CI FINANCIAL CORP.

FOURTH QUARTER 2010 RESULTS

CONFERENCE CALL

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PRESENTATION

Operator

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I would now like to turn the call over to Mr. Stephen MacPhail, President and CEO of CI Financial.

Mr. MacPhail, you may begin the conference.

Stephen MacPhail

Thank you, Kim, and good afternoon. With me today are my colleagues Derek Green, President of CI Investments, and Doug Jamieson, CI's Chief Financial Officer.

I want to start by saying that this quarter that we're reporting is one of the best quarters I've reported on in 16 years. Our fourth quarter average retail assets under management were up 7 percent from the third quarter. Our pretax operating earnings per share were up 10 percent from the third quarter to the fourth.

We are ahead of expectations on our Hartford acquisition, which we closed in mid-December with our forecast EBITDA of $20 million for 2011. Relative to our net purchase price of $95 million, it is an excellent transaction.

In 2010, CI had net sales of $1.1 billion, our seventh year of reporting net sales in excess of $1 billion. CI is the only company in Canada to do that for seven straight years.

We did a $300 million bond issue with interest below 4 percent, resulting in our average cost of debt for all of CI at approximately 3.18 percent.

In November, we made a bid for DundeeWealth, based on one share of CI per share of DundeeWealth in a binding offer. Bank of Nova Scotia chose to exercise the right to match this bid and bought the company. I will say that we did get a nice break fee out of this transaction even if we did not get the company, which after all our expenses, including fees to our advisors, netted CI almost $4 million.

Looking at the highlights of 2009 compared to 2010, our average retail assets under management were up 16 percent, rising $9 billion from $55.4 billion to $64.5 billion.

Our earnings per share rose 13 percent from $1.01 to $1.14. However, if we adjust our earnings per share for the fact that in 2009, we had a $45 million tax recovery related to provincial income tax changes, then the real change in earnings per share would be 94 cents to $1.15, a 22 percent increase.

Consistent with that number is our pretax operating earnings per share, which were up 22 percent from $1.74 to 2.12, our EBITDA per share up 18 percent from $1.97 to 2.32. I think the real strength in our numbers is shown by the dividends, which rose 33 percent from 57 cents a share to 76 cents a share for the year.

Comparing the fourth quarter of 2010 to the fourth quarter of 2009 follows the same pattern. Our average retail assets under management were up 12 percent from $61 billion to $68 billion, an increase of $7 billion. Our earnings per share, as reported, dropped from 40 cents to 32 cents. But as I mentioned earlier, that was really all relative to the $45 million income tax recovery that we had in the fourth quarter of last year. If you net that out, the real change in earnings per share was from 27 cents to 32, a 19 percent increase.

That's reflected in our pre-tax operating earnings per share, which were up 16 percent from 49 cents to 57 cents, or our EBITDA per share, which was up 19 percent from 54 to 64 cents - all in all, an absolutely excellent quarter for CI.

I will now turn it over to Derek to provide colour on our sales for last year, where we are today and some of our money managers and their performances. Go ahead, Derek.

Derek Green

Thanks, Steve. As Steve mentioned in his opening comments, 2010 was an excellent year from a financial standpoint for CI. I think it's worth mentioning that it did a lot to repair investor confidence. There's been increasing interest in balanced and equity fund mandates, which are obviously higher margin products.

2010 was also a good year from a sales perspective. We had gross sales of almost $10 billion. And as Steve also mentioned, it was our seventh consecutive year of having net sales in excess of $1 billion.

An important point that I would like to share is really about the evolution of our business. In 2008, segregated funds, either our own segregated fund products or products that we are involved in, represented in excess of 100 percent of our sales. Today, it's approximately 30 percent of our business, and mutual funds are becoming a much more important and bigger part of our business.

I'd like to now discuss our sales from a higher level or really, a snapshot. The gross sales were up 15 percent. Our gross sales were strong across all channels, with the financial planning community up 10 percent and Sun Life up 19 percent. At Assante, which is our sister company where we have a very, very high penetration rate, sales were up 6 percent, and IIROC, the old IDA channel, where we've redoubled our efforts and are really trying to focus on growing that business, was up 37 percent.

I touched earlier on the fact that seg funds are now a smaller part of our business. We continue to see contract redemptions from a seg fund maturity bubble that really peaked in 2010. But we did launch a new product in October of 2010, and there's now $154 million in sales in that product, and it's growing.

