CI Financial

# Q1

Financial Report | March 31, 2017

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# | FINANCIAL HIGHLIGHTS |

| [millions of dollars, except share amounts] | As at and for the quarters ended Mar. 31, 2017 | Dec. 31, 2016 | Sep. 30, 2016 | Jun. 30, 2016 | Mar. 31, 2016 | % change quarter-over-quarter | % change year-over-year |
|---|---|---|---|---|---|---|---|
| Assets under management | 120,748 | 117,889 | 112,513 | 109,594 | 108,715 | 2 | 11 |
| Assets under advisement | 39,661 | 38,235 | 37,214 | 35,465 | 34,566 | 4 | 15 |
| Total assets | 160,409 | 156,124 | 149,727 | 145,059 | 143,281 | 3 | 12 |
| Average assets under management | 119,423 | 114,780 | 112,256 | 108,994 | 107,321 | 4 | 11 |
| Management fees | 449.5 | 448.6 | 446.1 | 429.3 | 424.8 | — | 6 |
| Total revenues | 502.6 | 506.3 | 495.4 | 475.9 | 470.6 | (1) | 7 |
| Selling, general & administrative | 108.0 | 102.4 | 99.9 | 98.1 | 96.4 | 5 | 12 |
| Trailer fees | 138.0 | 138.3 | 138.1 | 132.7 | 131.1 | — | 5 |
| Net income attributable to shareholders | 134.2 | 121.0 | 136.8 | 128.6 | 116.6 | 11 | 15 |
| Adjusted net income[1] | 134.2 | 140.6 | 136.8 | 128.6 | 126.1 | (5) | 6 |
| Basic earnings per share | 0.51 | 0.45 | 0.51 | 0.47 | 0.42 | 13 | 21 |
| Adjusted earnings per share[1] | 0.51 | 0.53 | 0.51 | 0.47 | 0.46 | (4) | 11 |
| Diluted earnings per share | 0.51 | 0.45 | 0.51 | 0.47 | 0.42 | 13 | 21 |
| Adjusted EBITDA[1] | 219.5 | 226.9 | 225.3 | 214.1 | 212.7 | (3) | 3 |
| Adjusted EBITDA[1] per share | 0.83 | 0.85 | 0.83 | 0.79 | 0.77 | (2) | 8 |
| Return on equity[2] | 30.2% | 29.2% | 28.6% | 28.6% | 29.1% | 3 | 4 |
| Dividends recorded per share | 0.345 | 0.345 | 0.345 | 0.340 | 0.330 | — | 5 |
| Dividend yield | 5.2% | 4.8% | 5.5% | 5.1% | 4.6% | | |
| Average shares outstanding | 264,447,960 | 266,522,492 | 270,112,737 | 272,729,344 | 275,228,783 | | |
| Shares outstanding | 262,737,470 | 265,302,141 | 267,712,433 | 271,181,255 | 273,853,707 | | |
| Share price | | | | | | | |
| High | 29.45 | 29.94 | 27.84 | 29.13 | 30.99 | | |
| Low | 26.06 | 23.52 | 24.51 | 26.02 | 25.76 | | |
| Close | 26.43 | 28.87 | 25.17 | 26.95 | 28.70 | | |
| Change in share price | (8.5%) | 14.7% | (6.6%) | (6.1%) | (6.2%) | | |
| Total shareholder return | (7.3%) | 16.2% | (5.3%) | (4.9%) | (5.1%) | | |
| Market capitalization | 6,944 | 7,659 | 6,738 | 7,308 | 7,860 | | |
| P/E Ratio (adjusted earnings)[2] | 13.1 | 14.7 | 13.0 | 13.9 | 14.5 | | |
| Long-term debt (including the current portion) | 864.8 | 758.7 | 675.7 | 623.6 | 613.5 | 14 | 41 |
| Net debt[1] | 673.5 | 572.9 | 520.7 | 510.4 | 493.1 | 18 | 37 |
| Net debt to adjusted EBITDA[1] | 0.76 | 0.63 | 0.58 | 0.59 | 0.58 | 21 | 31 |

*[1] Adjusted net income, adjusted EBITDA and net debt are not standardized earnings measures prescribed by IFRS. Descriptions of these measures, as well as others, and reconciliations to the nearest IFRS measure, 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

March 31, 2017

CI FINANCIAL CORP

This Management's Discussion and Analysis ("MD&A") dated May 11, 2017 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at March 31, 2017, compared with December 31, 2016, and the results of operations for the quarter ended March 31, 2017, compared with the quarter ended March 31, 2016 and the quarter ended December 31, 2016.

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 Capital Corp. ("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").

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]* | 2017 | 2016 | | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| **INCOME STATEMENT DATA** | | | | | | | | |
| Management fees | 449.5 | 448.6 | 446.1 | 429.3 | 424.8 | 444.8 | 449.4 | 453.8 |
| Administration fees | 44.6 | 43.2 | 38.8 | 37.7 | 36.6 | 36.6 | 36.0 | 37.8 |
| Other revenues | 8.5 | 14.5 | 10.5 | 8.9 | 9.2 | 12.1 | 13.6 | 12.6 |
| Total revenues | 502.6 | 506.3 | 495.4 | 475.9 | 470.6 | 493.5 | 499.0 | 504.2 |
| Selling, general & administrative | 108.0 | 102.4 | 99.9 | 98.1 | 96.4 | 96.9 | 92.9 | 91.8 |
| Trailer fees | 138.0 | 138.3 | 138.1 | 132.7 | 131.1 | 137.7 | 139.6 | 140.5 |
| Investment dealer fees | 36.7 | 35.6 | 31.9 | 30.7 | 29.9 | 29.9 | 29.4 | 30.9 |
| Amortization of deferred sales commissions | 27.1 | 28.4 | 30.0 | 31.5 | 32.9 | 33.6 | 34.8 | 36.0 |
| Interest expense | 5.4 | 4.6 | 4.0 | 3.7 | 3.8 | 4.0 | 3.5 | 3.4 |
| Other expenses | 3.7 | 32.2 | 2.8 | 2.8 | 16.4 | 14.8 | 3.2 | 9.0 |
| Total expenses | 318.8 | 341.4 | 306.7 | 299.6 | 310.5 | 316.9 | 303.5 | 311.6 |
| Income before income taxes | 183.8 | 164.9 | 188.7 | 176.3 | 160.1 | 176.6 | 195.5 | 192.7 |
| Income taxes | 49.7 | 43.7 | 51.9 | 47.8 | 43.8 | 49.6 | 52.7 | 53.5 |
| Non-controlling interest | (0.1) | 0.2 | (0.1) | (0.1) | (0.3) | (0.2) | (0.1) | 0.2 |
| Net income attributable to shareholders | 134.2 | 121.0 | 136.8 | 128.6 | 116.6 | 127.2 | 142.8 | 138.9 |
| Earnings per share | 0.51 | 0.45 | 0.51 | 0.47 | 0.42 | 0.46 | 0.51 | 0.50 |
| Diluted earnings per share | 0.51 | 0.45 | 0.51 | 0.47 | 0.42 | 0.46 | 0.51 | 0.50 |
| Dividends recorded per share | 0.345 | 0.345 | 0.345 | 0.340 | 0.330 | 0.330 | 0.330 | 0.325 |

## 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, exchange-traded funds, structured products and other fee-earning investment products for Canadian investors. CI also has asset management operations in Australia and New Zealand 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 mutual 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, about half of CI's expenses do not. In particular, the amount of amortization of deferred sales commissions depends on the amount of sales commissions paid on deferred load fund sales over the past seven years and the redemptions of those funds. Over the long term, CI manages the level of its discretionary spend within selling, general and administrative ("SG&A") expenses to be consistent with or below the growth in its average AUM.

