.4	193
28.63	2,173	2.4	1,420
28.67	78	4.4	—
33.96	2,330	1.4	2,330
34.52	229	0.7	229
35.60	1,484	0.4	1,484
35.88	220	1.5	220
27.44 to 35.88	**7,050**	**1.7**	**5,876**

[C] RESTRICTED SHARE UNITS

CI has an employee restricted share unit plan [the "RSU Plan"] for senior executives and other key employees. Compensation expense is recognized and recorded as contributed surplus based upon the market value of the restricted share units ["RSUs"] at the grant date. Forfeitures of RSUs reduce compensation expense to the extent contributed surplus was previously recorded for such awards. On vesting of RSUs, share capital is credited for the amounts initially recorded as contributed surplus to reflect the issuance of share capital.

During the three and nine months ended September 30, 2018, CI granted 9 and 570 thousand RSUs, respectively [three and nine months ended September 30, 2017 - 9 and 522 thousand RSUs, respectively], including 9 thousand and 29 thousand RSUs granted, respectively, to reflect dividends declared on the common shares [three and nine months ended September 30, 2017 - 6 thousand and 15 thousand, respectively]. Also during the three and nine months ended September 30, 2018, 6 thousand and 13 thousand RSUs were exercised, respectively, and 9 thousand and 25 thousand RSUs were forfeited, respectively [three and nine months ended September 30, 2017 - nil exercised, respectively, 1 thousand RSUs forfeited, respectively]. During the three and nine months ended September 30, 2018, CI credited contributed surplus for $3,663 and $9,274, respectively, related to compensation expense recognized for the RSUs [three and nine months ended September 30, 2017 - $1,912 and $5,572, respectively]. As at September 30, 2018, 925 thousand RSUs are outstanding [December 31, 2017 - 393 thousand RSUs].

CI uses a Trust to hold CI's common shares, to fulfill obligations to employees arising from the RSU Plan. During the three and nine months ended September 30, 2018, nil and 570 thousand common shares of CI were purchased, respectively, at a cost of nil and $16,120 [$11,848 net of tax], respectively, on the open market of the TSX by the trustee for the purposes of funding the RSU Plan [three and nine months ended September 30, 2017 - nil and 500 thousand common shares, purchased at a cost of nil and $13,618 [$9,985 net of tax], respectively]. The common shares held by the Trust are not considered to be outstanding for the purposes of basic and diluted earnings per share calculations.

[D] DEFERRED SHARE UNITS

The deferred share unit plan ["DSU Plan"] was established in March 2017, whereby directors may elect to receive all or a portion of their quarterly compensation in either cash or deferred share units ["DSUs"]. The DSUs fully vest on the grant date and an expense is recorded based upon the market value of the DSUs at the grant date with an offset included in accounts payable and accrued liabilities. At the end of each period, the change in the fair value of the DSUs is recorded as an expense with an offset recorded to the liability. DSUs can only be redeemed for cash once the holder ceases to be a director of CI.

During the three and nine months ended September 30, 2018, 0.2 thousand and 2 thousand DSUs were granted, respectively, and 6 thousand DSUs were exercised, respectively, [three and nine months ended September 30, 2017 - 4 thousand and 12 thousand DSUs, respectively, and nil exercised, respectively]. An expense recovery of $96 and $(159) was recorded during the three and nine months ended September 30, 2018, respectively [three and nine months ended September 30, 2017 - $112 and $341, respectively]. As at September 30, 2018, included in accounts payable and accrued liabilities, is an accrual of $426 for amounts to be paid under the DSU Plan [December 31, 2017 - $740].

[E] BASIC AND DILUTED EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share for the three and nine months ended September 30:

[in thousands]	**3 months ended September 30, 2018**	**9 months ended September 30, 2018**	**3 months ended September 30, 2017**	**9 months ended September 30, 2017**
Numerator:				
Net income attributable to shareholders of the Company basic and diluted	**$158,229**	**$477,130**	$153,599	$409,703
Denominator:				
Weighted average number of common shares - basic	**256,740**	**263,446**	257,630	261,124
Weighted average effect of dilutive stock options and RSU awards *(*)*	**393**	**316**	172	111
Weighted average number of common shares - diluted	**257,133**	**263,762**	257,802	261,235
Net earnings per common share attributable to shareholders				
Basic	**$0.62**	**$1.81**	$0.60	$1.57
Diluted	**$0.62**	**$1.81**	$0.60	$1.57

(*) The determination of the weighted average number of common shares - diluted excludes 7,050 thousand shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2018 [three and nine months ended September 30, 2017 - 7,713 thousand shares].