I'd now like to move onto our acquisition of Hartford. Steve touched on the fact that we closed that deal in the fourth quarter. This year, we've rebranded the company Castlerock Investments and introduced it to Canadian investors and advisors. We currently have assets of $1.93 billion, up more than 10 percent since the announcement.

We had positive net sales for Castlerock in both January and February and very, very strong interest from advisors. And we've just completed a road show. We're on track to generate $20 million in EBITDA for 2011. What this business brings us is excellence in money management. This company features core investment products and an excellent lineup of portfolio managers, specifically Black Creek Investments, but also Greystone, which has a very, very strong following in Canada. And it will be complemented with a number of our veteran fund managers – Eric Bushell, Alan Radlo, Daniel Bubis – and we'll grow it from there.

One of the things that I had mentioned on the last conference call was our relationship with Edward Jones. The question was asked if we would be able to retain the preferred partner status. At the time, I said that was really up to Edward Jones. But I would like to report now that we have received confirmation that CI Investments and Castlerock Investments will both have preferred partner status with Edward Jones, which we're very excited about.

One of the bright lights for growth in our business is the pension and endowment market in Canada. This is a huge market, and it really rivals the Canadian mutual fund industry. There's approximately $600 billion in assets there if you back out the Canadian pension plan and some of the bigger pension plans.

On an annual basis, there are searches that run in the range of $40 to $50 billion. We're seeing all sorts of interest in our products. And I'd like to report that, yesterday, we won our biggest mandate to date. It was a $150 million mandate in the Canadian balanced space. But, we're also starting to be included in searches, request for proposals for things like income, but also for our global investment capabilities, as well.

The next thing that I'd like to touch on is the strong performance our fund managers have had across all categories. Signature High Income fund, which has been a favorite of Canadian investors and advisors for over a decade, has been very strong. We've been very strong both in managed solutions, but also in the balanced space, as well.

And we're also seeing very strong performance. I touched on the Castlerock Global Leaders Fund earlier in the presentation, with its strong top-quartile ranking across the board, and the Cambridge Asset Allocation Fund and Dan Bubis' CI Canadian Investment Fund as well.

The final thing I'd like to mention is the awards and accolades that we've received not only in the past but continue to receive. We have the most recommended funds of any mutual fund company in Canada on dealer recommendation lists.

In 2010, Eric Bushell was named Morningstar Fund Manager of the Decade. This is a huge achievement that all of us are CI are very, very proud of. At Castlerock Investments, Bill Kanko was the winner of the prestigious Lipper Fund Award. And CI has won 42 Canadian Investment Awards since 1998. So this is something we're incredibly proud of.

I would now like to hand the presentation over to Doug Jamieson, CI Financial's Chief Financial Officer. Doug?

Doug Jamieson

Thanks, Derek. First, I'd like to quickly compare the fourth quarter results to those of the third quarter. Average retail assets under management grew 7 percent quarter-over-quarter as the markets moved up fairly steadily during both Q3 and Q4, and we added $1.8 billion of Hartford assets halfway through December.

CI's reported earnings per share were up from 26 cents per share last quarter to 32 cents per share this quarter, an increase of 23 percent. And CI's adjusted earnings per share were 32 cents this quarter compared to 28 last quarter, with adjustment for equity-based compensation expense and taxes being taken into account. This is an increase of 14 percent and reflects the increase in average asset under management (AUM) at a slightly higher operating margin.

CI's pretax operating earnings grew to 57 cents from 52 cents last quarter, and adjusted EBITDA was up from 57 cents per share to 64 cents per share, increases of 10 percent and 12 percent respectively. This compares well to the assets under management change of 7 percent.

The reason for this is the selling, general and administrative expense (SG&A) spending was contained well below the increase in AUM and declined one basis point as a percent of average assets under management for each period.

CI paid dividends of 20 cents per share during the quarter, versus 19.5 cents in Q3.

CI's EBITDA margin, which is EBITDA as a percentage of revenues, jumped to 49.5 percent from 48.6 last quarter and 47.5 percent in the fourth quarter last year. This increase in the margin reflects the increase in CI's retail AUM over the previous quarter and year and our ability to hold the line on SG&A spend.

Similarly, CI's pretax income margin has climbed steadily from a year ago at 32.5 percent to 35.3 percent this quarter. And again, this is the result of the significant increase in CI's AUM over that period.