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, pre-tax operating earnings, EBITDA, adjusted EBITDA, EBITDA margin, adjusted EBITDA margin, dealer gross margin, net debt, operating cash flow, free cash flow, 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 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 Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---|---|---|
| Net Income | 134.1 | 121.2 | 116.3 |
| Add: | | | |
| Provisions for compensation, legal and tax costs | — | 19.6 | 9.6 |
| Less: | | | |
| Non-controlling interest | (0.1) | 0.2 | (0.3) |
| **Adjusted net income** | **134.2** | **140.6** | **126.1** |
| **Adjusted earnings per share** | **0.51** | **0.53** | **0.46** |

### 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 other provisions and adjustments, to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of deferred sales commissions ("DSC") and other items. This permits comparisons of companies within the industry, normalizing for different financing methods, levels of taxation and mix of business between front-end load funds and deferred load funds under management. 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 3: EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN**

| *[millions of dollars, except per share amounts]* | **Quarter ended Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---|---|---|
| Net Income | 134.1 | 121.2 | 116.3 |
| Add: | | | |
| Interest Expense | 5.4 | 4.6 | 3.8 |
| Provision for income taxes | 49.7 | 43.7 | 43.8 |
| Amortization of deferred sales commissions | 27.1 | 28.4 | 32.9 |
| Amortization of intangibles and other | 3.2 | 2.8 | 2.6 |
| **EBITDA** | **219.4** | **200.6** | **199.4** |
| **EBITDA per share** | **0.83** | **0.75** | **0.72** |
| Add: | | | |
| Provisions for compensation, legal and tax costs | — | 26.6 | 13.0 |
| Less: | | | |
| Non-controlling interest | (0.1) | 0.3 | (0.3) |
| **Adjusted EBITDA** | **219.5** | **226.9** | **212.7** |
| **Adjusted EBITDA per share** | **0.83** | **0.85** | **0.77** |
| | | | |
| Total revenue | 502.6 | 506.3 | 470.6 |
| **Adjusted EBITDA Margin** | **43.7%** | **44.8%** | **45.2%** |

## 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 4: NET DEBT**

| *[millions of dollars]* | **As at Mar. 31, 2017** | **As at Dec. 31, 2016** |
|---|---|---|
| Current portion of long-term debt | — | — |
| Long-term debt | 864.8 | 758.7 |
| | 864.8 | 758.7 |
| Less: | | |
| Cash and short-term investments | 118.3 | 117.9 |
| Marketable securities | 92.2 | 85.0 |
| Add: | | |
| Regulatory capital and non-controlling interests | 19.1 | 17.1 |
| **Net Debt** | **673.5** | **572.9** |

## PRE-TAX OPERATING EARNINGS

CI defines pre-tax operating earnings as net income plus amortization of deferred sales commissions and intangibles, income taxes, and other provisions and adjustments less redemption fee revenue and non-core items, such as performance fees, investment gains and non-controlling interest. This also removes the impact of financing deferred load AUM. CI uses pre-tax operating earnings to assess its underlying profitability.

**TABLE 5: PRE-TAX OPERATING EARNINGS**

| *[millions of dollars, except per share amounts]* | **Quarter ended Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---|---|---|
| Net Income | 134.1 | 121.2 | 116.3 |
| Add: | | | |
| Amortization of deferred sales commissions | 27.1 | 28.4 | 32.9 |
| Amortization of intangibles | 1.3 | 1.1 | 1.0 |
| Provision for income taxes | 49.7 | 43.7 | 43.8 |
| Provisions for compensation, legal and tax costs | — | 26.6 | 13.0 |
| Less: | | | |
| Redemption fees | 4.3 | 3.8 | 4.9 |
| Performance fees | 0.2 | 2.2 | — |
| Gain on marketable securities | 0.1 | 0.8 | — |
| Non-controlling interest | (0.1) | (0.4) | (0.3) |
| **Pre-tax operating earnings** | **207.6** | **214.7** | **202.4** |
| **Pre-tax operating earnings per share** | **0.79** | **0.81** | **0.74** |

## 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 Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---|---|---|
| Administration fees | 85.0 | 82.3 | 73.4 |
| Less: | | | |
| Investment dealer fees | 69.8 | 67.7 | 60.1 |
| | 15.2 | 14.6 | 13.3 |
| **Dealer gross margin** | **17.9%** | **17.7%** | **18.1%** |

## 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 instalments paid may differ materially from the cash tax accrual.

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

**TABLE 7: OPERATING CASH FLOW AND FREE CASH FLOW**

| *[millions of dollars]* | **Quarter ended Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---|---|---|
| Cash provided by operating activities | 95.3 | 199.2 | 117.1 |
| Add: | | | |
| Income taxes paid | 74.8 | 36.3 | 69.5 |
| Interest paid | 0.7 | 7.1 | 0.7 |
| Less: | | | |
| Net change in non-cash working capital | 6.6 | 100.4 | 35.6 |
| **Operating cash flow** | **164.2** | **142.2** | **151.7** |
| Less: | | | |
| Sales commissions paid | 10.3 | 7.8 | 17.7 |
| Add: | | | |
| Provisions for compensation, legal and tax costs | — | 19.6 | 9.6 |
| **Free cash flow** | **153.8** | **154.0** | **143.6** |

## ASSET MANAGEMENT MARGIN

CI assesses the overall performance of the asset management segment using a trailing 12-month asset management margin, where amortization of DSC, 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 8: ASSET MANAGEMENT MARGIN**

| *[millions of dollars - trailing 12 months]* | Quarter ended Mar. 31, 2017 | Quarter ended Dec. 31, 2016 | Quarter ended Sep. 30, 2016 | Quarter ended Jun. 30, 2016 | Quarter ended Mar. 31, 2016 |
|---|---|---|---|---|---|
| **Management fees** | **1,773.4** | **1,748.7** | **1,744.8** | **1,748.2** | **1,772.7** |
| Less: | | | | | |
| Amortization of DSC | 120.3 | 126.2 | 131.5 | 136.4 | 140.8 |
| Trailer fees | 573.2 | 565.5 | 564.4 | 565.5 | 573.3 |
| Net management fees | 1,079.9 | 1,057.0 | 1,049.0 | 1,046.3 | 1,058.6 |
| Less: | | | | | |
| SG&A expenses | 335.9 | 327.2 | 322.6 | 316.3 | 311.0 |
| | 744.0 | 729.8 | 726.4 | 730.0 | 747.7 |
| **Asset management margin** | **42.0%** | **41.7%** | **41.6%** | **41.8%** | **42.2%** |

**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 amortization of DSC and trailer fees, which are not directly controllable by CI. These expenses are determined by the type, class and load of funds that CI's clients invest in. SG&A expenses are subtracted from these net management fees and measured as a percentage of net management fees. Using a trailing 12-month margin eliminates any seasonality associated with SG&A expenses.

**TABLE 9: SG&A EFFICIENCY MARGIN**

| *[millions of dollars - trailing 12 months]* | Quarter ended Mar. 31, 2017 | Quarter ended Dec. 31, 2016 | Quarter ended Sep. 30, 2016 | Quarter ended Jun. 30, 2016 | Quarter ended Mar. 31, 2016 |
|---|---|---|---|---|---|
| Management fees | 1,773.4 | 1,748.7 | 1,744.8 | 1,748.2 | 1,772.7 |
| Less: | | | | | |
| Amortization of DSC | 120.3 | 126.2 | 131.5 | 136.4 | 140.8 |
| Trailer fees | 573.2 | 565.5 | 564.4 | 565.5 | 573.3 |
| **Net management fees** | **1,079.9** | **1,057.0** | **1,049.0** | **1,046.3** | **1,058.6** |
| Less: | | | | | |
| SG&A expenses | 335.9 | 327.2 | 322.6 | 316.3 | 311.0 |
| | 744.0 | 729.8 | 726.4 | 730.0 | 747.7 |
| **SG&A efficiency margin** | **68.9%** | **69.0%** | **69.2%** | **69.8%** | **70.6%** |

## ASSETS AND SALES

CI is one of Canada's largest independent investment fund companies with assets under management of $120.7 billion and assets under advisement of $39.7 billion at March 31, 2017, as shown in Table 10. Assets under advisement are comprised of AUA and assets held by clients of advisors with Stonegate Private Counsel. The change in AUM from last year was a function of market performance, net redemptions of funds and CI's acquisition of GSFM. The increase in assets under advisement from last year was due to market performance and net sales. Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, exchange-traded funds, pooled funds and assets under advisement, were $160.4 billion at March 31, 2017, up $17.1 billion from $143.3 billion at March 31, 2016.

**TABLE 10: TOTAL ASSETS**

| *[billions of dollars]* | As at March 31, 2017 | As at March 31, 2016 | % change |
|---|---|---|---|
| Assets under management | 120.7 | 108.7 | 11 |
| Assets under advisement[1] | 39.7 | 34.6 | 15 |
| **Total assets** | **160.4** | **143.3** | **12** |

*[1]Includes $23.5 billion and $20.7 billion of assets managed by CI and held by clients of advisors with Assante and Stonegate in 2017 and 2016, respectively.*

Equity markets were generally strong during the quarter as evidenced by the S&P/TSX Composite Index's total return of 2.4%, the S&P 500 Index's total return of 6.1% (in U.S. dollars) and the MSCI World Index's total return of 6.5% (in U.S. dollars). The Canadian dollar strengthened by 0.9% during the period, slightly reducing foreign returns in Canadian dollars. The Canadian bond market, as illustrated by the FTSE TMX Universe Bond Index, posted a 1.2% total return for the quarter.

The change in AUM during each of the past five quarters is detailed in Table 11. Fund performance has been strong in four of the past five quarters. Gross sales have grown consistently over the past three quarters with first quarter gross sales up over $1 billion from the same quarter last year. While net sales continue to be challenged compared with the past five years, they improved significantly in the quarter ended March 31, 2017 relative to the prior three quarters. The $2.3 billion improvement in net sales from the quarter ended December 31, 2016 was a result of stronger net sales in the retail and institutional channels of CI's domestic operations. The first quarter of 2017 included $424 million in net redemptions from GSFM's institutional business and $93 million in net sales from GSFM's retail business. Excluding GSFM, net sales were $43 million for the first quarter of 2017.