The following table presents the maximum number of shares that would be outstanding if all the outstanding options were exercised and if all RSU awards vested as at October 31, 2018:

[in thousands]	
Shares outstanding at October 31, 2018	247,963
Options to purchase shares	7,033
RSU Awards	930
	255,926

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

7. DIVIDENDS

The following dividends were paid by CI during the three and nine months ended September 30, 2018:

Record date	Payment date	Cash dividend per share	Total dividend amount
		$	$
December 31, 2017	January 15, 2018	0.1175	31,957
January 31, 2018	February 15, 2018	0.1175	31,736
February 28, 2018	March 15, 2018	0.1175	31,706
Paid during the three months ended March 31, 2018			95,399
March 31, 2018	April 13, 2018	0.1175	31,344
April 30, 2018	May 15, 2018	0.1175	31,170
May 31, 2018	June 15, 2018	0.1175	30,996
Paid during the three months ended June 30, 2018			93,510
Paid during the six months ended June 30, 2018			188,909
June 30, 2018	July 13, 2018	0.1175	30,616
July 31, 2018	August 15, 2018	0.1175	30,513
Paid during the three months ended September 30, 2018			61,129
Paid during the nine months ended September 30, 2018			250,038

The following dividends were declared but not paid during the three months ended September 30, 2018:

Record date	Payment date	Cash dividend per share	Total dividend amount
		$	$
September 30, 2018	October 15, 2018	0.18	45,316
December 31, 2018	January 15, 2019	0.18	45,316
March 31, 2019	April 15, 2019	0.18	45,316
June 30, 2019	July 15, 2019	0.18	45,316
September 30, 2019	October 15, 2019	0.18	45,316
December 31, 2019	January 15, 2020	0.18	45,316
Declared and accrued as at September 30, 2018			271,896

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

The following dividends were paid by CI during the three and nine months ended September 30, 2017:

Record date	Payment date	Cash dividend per share	Total dividend amount
		$	$
December 31, 2016	January 13, 2017	0.115	30,587
January 31, 2017	February 15, 2017	0.115	30,504
February 28, 2017	March 15, 2017	0.115	30,428
Paid during the three months ended March 31, 2017			91,519
March 31, 2017	April 13, 2017	0.115	30,223
April 30, 2017	May 15, 2017	0.115	30,081
May 31, 2017	June 15, 2017	0.1175	30,666
Paid during the three months ended June 30, 2017			90,970
Paid during the six months ended June 30, 2017			182,489
June 30, 2017	July 14, 2017	0.1175	30,499
July 31, 2017	August 15, 2017	0.1175	30,266
August 31, 2017	September 15, 2017	0.1175	30,220
Paid during the three months ended September 30, 2017			90,985
Paid during the nine months ended September 30, 2017			273,474

The following dividends were declared but not paid during the three months ended September 30, 2017:

Record date	Payment date	Cash dividend per share	Total dividend amount
		$	$
September 30, 2017	October 13, 2017	0.1175	30,051
October 31, 2017	November 15, 2017	0.1175	30,051
Declared and accrued as at September 30, 2017			60,102

8. FINANCIAL INSTRUMENTS

Financial assets are classified as FVPL, FVOCI and amortized cost. Financial liabilities are classified as FVPL or amortized cost.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability.

CI uses valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. CI bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

All assets and liabilities for which fair value is measured or disclosed in the unaudited interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 - valuation techniques with significant unobservable market inputs.

The carrying amounts of the financial instruments are presented in the table below and are classified according to the following categories:

	As at September 30, 2018 $	As at December 31, 2017 $
Financial assets		
Fair value through profit or loss		
Cash and cash equivalents	**115,748**	124,582
Investments *[note 2]*	**171,843**	83,080
Amortized cost		
Client and trust funds on deposit	**347,633**	327,733
Accounts receivable	**200,549**	222,488
Other assets	**22,511**	23,354
Fair value through other comprehensive income		
Investments *[note 2]*	**—**	117,830
Total financial assets	**858,284**	899,067
Financial liabilities		
Fair value through profit or loss		
Provision for other liabilities	**13,680**	28,345
Amortized cost		
Accounts payable and accrued liabilities	**260,866**	282,490
Provision for other liabilities	**29,441**	70,250
Dividends payable	**271,896**	64,598
Client and trust funds payable	**348,764**	375,647
Long-term debt	**1,444,014**	1,118,119
Total financial liabilities	**2,368,661**	1,939,449