CI's free cash flow is its operating cash flow less the amount spent on deferred selling commissions. And adjusting that for the tax benefits of the income trust structure from 2006 to 2008 and all other tax loss utilizations, you can see CI has a long history of improving free cash flow, interrupted only by the significant market decline of 2008.

CI generated an adjusted $339 million in 2010. The forecast, based on the asset growth we've seen, is for another strong year in 2011. Taking a look at the last four quarters, you can see the significant growth in the free cash flow over the past year as CI's AUM grew.

Next, we have the uses of that cash. CI generated operating cash flow of $503 million during the year. And from that, CI paid deferred sales commissions of $158 million, leaving free cash of $345 million.

From that amount, CI bought back $97 million in stock and paid out $220 million in dividends. That leaves a surplus of $28 million after paying out over $300 million to shareholders in 2010.

Taking a close look at the benefit of $97 million in stock buybacks, CI bought back 4.8 million shares at an average cost of $20.02 per share. Based on the current annual dividend rate of 90 cents per share, CI is saving $4.3 million in dividends in 2011. And using CI's current average debt rate after tax on the total cost of the buybacks gives an interest cost of $2.2 million and a net benefit to CI of $2.1 million from those buybacks.

I will now turn it back to Steve.

Stephen MacPhail

Thanks, Doug. I guess if I could only put up one chart to help you assess CI, it would probably be this chart you're looking at now, that shows where our retail assets under management have gone.

I was asked about an hour and a half ago by an individual who said, gee, Steve, I was surprised that you increased the dividend when you did. And I said, well, when you look at this chart, you'll see that you'd probably be annoyed if we didn't increase the dividend because it's pretty obvious to see.

When you look at this chart, the beauty of it is it shows our average assets. If you start at the first quarter of last year right through to the end of September, during those three quarters, the average assets were essentially flat, and for the most part, resulted in earnings being essentially flat during that period.

But, at the end of June, beginning of July, markets really started to turn in Canada. And we finished that third quarter with assets up substantially higher than they started the quarter. By the end of the fourth quarter, again, they were substantially higher.

So, what we saw was our average assets dramatically increase. When we increased our dividend in November to 84 cents, you can see that it was quite a bit of a jump in assets from when we increased it to 78 cents. But now, looking forward to where we are today, with our current assets over $74 billion, up 9 percent from the average in the last quarter, then it was logical that all the economics were in place for another dividend increase to be declared. And that's really the basis behind going to 90 cents.

The other thing I want to point out in this chart is how well positioned we are for the first quarter of this year. Assuming markets stay close to where they are today, we would expect a considerably better first quarter than the fourth quarter of last year.

Just quickly on the dividend increase, as Doug mentioned, it's now 90 cents annually, up from 84. That's the fourth dividend increase in two years that we've done, reflecting the fact that our assets under management are up 9 percent from November 9th. By our calculations, this represents somewhere in the range of the 60 to 65 percent payout. I think this is exactly the same slide that I presented last time with the dividend increase at the 84 cents of our 2011 forecast net income.

Notwithstanding, this still leaves us with anywhere from about $165 to $185 million available for stock buybacks, debt repayment and other investments in 2011.

I haven't used this chart in a while, but I'm sure many of you recall it. And it really just shows how much money CI has returned to its shareholders and how prolific CI is as a cash generator.

Recalling back in 1994, we raised $25 million in our initial public offering for CI. Since that time, we've returned $3.5 billion to our shareholders, $1.4 billion by way of distributions when we were an income trust, $1 billion now of dividends and $1.1 billion worth of buybacks have been returned. I think it's very impressive. I suspect there are not many industries where you can see that type of return profile.

Occasionally, we talk about this investment we have in Altrinsic. Altrinsic is a value manager based in the United States that we own 25 percent of. Altrinsic got its start as a manager of CI's assets. We funded that company many, many years ago. And over the 10 or 12 years it's been in existence, it's actually started to grow at a remarkable rate.

At the end of this year, their assets are around US$11 billion. Last year, they contributed almost $6 million to CI. Based on their forecast for this year on mandates they believe they will get, we expect the contribution to CI to be north of $8 million.

What's really important is that this took a minimal investment on CI's part to get exposure to a very rapidly growing U.S. institutional business. It's not unreasonable to see this business at US$20 billion or more within five years. And based on the lack of, I won't say competition, but lack of other global value managers in their space and the amount of money that's going into it, this could just as easily 10 to 12 years out, be a $50 billion business in which CI has a substantial ownership. I just wanted to point that out as to how well that was doing for CI.