**TABLE 11: CHANGE IN AVERAGE ASSETS UNDER MANAGEMENT**

| *[billions of dollars]* | Quarter ended Mar. 31, 2017 | Quarter ended Dec. 31, 2016 | Quarter ended Sep. 30, 2016 | Quarter ended Jun. 30, 2016 | Quarter ended Mar. 31, 2016 |
|---|---|---|---|---|---|
| Assets under management, beginning | 117.889 | 112.513 | 109.594 | 108.715 | 111.124 |
| Gross sales | 4.632 | 3.543 | 3.255 | 2.599 | 3.603 |
| Redemptions | 4.920 | 6.141 | 4.754 | 4.089 | 3.933 |
| Net sales | (0.288) | (2.597) | (1.500) | (1.489) | (0.330) |
| Acquisitions | — | 6.145 | — | — | — |
| Fund performance | 3.147 | 1.828 | 4.419 | 2.368 | (2.079) |
| Assets under management, ending | 120.748 | 117.889 | 112.513 | 109.594 | 108.715 |
| Average assets under management for the quarter | 119.423 | 114.780 | 112.256 | 108.994 | 107.321 |

## RESULTS OF OPERATIONS

For the quarter ended March 31, 2017, CI reported net income attributable to shareholders of $134.2 million ($0.51 per share) versus $116.6 million ($0.42 per share) for the quarter ended March 31, 2016 and $121.0 million ($0.45 per share) for the quarter ended December 31, 2016. The fourth quarter of 2016 included $26.6 million ($19.6 million after tax) in provisions for compensation, legal and tax costs and the first quarter of last year included $13.0 million ($9.6 million) in provisions. Net income attributable to shareholders adjusted for these items was $140.6 million ($0.53 per share) for the quarter ended December 31, 2016 and $126.1 million ($0.46 per share) for the quarter ended March 31, 2016. The 6.4% increase in adjusted net income from the same period last year was primarily a result of an increase in average AUM. The decrease in adjusted net income from the fourth quarter of 2016 was primarily due to a decrease in other income. Other income in the fourth quarter of 2016 included a large reinvested distribution from one of CI's seed capital investments as well as higher revenue from subsidiaries resulting from year-end performance fees.

Total revenues increased 6.8% in the first quarter of 2017 to $502.6 million compared to revenue of $470.6 million in the same period in 2016. The main contributors to this change were an increase in management fees and an increase in administration fees. On a consecutive quarter basis, total revenues decreased 0.7% from $506.3 million in the fourth quarter of 2016 due to the decrease in other income discussed earlier.

SG&A expenses for the first quarter of 2017 were $108.0 million compared to $102.4 million in the prior quarter and $96.4 million in the same quarter of 2016. The first quarter of 2017 included $4.2 million in SG&A expenses related to GSFM's operations. CI closed the acquisition of GSFM on November 15, 2016 so the prior quarter included $2.1 million of its SG&A expenses. Excluding GSFM, CI's SG&A expenses were $103.8 million for the first quarter of 2017, up from $100.3 million for the prior quarter. As an annualized percentage of average AUM, SG&A expenses were 0.367%, up from 0.355% for the prior quarter and 0.361% for the first quarter of last year.

Amortization of deferred sales commissions was $27.1 million in the first quarter of 2017, a decrease from $32.9 million in the first quarter of 2016 and a decrease from $28.4 million in the prior quarter. The trend of lower amortization expense is consistent with the trend of reduced spending on deferred sales commissions in recent years as a smaller proportion of sales have been in deferred load funds versus front-end load funds.

Interest expense of $5.4 million was recorded for the quarter ended March 31, 2017 compared with $3.8 million for the quarter ended March 31, 2016 and $4.6 million for the quarter ended December 31, 2016. The changes in interest expense primarily reflect the changes in average debt levels, as discussed under “Liquidity and Capital Resources."

For the first quarter of 2017, CI recorded $49.7 million in income tax expense for an effective tax rate of 27.0% compared to $43.8 million in the first quarter of 2016 for an effective tax rate of 27.4%. Income tax expense in the fourth quarter of 2016 was $43.7 million, for an effective tax rate of 26.5%. CI’s statutory tax rate for 2016 is 26.5%. CI’s effective tax rate will generally exceed the statutory tax rate as a result of some expenses being non-deductible or partially deductible.

As discussed in the "Non-IFRS Measures" section and as set out in Table 5, pre-tax operating earnings were $207.6 million ($0.79 per share) in the first quarter of 2017, an increase of 2.6% from the same quarter of 2016 and down 3.3% from the prior quarter. Adjusted EBITDA for the quarter ended March 31, 2017 was $219.5 million ($0.83 per share), up from $212.7 million ($0.77 per share) for the quarter ended March 31, 2016 and down from $226.9 million ($0.85 per share) for the quarter ended December 31, 2016. Similar to the change in net income, the changes to pre-tax operating earnings and adjusted EBITDA from the same quarter last year were primarily a result of the change in average AUM in combination with an increase in assets that have lower average management fee rates. This is discussed in detail in the Asset Management Segment below. Adjusted EBITDA margin for the first quarter of 2017 was 43.7%, down from 45.2% in the first quarter of 2016 and from 44.8% in the prior quarter. For detailed calculations and reconciliations of net income to EBITDA, refer to the "Non-IFRS Measures" section and Table 3.

## ASSET MANAGEMENT SEGMENT

The Asset Management segment is CI's principal business segment and includes the operating results and financial position of CI Investments, CIPC, First Asset and GSFM. Table 12 presents the operating results for the Asset Management segment.

**TABLE 12: RESULTS OF OPERATIONS - ASSET MANAGEMENT SEGMENT**

| *[millions of dollars]* | **Quarter ended Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---:|---:|---:|
| Management fees | 449.5 | 448.6 | 424.8 |
| Other revenue | 2.4 | 8.6 | 3.5 |
| Total revenue | 451.9 | 457.2 | 428.3 |
| | | | |
| Selling, general and administrative | 88.3 | 84.4 | 79.6 |
| Trailer fees | 144.8 | 145.0 | 137.1 |
| Amortization of deferred sales commissions and intangibles | 28.6 | 29.8 | 34.2 |
| Other expenses | 2.3 | 26.3 | 15.5 |
| Total expenses | 264.0 | 285.4 | 266.3 |
| | | | |
| Non-controlling interest | (0.1) | 0.3 | (0.4) |
| Income before taxes and non-segmented items | 188.0 | 171.5 | 162.4 |

### Revenues

Revenues from management fees were $449.5 million for the quarter ended March 31, 2017, an increase of 5.8% from $424.8 million for the quarter ended March 31, 2016 and an increase of 0.2% from $448.6 million for the quarter ended December 31, 2016. Net management fees (management fees less trailer fees and amortization of deferred sales commissions) as a percentage of average AUM were 0.940% compared with 0.951% for both the fourth quarter and first quarter last year. The decrease in the net management fee rate is primarily a result of the inclusion of GSFM's results for a full quarter as GSFM's assets earns a lower average net management fee than the majority of CI's other assets.

Gross management fees, as a percentage of average AUM, declined from 1.592% in the first quarter of 2016 and 1.555% in the prior quarter to 1.526% in the first quarter of 2017. CI's has continued to see a shift in the type of products being sold by financial advisors to fee-based accounts that hold fund classes without a trailer fee, which results in CI both receiving lower management fees (as less fees are required to fund trailer fee payments) and paying less trailer fees. In addition, CI and its distribution partners have been attracting mass affluent and high net worth clients, who generally pay lower management fees.

For the quarter ended March 31, 2017, other revenue was $2.4 million versus $3.5 million and $8.6 million for the quarters ended March 31, 2016 and December 31, 2016, respectively. Other revenue in the fourth quarter of 2016 included a large reinvested distribution from one of CI's seed capital investments as well as higher revenue from subsidiaries resulting from year-end performance fees.

The asset management margin for the 12-month period ended March 31, 2017 was 42.0% compared with 42.2% and 41.7% in the 12-month periods ended March 31, 2016 and December 31, 2016, respectively. The asset management margin for the first quarter of 2017 was 41.9% compared to 41.0% in the first quarter of 2016 and 42.4% in the prior quarter. The increase in margin from the first quarter of 2016 was a result of higher management fees and lower amortization of deferred sales commissions. The calculations and definitions of asset management margin can be found in the "Non-IFRS Measures" section and in Table 8.

**Expenses**

SG&A expenses for the Asset Management segment were $88.3 million for the quarter ended March 31, 2017, compared with $79.6 million for the first quarter in 2016 and $84.4 million for the prior quarter. The first quarter of 2017 included $4.2 million in SG&A expenses associated with GSFM's operations and the fourth quarter of 2016 included $2.1 million. Excluding these amounts, SG&A expenses were up 2.3% from the prior quarter. As a percentage of average AUM, SG&A expenses were 0.301% for the quarter ended March 31, 2017, up from 0.298% for the quarter ended March 31, 2016, and from 0.292% in the quarter ended December 31, 2016.