CI's investments at September 30, 2018 and December 31, 2017 include CI's marketable securities which are comprised of seed capital investments in CI's mutual funds and strategic investments. Mutual fund securities are valued using the net asset value per unit of each fund, which represents the underlying net assets at fair values determined using closing market prices. CI's mutual fund securities that are valued daily are classified as Level 1 in the fair value hierarchy. Mutual fund securities and strategic investments that are valued less frequently are classified as Level 2 in the fair value hierarchy. CI's investments as at September 30, 2018, also include securities owned, at market, consisting of money market, equity securities and bonds. Money market and equity securities are valued based on quoted prices and are classified as Level 1 in the fair value hierarchy. Bonds are valued using a market comparison technique to fair value these instruments using observable broker quotes and are classified as Level 2 in the fair value hierarchy. There have been no transfers between Level 1 and Level 2 during the period.

September 30, 2018 and 2017 • *[in thousands of dollars, except per share amounts]

Investments consist of the following as at September 30, 2018:

	Total	Level 1	Level 2
	$	$	$
Marketable securities	**138,797**	**61,688**	**77,109**
Securities owned, at market	**33,047**	**33,047**	**—**
Total investments	**171,844**	**94,735**	**77,109**

Investments consist of the following as at December 31, 2017:

	Total	Level 1	Level 2
	$	$	$
Marketable securities	**145,262**	69,901	75,361
Securities owned, at market	**55,648**	55,268	380
Total investments	**200,910**	125,169	75,741

Included in provision for other liabilities, as at September 30, 2018, is contingent consideration of nil [December 31, 2017 - $11,603] and put option payable on non-controlling interest of $13,680 [December 31, 2017 - $16,742] carried at fair value and classified as Level 3 in the fair value hierarchy. Long-term debt as at September 30, 2018, includes debentures with a fair value of $1,205,197 [December 31, 2017 - $906,418], as determined by quoted market prices that have been classified as Level 1 in the fair value hierarchy.

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

9. CAPITAL MANAGEMENT

CI's objectives in managing capital are to maintain a capital structure that allows CI to meet its growth strategies and build long-term shareholder value, while satisfying its financial obligations and meeting its long-term debt covenants. CI's capital is comprised of shareholders' equity and long-term debt (including the current portion of long-term debt).

CI and its subsidiaries are subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. As at September 30, 2018, cash and cash equivalents of $18,357 [December 31, 2017 - $12,124] was required to be on hand for regulatory capital maintenance. Failure to maintain required regulatory capital by CI may result in fines, suspension or revocation of registration by the relevant securities regulator. CI from time to time provides loans to its subsidiaries for operating purposes and may choose to subordinate these loans in favour of general creditors. The repayment of subordinated loans is subject to regulatory approval. As at September 30, 2018 and December 31, 2017, CI met its capital requirements.

CI's capital consists of the following:

	As at September 30, 2018	As at December 31, 2017
	$	$
Shareholders' equity	**1,438,118**	1,903,082
Long-term debt	**1,444,014**	1,118,119
Total capital	**2,882,132**	3,021,201

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

10. SEGMENTED INFORMATION

CI has two reportable segments: asset management and asset administration. These segments reflect CI's internal financial reporting and performance measurement.

The asset management segment includes the operating results and financial position of CI Investments, CI Private Counsel LP, First Asset, GSFM and Marret, which derive their revenues principally from the fees earned on the management of several families of mutual funds, segregated funds and exchange-traded funds.

The asset administration segment includes the operating results and financial position of BBS and AWM and its subsidiaries, including Assante Capital Management Ltd. and Assante Financial Management Ltd. These companies derive their revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

Segmented information for the three-month period ended September 30, 2018 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	509,943	—	—	509,943
Administration fees	—	94,831	(44,638)	50,193
Other revenue	949	7,958	—	8,907
Total revenue	510,892	102,789	(44,638)	569,043
Selling, general and administrative	107,466	23,928	—	131,394
Trailer fees	168,707	—	(8,107)	160,600
Investment dealer fees	—	76,427	(36,327)	40,100
Deferred sales commissions	4,285	—	(204)	4,081
Amortization of intangibles	1,469	964	—	2,433
Other expenses	966	64	—	1,030
Total expenses	282,893	101,383	(44,638)	339,638
Income before income taxes and non-segmented items	227,999	1,406	—	229,405
Interest expense				(11,569)
Provision for income taxes				(59,495)
Net income for the period				158,341