I'll just finish out with a bit of an outlook for CI before we move to the questions. In 2011, we will continue to evaluate our expansion into alternative investments.

As we mentioned earlier this year, we own 35 percent of a company called Red Sky, a small hedge fund – well, it's not that small any more. It's up to over $45 million in assets. It's had great performance since the start of September, up over 12 percent.

We see this as a real opportunity for CI to do similar things in this area and on the expectation that if they're successful, then CI, even though we don't control the businesses, has a significant stake. We can benefit from their growth and then potentially use them as CI money managers if we actually want to take them mainstream into our distribution networks.

As we look to 2011, as Derek discussed, the enhanced distribution with Edward Jones is very positive. They've been a terrific company to work with since we became preferred status with them. I really think it's a good opportunity for CI. We've mentioned for many years that CI's strategy is to look for all areas of enhanced distribution to be a significant partner with whoever we distribute with, and it's absolutely no different with the Edward Jones relationship. So we're quite excited about what that will bring to CI for the future.

As I mentioned, our U.S. institutional business is growing rapidly, and CI’s portion of that business is now valued in the neighborhood of $80 million, and we've had third party verification of that. It's quite impressive for something where we actually have zero invested into that business.

Lastly, we will continue to pursue consolidation opportunities. I will say we were disappointed that we didn't get DundeeWealth when we bid on it. But we weren't upset that Bank of Nova Scotia matched our bid and won it, either. The fact is, Dundee will be consolidated into Bank of Nova Scotia now and certainly one less independent company for us to contend with out in the marketplace. So any consolidation from our perspective is good. And now, we just move on from that to other ideas.

I say quite openly that, basically, all sizes and ideas are considered. When we bought Hartford, it really wasn't on the radar screen of a lot of people out there. But I think a lot of fund companies now are wondering why they didn't take a look at that one because it's a terrific deal and a terrific company for us.

We have also concluded that we're open to doing transactions outside of Canada, given our success with Altrinsic and given that we're now seeing some opportunities where CI has an opportunity to grow its business without really betting the farm, which is what we don't want to do, or taking major financial exposures. We do see opportunities where we can get in and utilize a number of the skills we have and potentially grow outside of Canada.

And with that, I'd like to say thank you very much and we'll open up for any questions that you might have.

QUESTION AND ANSWER

Scott Chan, *Analyst, Cannacord Genuity*

Oh, hi, guys, great quarter. Thanks for the Altrinsic slide. So, when I look at the month-end AUM numbers, you took the 25 percent Altrinsic out of the institutional, so say it's about $2.5 billion. So your pure institutional is about $1 billion approximately last time I checked. Where did the $2.5 billion go?

Stephen MacPhail

We don't report it any more. We just took it out of those numbers because we only own 25 percent.

Scott Chan

Okay.

Stephen MacPhail

So it doesn't show up anywhere.

Scott Chan

So, as of right now, it's probably about $11 billion total Altrinsic and you own 25 percent of that?

Stephen MacPhail

That's okay.

Scott Chan

Okay. And I missed that last part on what you said on the U.S. institutional. You said something about going from zero to $80 million.

Stephen MacPhail

What I said was our investment in the Altrinsic business is worth about $80 million. That our 25 percent is worth about $80 million. And that's been validated by third parties.

Scott Chan

Okay, great. And going back to the Edward Jones comment, was CI before Hartford on the preferred list at Edward Jones, or did Edward Jones just add CI because of the acquisition with Hartford, which is now Castlerock?

Derek Green

It's Derek Green. I'll take that question. CI was a preferred partner on our segregated funds through our relationship with Sun Life. But we were not preferred on the mutual fund side.

When we bought Hartford Investments Canada, there was no guarantee or assurance that we were going to be granted full preferred partner status. In fact, they had been doing due diligence on us.

I think the catalyst was the acquisition of the Hartford business. But if they hadn't been doing their homework on us and we hadn't been working closely with them, it just wouldn't have happened. Ultimately, they make the decisions on who they want to partner with and who they don't want to partner with.

So it took a good acquisition and made it really a great acquisition. Castlerock is going to turn out to be really a great acquisition.

Scott Chan

Wow, that's great. How many advisors approximately are there at Edward Jones?

Derek Green

I don't want to speak on behalf of them. I think between 650 and 700 in Canada.