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 9. The 12-month SG&A efficiency margin for the quarter ended March 31, 2017 of 68.9% decreased from 70.6% in the same period one year ago primarily due to the inclusion of First Asset's SG&A for a full 12-month period as well as GSFM's SG&A for one and a half quarters. CI's current quarter SG&A efficiency margin decreased to 68.1% from 68.7% in the first quarter of last year and 69.3% in the prior quarter.

Trailer fees were $144.8 million for the quarter ended March 31, 2017, up 5.6% from $137.1 million for the quarter ended March 31, 2016 and down 0.1% from $145.0 million for the prior quarter. Net of inter-segment amounts, this expense was $138.0 million for the quarter ended March 31, 2017 versus $131.1 million for the first quarter of 2016 and $138.3 million for the fourth quarter of 2016. While trailer fees increased in absolute dollars from the first quarter of 2016, they decreased as a percentage of average AUM. This decrease reflects a trend at CI and within the industry in which investment products that do not pay trailer fee account for an increasing proportion of sales.

Amortization of deferred sales commissions and intangibles before inter-segment eliminations was $28.6 million for the quarter ended March 31, 2017, down from $34.2 million in the same quarter a year ago and down from $29.8 million in the previous quarter. The decline in amortization expense over the comparable periods is consistent with the decline in deferred sales commissions paid in recent years. Other expenses for the quarter ended March 31, 2017 were $2.3 million, compared to $26.3 million in the previous quarter and $15.5 million in the same quarter of last year. The fourth quarter of 2016 included $22.1 million in pre-tax provisions for compensation, legal and tax costs and the first quarter of 2016 included $13.0 million in pre-tax provisions.

Income before taxes and non-segmented items for CI's principal segment was $188.0 million for the quarter ended March 31, 2017, up 15.8% from $162.4 million in the same period in 2016 and up 9.6% from $171.5 million in the previous quarter. Net of provisions for compensation, legal and tax costs, income before taxes and non-segmented items was up 7.2% from the same quarter in 2016 and down 2.9% from the previous quarter.

## ASSET ADMINISTRATION SEGMENT

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries. Table 13 presents the operating results for the Asset Administration segment.

**TABLE 13: RESULTS OF OPERATIONS - ASSET ADMINISTRATION SEGMENT**

| *[millions of dollars]* | **Quarter ended Mar. 31, 2017** | **Quarter ended Dec. 31, 2016** | **Quarter ended Mar. 31, 2016** |
|---|---:|---:|---:|
| Administration fees | 85.0 | 82.3 | 73.4 |
| Other revenue | 6.1 | 6.0 | 5.7 |
| Total revenue | 91.1 | 88.2 | 79.1 |
| | | | |
| Selling, general and administrative | 19.7 | 18.0 | 16.8 |
| Investment dealer fees | 69.8 | 67.7 | 60.1 |
| Amortization of intangibles | 0.6 | 0.6 | 0.6 |
| Other expenses | — | 4.8 | — |
| Total expenses | 90.1 | 91.0 | 77.5 |
| Income before taxes and non-segmented items | 0.9 | (2.8) | 1.6 |

### Revenues

Administration fees were $85.0 million for the quarter ended March 31, 2017, an increase of 15.8% from $73.4 million for the same period a year ago and an increase of 3.3% from $82.3 million for the prior quarter. The increase in administration fees from the comparable quarters is primarily attributable to the increase in assets under administration. Net of inter-segment amounts, administration fee revenue was $44.6 million for the quarter ended March 31, 2017, up from $36.6 million for the quarter ended March 31, 2016 and from $43.2 million in the previous quarter.

Other revenues earned by the Asset Administration segment are mainly comprised of non-advisor-related activities. For the quarter ended March 31, 2017, other revenues were $6.1 million, up from $5.7 million in the same quarter of 2016 and up from $6.0 million in the fourth quarter of last year.

**Expenses**

Investment dealer fees were $69.8 million for the quarter ended March 31, 2017 compared to $60.1 million for the first quarter of 2016 and $67.7 million for the quarter ended December 31, 2016. Net of inter-segment amounts, investment dealer fees were $36.7 million, up from $29.9 million and $35.6 million for the quarters ended March 31, 2016 and December 31, 2016, respectively. Similar to administration fees, the increase is primarily due to the increase in assets under administration.

As discussed in the "Non-IFRS Measures" section of this MD&A and as set out in Table 6, dealer gross margin was $15.2 million or 17.9% of administration fee revenue for the quarter ended March 31, 2017 compared to $13.3 million or 18.1% for the first quarter of 2016 and $14.6 million or 17.7% for the previous quarter. The decrease in gross margin as a percentage of administration fee revenue from the quarter ended March 31, 2016 corresponds to the change in the level of payout to financial advisors, which generally increases as their 12-month rolling administration fee revenue increases.

SG&A expenses for the segment were $19.7 million for the quarter ended March 31, 2017 compared to $16.8 million in the first quarter of 2016 and $18.0 million in the fourth quarter of 2016. The change in SG&A expenses is largely attributable to the change in the level of discretionary spend each quarter.

Other expenses decreased by $4.8 million for the consecutive quarters as the fourth quarter of 2016 included $4.5 million in pre-tax provisions for compensation, legal and tax costs.

The Asset Administration segment had income before taxes and non-segmented items of $0.9 million for the quarter ended March 31, 2017, compared to income of $1.6 million for the first quarter of 2016 and a loss of $2.8 million for the prior quarter.

## LIQUIDITY AND CAPITAL RESOURCES

CI generated $164.2 million of operating cash flow in the first quarter of 2017, up $12.5 million from $151.7 million for the same period in 2016. As detailed in Table 14, free cash flow was $153.8 million in the quarter ended March 31, 2017, up 7.1% from $143.6 million in the quarter ended March 31, 2016. Calculations of both measures and reconciliations to cash flow from operations are provided in the "Non-IFRS Measures" section and set out in Table 7.

CI primarily uses cash flow to finance deferred sales commissions, pay dividends on its shares, fund capital expenditures, fund acquisitions, 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, pay down debt and to support CI's 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 typically 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 of up to $75 million.

**TABLE 14: SUMMARY OF CASH FLOWS**

| *[millions of dollars]* | **Quarter ended Mar. 31, 2017** | **Quarter ended Mar. 31, 2016** |
|---|---|---|
| Operating Cash Flow | 164.2 | 151.7 |
| Less: | | |
| Deferred sales commissions paid | 10.3 | 17.7 |
| Add: | | |
| Provisions for compensation, legal and tax costs | — | 9.6 |
| Free cash flow | 153.8 | 143.6 |
| Less: | | |
| Marketable securities, net | 3.3 | 0.2 |
| Capital expenditures | 3.4 | 1.8 |
| Share repurchases, net | 72.6 | 63.5 |
| Dividends paid | 91.5 | 91.1 |
| Debt repaid / (drawn) | (106.0) | (54.0) |
| Working capital and other items | 88.6 | 45.7 |
| | 153.4 | 148.3 |
| Net change in cash | 0.4 | (4.7) |
| Cash at January 1 | 117.9 | 56.6 |
| Cash at March 31 | 118.3 | 51.9 |

CI paid deferred sales commissions of $10.3 million in the quarter compared to $17.7 million in the same quarter of 2016. The decrease in deferred sales commissions paid compared to the prior year is a result of the trend towards lower sales of deferred load funds.

CI invested $4.3 million in marketable securities in the first quarter of 2017. During the same period, CI received proceeds of $1.0 million from the disposition of marketable securities, the sale of which resulted in a $0.1 million gain. The fair value of marketable securities at March 31, 2017 was $92.2 million. Marketable securities are comprised of seed capital investments in CI funds and strategic investments.

During the three months ended March 31, 2017, CI invested $3.4 million in capital expenditures, up from $1.8 million in the three months ended March 31, 2016. These investments related primarily to technology and leasehold improvements.

During the quarter ended March 31, 2017, CI repurchased 2.7 million shares under its normal course issuer bid at a total cost of $72.6 million or $27.05 per share. CI paid dividends of $91.5 million, which represented 68% of adjusted net income and 59% of free cash flow for the period. CI’s most recent dividend payment was $0.115 per share per month, or $363 million per fiscal year. Following the quarter, CI's Board of Directors declared a 2% increase in the monthly cash dividend to $0.1175 per share, payable on each of June 15, July 14, and August 15, 2017, to shareholders of record on May 31,  June 30, and July 31, 2017, respectively.

CI’s working capital and other items increased $88.6 million in the first quarter of 2017, compared to an increase of $45.7 million in 2016. The increase was primarily a result of a decrease in accounts payable, a decrease in income taxes payable and an increase in income taxes recoverable.