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

Segmented information for the three-month period ended September 30, 2017 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	452,863	—	—	452,863
Administration fees	—	83,143	(41,163)	41,980
Other revenue	2,811	6,445	—	9,256
Total revenue	455,674	89,588	(41,163)	504,099
Selling, general and administrative	89,662	19,061	—	108,723
Trailer fees	146,306	—	(6,963)	139,343
Investment dealer fees	—	68,438	(33,900)	34,538
Deferred sales commissions	6,785	—	(300)	6,485
Amortization of intangibles	829	593	—	1,422
Other expenses	887	(593)	—	294
Total expenses	244,469	87,499	(41,163)	290,805
Income before income taxes and non-segmented items	211,205	2,089	—	213,294
Interest expense				(5,718)
Provision for income taxes				(54,019)
Net income for the period				153,557

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

Segmented information as at and for the nine-month period ended September 30, 2018 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	1,529,977	—	—	1,529,977
Administration fees	—	278,199	(132,373)	145,826
Other revenue	7,323	24,059	—	31,382
Total revenue	1,537,300	302,258	(132,373)	1,707,185
Selling, general and administrative	323,546	72,818	—	396,364
Trailer fees	506,507	—	(24,326)	482,181
Investment dealer fees	—	222,613	(107,202)	115,411
Deferred sales commissions	19,082	—	(845)	18,237
Amortization of intangibles	4,292	2,831	—	7,123
Other expenses	5,048	168	—	5,216
Total expenses	858,475	298,430	(132,373)	1,024,532
Income before income taxes and non-segmented items	678,825	3,828	—	682,653
Interest expense				(30,703)
Provision for income taxes				(174,489)
Net income for the period				477,461
Identifiable assets	473,568	533,225	—	1,006,793
Indefinite life intangibles				
Goodwill	1,309,631	210,595	—	1,520,226
Fund contracts	1,779,957	—	—	1,779,957
Total assets	3,563,156	743,820	—	4,306,976

September 30, 2018 and 2017 • [in thousands of dollars, except per share amounts]

Segmented information for the nine-month period ended September 30, 2017 is as follows:

	Asset management	**Asset administration**	**Intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Management fees	1,365,003	—	—	1,365,003
Administration fees	—	252,433	(124,270)	128,163
Other revenue	4,977	18,793	—	23,770
Total revenue	1,369,980	271,226	(124,270)	1,516,936
Selling, general and administrative	270,456	57,870	—	328,326
Trailer fees	440,755	—	(21,150)	419,605
Investment dealer fees	—	207,530	(102,114)	105,416
Deferred sales commissions	24,958	—	(1,006)	23,952
Amortization of intangibles	2,388	1,778	—	4,166
Other expenses	5,327	(545)	—	4,782
Total expenses	743,884	266,633	(124,270)	886,247
Income before income taxes and non-segmented items	626,096	4,593	—	630,689
Interest expense				(16,338)
Provision for income taxes				(204,943)
Net income for the period				409,408
As at December 31, 2017				
Identifiable assets	511,436	532,543	—	1,043,979
Indefinite life intangibles				
Goodwill	1,311,006	210,312	—	1,521,318
Fund contracts	1,779,957	—	—	1,779,957
Total assets	3,602,399	742,855	—	4,345,254

11. SELLING, GENERAL AND ADMINISTRATIVE

Included in selling, general and administrative expenses ["SG&A"] are salaries and benefits of $70,116 and $212,501 for the three and nine months ended September 30, 2018, respectively [three and nine months ended September 30, 2017 - $56,027 and $171,404, respectively]. Also included in SG&A is depreciation of capital assets of $2,514 and $7,321 for the three and nine months ended September 30, 2018, respectively [three and nine months ended September 30, 2017 - $1,833 and $5,243, respectively]. Other SG&A of $58,764 and $176,542 for the three and nine months ended September 30, 2018, respectively, primarily includes marketing, lease and information technology expenses as well as professional and regulatory fees [three and nine months ended September 30, 2017 - $50,863 and $151,679, respectively].

12. SUBSEQUENT EVENT

On October 3, 2018, CI's $700,000 revolving credit facility was amended to include three Canadian chartered banks. The credit facility requires the funded debt to annualized EBITDA ratio remain below 3:1. No other financial covenants were amended.

During October, non-controlling shareholders of GSFM exercised a portion of their put option, increasing CI's ownership interest in GSFM to 83%.