The statement of financial position for CI at March 31, 2017 reflected total assets of $3.508 billion, an increase of $49.1 million from $3.459 billion at December 31, 2016. This change was a result of an increase in client and trust funds on deposit.

CI's cash and cash equivalents increased by $0.4 million in the first quarter of 2017, as free cash flow and an increase in debt exceeded cash outflows, primarily consisting of share repurchases and dividends. Marketable securities increased by $7.2 million during the quarter ended March 31, 2017 primarily due to market appreciation. Accounts receivable and prepaid expenses decreased by $3.9 million to $144.3 million as of March 31, 2017.

Deferred sales commissions decreased by $16.7 million to $256.0 million as a result of the $27.1 million in amortization expense partially offset by the $10.3 million in sales commissions paid. Capital assets increased by $1.7 million during the quarter as a result of $3.4 million in capital additions partially offset by $1.7 million in amortization.

Total liabilities increased by $70.4 million during the first quarter of 2017 to $1.781 billion at March 31, 2017. This change was primarily caused by a $106.2 million increase in long-term debt.

At March 31, 2017, CI was in a positive working capital position, which, in addition to the availability of CI's credit facility, reflects the ability of CI to meet its cash flow requirements.

As of March 31, 2017, CI had drawn $218.0 million against its credit facility. Principal repayments on any drawn amounts are only required at the maturity of the facility, which is December 11, 2018.

CI's $650 million in outstanding debentures had a weighted average interest rate of 2.685% and carrying value of $646.8 million as of March 31, 2017. During the quarter, CI entered into a contract with a chartered bank to swap the fixed interest rate on $200 million of debentures to a floating rate. Net debt, as discussed in the "Non-IFRS Measures" section and as set out in Table 4, was $673.5 million at March 31, 2017, up from $572.9 million at December 31, 2016. This increase was primarily due to the increase in working capital and other items discussed earlier, as well as CI spending more on dividends and share repurchases relative to the amount of free cash flow that was generated for the period. The average debt level for the quarter ended March 31, 2017 was approximately $825 million compared to $578 million for the same period last year.

CI's ratio of debt to EBITDA and net debt to EBITDA were 1.0 to 1 and 0.8 to 1, respectively, which provides CI with significant financial flexibility for future debt financing. CI is within its financial covenants with respect to its credit facility, which requires that the debt to EBITDA ratio remain below 2.5 to 1, and assets under management not fall below $60 billion, based on a rolling 30-day average.

Shareholders' equity was $1.724 billion at March 31, 2017, a decrease of $21.3 million during 2017, which approximates net income less dividends and share repurchases.

## 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, the company's Risk Management Committee, comprised of senior executives representing CI's business units, and the company's Risk Management Team, comprised of the Chief Risk Officer and the Vice-President, Risk Management and Corporate Responsibility. The Board has delegated primary responsibility for oversight of risk management to the Governance 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 Governance 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 to bring risks to an acceptable risk level.

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 mutual 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 pay dividends.

**MARKET RISK FOR THE ASSET MANAGEMENT SEGMENT**

At March 31, 2017, approximately 29% 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 $7 million in annual pre-tax earnings in the Asset Management segment.

At March 31, 2017, about 50% 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 26% 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 58% of CI's assets under management were held in equity securities at March 31, 2017, 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 $66 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 $0.9 million before income taxes and non-segmented items for the quarter ended March 31, 2017). 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 component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of approximately $3 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.

**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.

**STRATEGIC RISKS**

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 the introduction of new products and cost control strategies.

**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**

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.

**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.

**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. Malfunctioning of any of the technologies used by CI could disrupt the company's business 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.

**REDEMPTION RISK**

CI earns revenue primarily from management fees earned for advising and managing mutual fund assets. The level of these mutual fund 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 mutual 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 on 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 March 31, 2017, CI had 262,737,470 shares outstanding.

Employee Incentive Share Option Plan: At March 31, 2017, 8.7 million options to purchase shares were outstanding, of which 5.5 million options were exercisable.

Restricted Share Unit ("RSU") Plan: 495,184 RSUs were outstanding and held in a trust as at March 31, 2017.

Deferred Share Unit ("DSU") Plan: 4,176 DSUs were outstanding as at March 31, 2017.

Additional details about the above Plans can be found in Note 5 to the Consolidated Financial Statements.

## CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI's contractual obligations at March 31, 2017.

**PAYMENTS DUE BY YEAR**

| *[millions of dollars]* | Total | 1 year or less | 2 | 3 | 4 | 5 | More than 5 years |
|---|---|---|---|---|---|---|---|
| Long-term debt | 868.0 | — | 218.0 | — | 450.0 | 200.0 | — |
| Operating leases | 89.9 | 11.7 | 11.3 | 10.8 | 10.4 | 9.8 | 35.9 |
| Total | 957.9 | 11.7 | 229.3 | 10.8 | 460.4 | 209.8 | 35.9 |

## SIGNIFICANT ACCOUNTING ESTIMATES

The March 31, 2017 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, 2016 Notes to the Consolidated Financial Statements. Note 2 of the December 31, 2016 Consolidated Financial Statements provides a discussion regarding the methodology used for business acquisitions. Note 4 of the December 31, 2016 Consolidated Financial Statements provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

## 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 March 31, 2017). Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these disclosure controls and procedures were effective as at March 31, 2017 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 March 31, 2017. 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 March 31, 2017, there have been no changes to the internal controls over financial reporting that have materially affected, or are reasonably likely to affect, internal controls over financial reporting.

*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.*

# Condensed Consolidated Financial Statements

March 31, 2017

CI FINANCIAL CORP

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

| *[in thousands of Canadian dollars]* | As at<br>March 31, 2017<br>$ | As at<br>December 31, 2016<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **118,265** | 117,899 |
| Client and trust funds on deposit | **226,739** | 185,424 |
| Marketable securities | **92,245** | 85,013 |
| Accounts receivable and prepaid expenses | **144,300** | 148,218 |
| Income taxes receivable | **12,871** | — |
| **Total current assets** | **594,420** | 536,554 |
| Capital assets, net | **36,454** | 34,741 |
| Deferred sales commissions, net of accumulated amortization of $360,088 [December 31, 2016 - $388,244] | **255,964** | 272,699 |
| Intangibles | **2,412,189** | 2,407,966 |
| Other assets | **208,727** | 206,735 |
| **Total assets** | **3,507,754** | 3,458,695 |
| **LIABILITIES AND EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **174,335** | 222,742 |
| Provision for other liabilities *[note 4]* | **33,277** | 37,246 |
| Dividends payable *[note 6]* | **60,430** | 61,015 |
| Client and trust funds payable | **224,867** | 183,148 |
| Income taxes payable | **—** | 8,836 |
| **Total current liabilities** | **492,909** | 512,987 |
| Deferred lease inducement | **11,398** | 11,770 |
| Long-term debt *[note 3]* | **864,843** | 758,658 |
| Provision for other liabilities *[note 4]* | **34,835** | 48,063 |
| Deferred income taxes | **377,097** | 379,186 |
| **Total liabilities** | **1,781,082** | 1,710,664 |
| **Equity** | | |
| Share capital *[note 5(a)]* | **1,858,613** | 1,885,066 |
| Contributed surplus | **19,712** | 18,062 |
| Deficit | **(167,183)** | (166,878) |
| Accumulated other comprehensive income | **12,996** | 9,148 |
| **Total equity attributable to the shareholders of the Company** | **1,724,138** | 1,745,398 |
| **Non-controlling interests** | **2,534** | 2,633 |
| **Total equity** | **1,726,672** | 1,748,031 |
| **Total liabilities and equity** | **3,507,754** | 3,458,695 |

*(see accompanying notes)*

On behalf of the Board of Directors:

| | |
|---|---|
| **William T. Holland** | **Paul Derksen** |
| **Director** | **Director** |

# CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (unaudited)

**For the three-month period ended March 31**

| *[in thousands of Canadian dollars, except per share amounts]* | **2017** **$** | **2016** **$** |
|---|---|---|
| **REVENUE** | | |
| Management fees | **449,495** | 424,772 |
| Administration fees | **44,618** | 36,616 |
| Redemption fees | **4,311** | 4,924 |
| Gain (loss) on sale of marketable securities | **105** | (23) |
| Other income | **4,041** | 4,344 |
| | **502,570** | 470,633 |
| **EXPENSES** | | |
| Selling, general and administrative *[note 10]* | **107,991** | 96,382 |
| Trailer fees | **137,957** | 131,141 |
| Investment dealer fees | **36,722** | 29,899 |
| Amortization of deferred sales commissions | **27,078** | 32,880 |
| Amortization of intangibles | **1,345** | 962 |
| Interest *[note 3]* | **5,356** | 3,801 |
| Other | **2,341** | 15,485 |
| | **318,790** | 310,550 |
| **Income before income taxes** | **183,780** | 160,083 |
| **Provision for income taxes** | | |
| Current | **52,183** | 45,334 |
| Deferred | **(2,500)** | (1,545) |
| | **49,683** | 43,789 |
| **Net income for the period** | **134,097** | 116,294 |
| **Net loss attributable to non-controlling interests** | **(99)** | (287) |
| **Net income attributable to shareholders** | **134,196** | 116,581 |
| **Other comprehensive income (loss), net of tax** | | |
| Unrealized gain (loss) on available-for-sale financial assets, net of income taxes of $503 [2016 - ($219)] | **3,289** | (1,434) |
| Reversal of gains to net income on available-for-sale financial assets, net of income taxes of ($11) [2016 - ($4)] | **(73)** | (23) |
| Exchange differences on translation of foreign operations | **632** | — |
| Total other comprehensive income (loss), net of tax | **3,848** | (1,457) |
| **Comprehensive income for the period** | **137,945** | 114,837 |
| **Comprehensive loss attributable to non-controlling interests** | **(99)** | (287) |
| **Comprehensive income attributable to shareholders** | **138,044** | 115,124 |
| **Basic earnings per share attributable to shareholders *[note 5(e)]*** | **$0.51** | $0.42 |
| **Diluted earnings per share attributable to shareholders *[note 5(e)]*** | **$0.51** | $0.42 |

*(see accompanying notes)*

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

**For the three-month period ended March 31**

| [in thousands of Canadian dollars] | Share capital [note 5(a)] $ | Contributed surplus $ | Deficit $ | Accumulated other comprehensive income $ | Total shareholders' equity $ | Non-controlling interests $ | Total equity $ |
|---|---|---|---|---|---|---|---|
| **Balance, January 1, 2017** | **1,885,066** | **18,062** | **(166,878)** | **9,148** | **1,745,398** | **2,633** | **1,748,031** |
| Comprehensive income | **—** | **—** | **134,196** | **3,848** | **138,044** | **(99)** | **137,945** |
| Dividends declared *[note 6]* | **—** | **—** | **(90,934)** | **—** | **(90,934)** | **—** | **(90,934)** |
| Shares repurchased | **(29,082)** | **—** | **(43,567)** | **—** | **(72,649)** | **—** | **(72,649)** |
| Issuance *[note 4]* | **1,824** | **—** | **—** | **—** | **1,824** | **—** | **1,824** |
| Issuance of share capital on exercise of options | **805** | **(805)** | **—** | **—** | **—** | **—** | **—** |
| Compensation expense for equity-based plans | **—** | **2,455** | **—** | **—** | **2,455** | **—** | **2,455** |
| Change during the year | **(26,453)** | **1,650** | **(305)** | **3,848** | **(21,260)** | **(99)** | **(21,359)** |
| **Balance, March 31, 2017** | **1,858,613** | **19,712** | **(167,183)** | **12,996** | **1,724,138** | **2,534** | **1,726,672** |
| | | | | | | | |
| **Balance, January 1, 2016** | 1,960,622 | 13,615 | (86,827) | 6,690 | 1,894,100 | 2,865 | 1,896,965 |
| Comprehensive income | — | — | 116,581 | (1,457) | 115,124 | (287) | 114,837 |
| Dividends declared *[note 6]* | — | — | (90,646) | — | (90,646) | — | (90,646) |
| Shares repurchased | (15,726) | — | (47,970) | — | (63,696) | — | (63,696) |
| Issuance of share capital on exercise of options | 503 | (345) | — | — | 158 | — | 158 |
| Compensation expense for equity-based plans | — | 1,489 | — | — | 1,489 | — | 1,489 |
| Change during the year | (15,223) | 1,144 | (22,035) | (1,457) | (37,571) | (287) | (37,858) |
| **Balance, March 31, 2016** | 1,945,399 | 14,759 | (108,862) | 5,233 | 1,856,529 | 2,578 | 1,859,107 |

*(see accompanying notes)*

# CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

**For the three-month period ended March 31**

| *[in thousands of Canadian dollars]* | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES (*)** | | |
| Net income | **134,097** | 116,294 |
| Add (deduct) items not involving cash | | |
| Gain (loss) on sale of marketable securities | **(105)** | 23 |
| Equity-based compensation | **2,455** | 1,489 |
| Amortization of deferred sales commissions | **27,078** | 32,880 |
| Amortization of intangibles | **1,345** | 962 |
| Amortization and depreciation of other | **1,824** | 1,638 |
| Deferred income taxes | **(2,500)** | (1,545) |
| Cash provided by operating activities before net change in operating assets and liabilities | **164,194** | 151,741 |
| Net change in operating assets and liabilities | **(68,937)** | (34,596) |
| **Cash provided by operating activities** | **95,257** | 117,145 |
| **INVESTING ACTIVITIES** | | |
| Purchase of marketable securities | **(4,317)** | (1,112) |
| Proceeds on sale of marketable securities | **987** | 934 |
| Additions to capital assets | **(3,352)** | (1,768) |
| Deferred sales commissions paid | **(10,343)** | (17,659) |
| Increase in other assets | **(1,811)** | (1,052) |
| Additions to intangibles | **(4,270)** | (520) |
| Provision for other liabilities *[note 4]* | **(13,617)** | — |
| **Cash used in investing activities** | **(36,723)** | (21,177) |
| **FINANCING ACTIVITIES** | | |
| Increase in long-term debt | **106,000** | 54,000 |
| Repurchase of share capital | **(72,649)** | (63,696) |
| Issuance of share capital | **—** | 158 |
| Dividends paid to shareholders | **(91,519)** | (91,126) |
| **Cash used in financing activities** | **(58,168)** | (100,664) |
| **Net increase (decrease) in cash and cash equivalents during the period** | **366** | (4,696) |
| **Cash and cash equivalents, beginning of period** | **117,899** | 56,598 |
| **Cash and cash equivalents, end of period** | **118,265** | 51,902 |
| (*) Included in operating activities are the following: | | |
| **Interest paid** | **699** | 673 |
| **Income taxes paid** | **74,828** | 69,518 |

*(see accompanying notes)*

CI Financial Corp. [“CI”] is incorporated under the laws of the Province of 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, 2016.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of CI on May 11, 2017.

**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 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, 2016.

**BASIS OF CONSOLIDATION**

The unaudited interim condensed consolidated financial statements include the accounts of CI, CI Investments Inc. [“CI Investments”] and Assante Wealth Management (Canada) Ltd. [“AWM”] and their subsidiaries over which CI has control, as well as the trust established for CI's restricted share unit plan ["RSU Plan"][the "Trust"]. Control exists 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. Hereinafter, CI and its subsidiaries are referred to as CI.

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 net income and comprehensive income, and a non-controlling interest is recorded within equity in the unaudited interim condensed consolidated statement of financial position to reflect the non-controlling interest’s share of the net assets of Marret.

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

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 [Note 2]. CI considers the non-controlling interest in GSFM to have already been acquired and consolidates 100% of the income and comprehensive income in the unaudited interim condensed consolidated statement of income and comprehensive income.

## 2. BUSINESS ACQUISITION

*Grant Samuel Funds Management*

On November 15, 2016, CI acquired 80% of GSFM and its subsidiary, an Australian based investment management company, for cash consideration of $78,306. The agreement included an option for the minority shareholders to sell their remaining 20% interest in GSFM to CI. 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 15, 2016, at fair value, are as follows:

| | $ |
|---|---|
| Cash and cash equivalents | 4,354 |
| Accounts receivable and prepaid expenses | 2,828 |
| Marketable securities | 1,795 |
| Management contracts | 83,969 |
| Other assets | 3,954 |
| Accounts payable and accrued liabilities | (3,297) |
| Income taxes payable | (936) |
| Deferred tax liability | (24,410) |
| **Fair value of identifiable net assets** | 68,257 |
| Goodwill on acquisition | 28,044 |
| **Total acquired cost** | 96,301 |

The acquired fund management contracts with a fair value of $83,969 include $80,825 that have an indefinite life and $3,144 with a finite life. The goodwill on acquisition is not deductible for income tax purposes. Goodwill of $28,044 relates to the Asset Management segment.

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

| | $ |
|---|---|
| Cash | 78,306 |
| Put option, at fair value | 17,995 |
| **Total consideration** | 96,301 |

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

The put option granted to the minority shareholders requires CI to purchase the shares owned by each shareholder at an exercise price determined by a formula based on earnings before interest, tax, depreciation and amortization ["EBITDA"]. CI has estimated the fair value of the put option, including a translation adjustment since the date of acquisition, to be $17,983 as at March 31, 2017 [December 31, 2016 - $17,151], which was estimated using a discounted cash flow approach. This approach included assumptions regarding the timing and proportion of shares the minority shareholders will require CI to purchase. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 *Fair Value Measurement* refers to as Level 3 inputs.

Cash inflow on acquisition is as follows:

| | $ |
|---|---|
| Net cash acquired (included in cash flows from investing activities) | 4,354 |
| **Net cash inflow on acquisition** | 4,354 |

## 3. LONG-TERM DEBT

Long-term debt consists of the following:

| | As at March 31, 2017 $ | As at December 31, 2016 $ |
|---|---|---|
| **Credit facility** | | |
| Banker's acceptances | **218,000** | 112,000 |
| | **218,000** | 112,000 |
| | | |
| **Debentures** | | |
| $450 million, 2.645% due December 7, 2020 | **447,978** | 447,849 |
| $200 million, 2.775% due November 25, 2021 | **198,865** | 198,809 |
| | **646,843** | 646,658 |
| **Long-term debt** | **864,843** | 758,658 |

### Credit facility

CI has a $500,000 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 remain below 2.5:1 and that CI's assets under management not fall below $60 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.

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

**Debentures**

On November 25, 2016, CI completed an offering pursuant to which it issued $200,000 of debentures due November 25, 2021 at par [the "2021 Debentures"].

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 2021 Debentures for floating rate payments. Based on the terms of the agreement, CI pays a rate equivalent to the three-month Canadian bankers' acceptance rate plus a spread of 138.4 basis points. The rates are reset quarterly and paid semi-annually to match the fixed payment obligations of the 2021 Debentures. The swap agreement terminates on the maturity date of the 2021 Debentures unless terminated by CI at an earlier date. As at March 31, 2017, the fair value of the interest rate swap agreement was an unrealized loss of $95 and is included in long-term debt in the consolidated statements of financial position.

## 4. 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 three months ended March 31, 2017 and the year ended December 31, 2016, are as follows:

| | 3 months ended March 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| | $ | $ |
| **Provision for other liabilities, beginning of period** | **85,309** | 52,597 |
| Additions | **85** | 59,504 |
| Amounts used | **(18,114)** | (25,258) |
| Translation | **832** | (844) |
| Amounts reversed | **—** | (690) |
| **Provision for other liabilities, end of period** | **68,112** | 85,309 |
| **Current portion of provision for other liabilities** | **33,277** | 37,246 |

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 months ended March 31, 2017, CI received insurance proceeds of nil, related to the settlement of legal claims [December 31, 2016 - $858]. As at March 31, 2017, CI has accrued $53 for amounts to be received under insurance policies [December 31, 2016 - $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 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. Included in other assets are deposits of $172,885 regarding notice of assessments received for the years 2006 to 2008. As at March 31, 2017, a provision of $3,670 remains to mount a defense against the CRA [December 31, 2016 - $3,736].

**REMEDIATION**

In 2015, CI Investments discovered an administrative error and recorded a provision of $10.75 million, net of recoveries for the cost to remediate. As at March 31, 2017, a net recovery of $2,386 remains [December 31, 2016 - net recovery of $3,186].

**PUT OPTION AND CONTINGENT CONSIDERATION**

Included in provision for other liabilities as at March 31, 2017, is a provision for the fair value of the put option granted to minority interest shareholders for the acquisition of GSFM of $17,983, including translation. [December 31, 2016 - $17,151]. Details of the acquisition agreement and the basis of calculation of the fair value of the put option and contingent consideration are summarized in Note 2.

Included in amounts used, is a partial payment of $13,617 [cash - $11,793 and shares - $1,824] related to contingent consideration that was payable for the First Asset acquisition. As at March 31, 2017, contingent consideration of $6,383 is payable and included in provision for other liabilities.

## 5. 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, 2015** | **276,027** | **1,960,622** |
| Issuance of share capital on exercise of share options | 80 | 1,280 |
| Share repurchases | (10,805) | (76,836) |
| **Common shares, balance, December 31, 2016** | **265,302** | **1,885,066** |
| Issuance | 58 | 1,824 |
| Issuance of share capital on exercise of share options | 63 | 805 |
| Share repurchases | (2,686) | (29,082) |
| **Common shares, balance, March 31, 2017** | **262,737** | **1,858,613** |

### [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 304 and 295 thousand options during the three months ended March 31, 2017 [three months ended June 30 and March 31, 2016 - 53 and 2,617 thousand options, respectively]. The fair value method of accounting is used for the valuation of the 2017 and 2016 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated average forfeiture rate of 0% for the options issued during the three months ended March 31, 2017 [three months ended June 30 and March 31, 2016 - 0% and 3.9%, respectively], 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 2017 and 2016 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| **Year of grant** | **2017** | **2017** | **2016** | **2016** |
|---|---|---|---|---|
| *# of options granted [in thousands]* | 304 | 295 | 53 | 2,617 |
| Vesting terms | 1/3 at end of each year | 1/3 at end of each year | 1/3 at end of each year | 1/3 at end of each year |
| Dividend yield | 5.238% - 5.337% | 5.238% - 5.268% | 5.090% - 5.258% | 5.005% - 5.179% |
| Expected volatility *(*)* | 16% | 16% | 16% | 16% |
| Risk-free interest rate | 1.189% - 1.293% | 1.189% - 1.229% | 0.919% - 0.947% | 0.735% - 0.768% |
| Expected life [years] | 2.7 - 3.6 | 2.7 - 3.0 | 2.6 - 3.5 | 2.6 - 3.5 |
| Forfeiture rate | 0% | 0% | 0% | 1.7% - 6.4% |
| Fair value per stock option | $1.88 - $2.04 | $1.88 - $1.94 | $1.92 - $2.08 | $1.90 - $2.06 |
| Exercise price | $27.44 | $27.44 | $28.63 | $28.63 |

*(*) 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** | **Weighted average exercise price** |
|---|---|---|
| | ***[in thousands]*** | **$** |
| Options outstanding, December 31, 2015 | **6,951** | **32.15** |
| Options exercisable, December 31, 2015 | **1,994** | **28.62** |
| Options granted | 2,669 | 28.63 |
| Options exercised | (514) | 24.62 |
| Options cancelled | (466) | 33.43 |
| 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 | (406) | 22.77 |
| Options cancelled | (103) | 30.84 |
| Options outstanding, March 31, 2017 | **8,730** | **31.58** |
| Options exercisable, March 31, 2017 | **5,437** | **32.45** |

*(*) Weighted-average share price of options exercised was $27.86 during the three months ended March 31, 2017 [year ended December 31, 2016 $28.87]*

Options outstanding and exercisable as at March 31, 2017 are as follows:

| **Exercise price** | **Number of options outstanding** | **Weighted average remaining contractual life** | **Number of options exercisable** |
|---|---|---|---|
| **$** | ***[in thousands]*** | ***[years]*** | ***[in thousands]*** |
| 27.03 | 894 | 0.9 | 894 |
| 27.44 | 599 | 4.9 | — |
| 28.63 | 2,517 | 3.9 | 826 |
| 30.27 | 125 | 1.2 | 125 |
| 33.96 | 2,538 | 2.9 | 1,758 |
| 34.52 | 229 | 2.2 | 153 |
| 35.60 | 1,608 | 1.9 | 1,608 |
| 35.88 | 220 | 3.0 | 73 |
| **27.03 to 35.88** | **8,730** | **2.9** | **5,437** |

**[C] RESTRICTED SHARE UNITS**

The RSU Plan was established by CI in February 2017 and 493 thousand restricted share units ["RSUs"] were granted to senior executives and other key employees in lieu of compensation. Compensation expense is recognized and recorded as contributed surplus based upon the market value of the 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 months ended March 31, 2017, compensation expense of $1,787 was recognized and recorded as contributed surplus. In March 2017, an additional 2 thousand RSUs were issued to reflect dividends declared on the common shares.

CI uses a Trust to hold CI's common shares, to fulfill obligations to employees arising from the RSU Plan. During the three months ended March 31, 2017, 500,000 common shares of CI were purchased at a cost of $13,618 on the open market of the TSX by the trustee for the purposes of funding the RSU Plan. 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. DSUs can only be redeemed for cash once the holder ceases to be a director of CI. On March 31, 2017, 4 thousand DSUs were granted and an expense of $110 was recorded with an offsetting amount included in accounts payable and accrued liabilities.

### [E] BASIC AND DILUTED EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share for the three months ended March 31:

| *[in thousands]* | **2017** | **2016** |
|---|---|---|
| **Numerator:** | | |
| Net income attributable to shareholders of the Company basic and diluted | **$134,196** | $116,581 |
| | | |
| **Denominator:** | | |
| Weighted average number of common shares - basic | **264,448** | 275,229 |
| Weighted average effect of dilutive stock options and RSU awards *(*)* | **84** | 221 |
| **Weighted average number of common shares - diluted** | **264,532** | 275,450 |
| | | |
| **Net earnings per common share attributable to shareholders** | | |
| **Basic** | **$0.51** | $0.42 |
| **Diluted** | **$0.51** | $0.42 |

*(*) The determination of the weighted average number of common shares - diluted excludes 7,836 thousand shares related to stock options that were anti-dilutive for the three months ended March 31, 2017 [three months ended March 31, 2016 - 7,678 thousand shares].*

### [F] MAXIMUM SHARE DILUTION

The following table presents the maximum number of shares that would be outstanding if all the outstanding options as at April 30, 2017 were exercised:

| *[in thousands]* | |
|---|---|
| Shares outstanding at April 30, 2017 | 261,848 |
| RSU Awards | 497 |
| Options to purchase shares | 8,665 |
| | 271,010 |

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

## 6. DIVIDENDS

The following dividends were paid by CI during the three months ended March 31, 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 |

The following dividends were declared but not paid during the three months ended March 31, 2017:

| Record date | Payment date | Cash dividend per share | Total dividend amount |
|---|---|---|---|
| | | $ | $ |
| March 31, 2017 | April 13, 2017 | 0.115 | 30,215 |
| April 30, 2017 | May 15, 2017 | 0.115 | 30,215 |
| Declared and accrued as at March 31, 2017 | | | 60,430 |

The following dividends were paid by CI during the three months ended March 31, 2016:

| Record date | Payment date | Cash dividend per share | Total dividend amount |
|---|---|---|---|
| | | $ | $ |
| December 31, 2015 | January 15, 2016 | 0.110 | 30,416 |
| January 31, 2016 | February 15, 2016 | 0.110 | 30,371 |
| February 29, 2016 | March 15, 2016 | 0.110 | 30,339 |
| Paid during the three months ended March 31, 2016 | | | 91,126 |

The following dividends were declared but not paid during the three months ended March 31, 2016:

| Record date | Payment date | Cash dividend per share | Total dividend amount |
|---|---|---|---|
| | | $ | $ |
| March 31, 2016 | April 15, 2016 | 0.110 | 30,124 |
| April 30, 2016 | May 13, 2016 | 0.110 | 30,124 |
| Declared and accrued as at March 31, 2016 | | | 60,248 |

On May 11, 2017, the Board of Directors declared monthly cash dividends of $0.1175 per share payable on June 15, July 14 and August 15, 2017 to shareholders of record on May 31, June 30 and July 31, 2017, respectively.

## 7. FINANCIAL INSTRUMENTS

Financial assets are classified as fair value through profit or loss [“FVPL”], available-for-sale [“AFS”] or loans and receivables. 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.

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.

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.

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

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

| | As at March 31, 2017 $ | As at December 31, 2016 $ |
|---|---|---|
| **Financial assets** | | |
| *Fair value through profit or loss* | | |
| Cash and cash equivalents | **118,265** | 117,899 |
| *Loans and receivables* | | |
| Client and trust funds on deposit | **226,739** | 185,424 |
| Accounts receivable | **128,737** | 134,256 |
| Other assets | **194,872** | 194,684 |
| *Available-for-sale* | | |
| Marketable securities | **92,245** | 85,013 |
| Total financial assets | **760,858** | 717,276 |
| | | |
| **Financial liabilities** | | |
| *Fair value through profit or loss* | | |
| Provisions for other liabilities | **24,366** | 37,151 |
| *Other financial liabilities* | | |
| Accounts payable and accrued liabilities | **161,848** | 209,934 |
| Provisions for other liabilities | **43,747** | 48,158 |
| Dividends payable | **60,430** | 61,015 |
| Client and trust funds payable | **224,867** | 183,148 |
| Long-term debt | **864,843** | 758,658 |
| Total financial liabilities | **1,380,101** | 1,298,064 |

Financial assets and liabilities classified as FVPL are measured at fair value and classified in the Level 1 fair value hierarchy.

CI's financial assets at March 31, 2017 and December 31, 2016 include CI's marketable securities which consist of investments in mutual fund securities. 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 considers mutual fund securities that are valued daily to be level 1 in the fair value hierarchy and those mutual fund securities valued less frequently to be level 2 in the fair value hierarchy. As at March 31, 2017, CI's marketable securities of $92,245 [December 31, 2016 - $85,013] are carried at fair value, of which $19,738 have been classified as level 1 in the fair value hierarchy and $72,507 as level 2 in the fair value hierarchy [December 31, 2016 - $19,981 as level 1 in the fair value hierarchy and $65,032 as level 2 in the fair value hierarchy]. There have been no transfers between level 1 and level 2 during the three month period.

Included in provision for other liabilities, as at March 31, 2017 is contingent consideration of $6,383 [December 31, 2016 - $20,000] and put option payable on non-controlling interest of $17,983 carried at fair value and classified as level 3 in the fair value hierarchy. Long-term debt as at March 31, 2017 includes debentures with a fair value of $661,599 [December 31, 2016 - $651,388], as determined by quoted market prices which have been classified as level 1 in the fair value hierarchy.

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

## 8. 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 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 March 31, 2017, cash and cash equivalents of $16,915 [December 31, 2016 - $16,063] 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 March 31, 2017 and 2016, CI met its capital requirements.

CI's capital consists of the following:

| | **As at March 31, 2017 $** | **As at December 31, 2016 $** |
|---|---|---|
| Shareholders' equity | **1,724,138** | 1,745,398 |
| Long-term debt | **864,843** | 758,658 |
| **Total capital** | **2,588,981** | 2,504,056 |

March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]*

## 9. 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 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 as at and for the three-month period ended March 31, 2017 is as follows:

| | Asset Management | Asset Administration | Intersegment eliminations | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Management fees | **449,495** | **—** | **—** | **449,495** |
| Administration fees | **—** | **84,980** | **(40,362)** | **44,618** |
| Other revenue | **2,384** | **6,073** | **—** | **8,457** |
| **Total revenue** | **451,879** | **91,053** | **(40,362)** | **502,570** |
| | | | | |
| Selling, general and administrative | **88,296** | **19,695** | **—** | **107,991** |
| Trailer fees | **144,789** | **—** | **(6,832)** | **137,957** |
| Investment dealer fees | **—** | **69,832** | **(33,110)** | **36,722** |
| Amortization of deferred sales commissions and intangibles | **28,622** | **592** | **(791)** | **28,423** |
| Other expenses | **2,317** | **24** | **—** | **2,341** |
| **Total expenses** | **264,024** | **90,143** | **(40,733)** | **313,434** |
| | | | | |
| **Income before income taxes and non-segmented items** | **187,855** | **910** | **371** | **189,136** |
| Interest expense | | | | **(5,356)** |
| Provision for income taxes | | | | **(49,683)** |
| **Net income for the period** | | | | **134,097** |
| | | | | |
| Identifiable assets | **761,737** | **393,766** | **(6,717)** | **1,148,786** |
| Indefinite life intangibles | | | | |
| Goodwill | **999,179** | **192,582** | **—** | **1,191,761** |
| Fund contracts | **1,167,207** | **—** | **—** | **1,167,207** |
| **Total assets** | **2,928,123** | **586,348** | **(6,717)** | **3,507,754** |

**March 31, 2017 and 2016 • *[in thousands of dollars, except per share amounts]***

Segmented information for the three-month period ended March 31, 2016 is as follows:

| | Asset Management | Asset Administration | Intersegment eliminations | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Management fees | 424,772 | — | — | 424,772 |
| Administration fees | — | 73,402 | (36,786) | 36,616 |
| Other revenue | 3,547 | 5,698 | — | 9,245 |
| **Total revenue** | 428,319 | 79,100 | (36,786) | 470,633 |
| Selling, general and administrative | 79,584 | 16,798 | — | 96,382 |
| Trailer fees | 137,122 | — | (5,981) | 131,141 |
| Investment dealer fees | — | 60,099 | (30,200) | 29,899 |
| Amortization of deferred sales commissions and intangibles | 34,170 | 551 | (879) | 33,842 |
| Other expenses | 15,461 | 24 | — | 15,485 |
| **Total expenses** | 266,337 | 77,472 | (37,060) | 306,749 |
| **Income before income taxes and non-segmented items** | 161,982 | 1,628 | 274 | 163,884 |
| Interest expense | | | | (3,801) |
| Provision for income taxes | | | | (43,789) |
| **Net income for the period** | | | | 116,294 |
| **As at December 31, 2016** | | | | |
| Identifiable assets | 754,396 | 353,780 | (7,152) | 1,101,024 |
| Indefinite life intangibles | | | | |
| Goodwill | 997,882 | 192,582 | — | 1,190,464 |
| Fund contracts | 1,167,207 | — | — | 1,167,207 |
| **Total assets** | **2,919,485** | **546,362** | **(7,152)** | **3,458,695** |

## 10. SELLING, GENERAL AND ADMINISTRATIVE

Included in selling, general and administrative expenses [“SG&A”] are salaries and benefits of $57,249 for the three months ended March 31, 2017 [three months ended March 31, 2016 - $52,558]. Also included in SG&A is depreciation of capital assets of $1,637 for the three months ended March 31, 2017 [three months ended March 31, 2016 - $1,511]. Other SG&A of $49,105 for the three months ended March 31, 2017, primarily includes marketing, lease and information technology expenses as well as professional and regulatory fees [three months ended March 31, 2016 - $42,313].