Geoff Kwan, ***Analyst, RBC Capital Markets***

Hi, good afternoon. The first question I had was, you've shown that the gross sales seem to be holding up fine with obviously the redemptions in the quarter, part of which is the segregated fund products maturing. From what I can see, I guess positive net sales in October, slightly negative in November, a bit negative in December. Just trying to get a sense of how much of that might have been due to the segregated fund policies maturing. Was there some activity on the separately managed accounts (SMAs) or one-time institutional rebalancings?

Derek Green

There wasn't really any SMA rebalancing, Jeff, but there were a number of other things. I would say the seg fund maturity bubble was fairly even throughout the year, but there were a number of other things that affected us in December – RRIF payments at the end of 2010 came out in December.

We also had regular insurance fees on the base contracts for insurance, whether it's on our product or any of the other segregated fund products that we're a part of. And then, again, the Guaranteed Minimum Withdrawal Benefit (GMWB) fee, so the income rider on these insurance products, the GMWB fee comes out at the end of December for 2011. That's a significant number. That's not something we would expect to see in January or February.

Geoff Kwan

Can you talk about how the flows look for January and February and does December then look more of an anomaly, and then more specifically, looking at the RRSP season, how does it look relative to last year? Are you seeing on an absolute level as well as mix, is there any sort of risk taking more towards the equity funds?

Derek Green

Clearly, December was an anomaly. But what I'll say is we're in net sales for the first quarter. And as I said earlier in the presentation, the one thing that 2010 did – it was a good year. It wasn't a great year. But I think it really did a lot to instill confidence in advisors and investors, and people are starting to move along the risk curve. They're moving away from bonds – there's all sorts of talk around the world – no matter what the central bank, about interest rates going up.

So people are moving from bond funds into balanced funds and equity funds. And you know what? Canadians haven't been interested in global investing for a long time, but we're seeing a lot of interest and we're starting to see flows into our global equity product.

Geoff Kwan

Okay. The last question I had was the comments around the M&A. I wanted to get a sense how that has changed within Canada on the retail side to the extent you're looking at stuff. And then, in the U.S., would you have a preference for a good company that you'll have to pay a reasonable price for, or would you look at something that might be a little bit more of a troubled asset that you believe that you can turn around?

Stephen MacPhail

Geoff, it's Steve to answer your first questions.

First of all, in Canada, I think that the number of options continues to become more limited. And for most part, I think as individual circumstances like the Hartford come up, there could be other smaller companies that we could see as advantageous or maybe more boutique operations that aren't in straight up retail mutual funds. So we're looking at other parts of the business, maybe alternative investments.

You know, there's a number of very successful players in that marketplace where there's a chance that with CI's distribution and size we could add something positive to those businesses and continue to grow them. So that would be one area we certainly have looked at.

Amongst the larger mutual fund companies, there are compelling reasons to continue to pursue economies of scale and things that look totally logical transactions to do. I just don't think the owners on the other side are prepared to do those types of transactions.

A lot of it's because the wind's been at everyone's sail here lately. You saw that chart I put on CI's assets going up. Well, the same tide is affecting everyone else. If you were struggling a bit a year and a half ago and the markets go up 20 percent, it's a lot easier to feel good about your business under those circumstances.

So, I think people that might be inclined to do a transaction maybe would hold off for the time being, even though the merits of doing a transaction are probably stronger today than at any other time.

To answer your question on the U.S. side, I don't think our number one choice is to go in and look for a troubled asset, per se. If we saw an opportunity where maybe there wasn't as much strength in the money management side as there could be and we could bring some of our strength and relationships on the money management side to bear, that would be a good opportunity.

If it was troubled for other sorts of reasons that we didn't feel we were able to change I don't think we'd be that interested. We would probably be more interested in a company that's small to mid-size that could take some of the things that CI had and help it grow its own business that way.

I don't think I've answered that as clearly as I could, but I think the answer is that you've got to be pretty flexible in what you're looking at.

What we wouldn't do is to look at a very, very large transaction. Would we buy a Putnam-sized transaction? That wouldn’t be the size of transaction that CI would want to do. That would just be a little bit big for us to take on something of that scale, whereas Power Corp. had the capacity to take on something of that scale, and they already had a lot in the U.S. to be able to do that. We wouldn’t be doing that type of transaction.

Geoff Kwan

Okay, great. Thank you.

Paul Holden, *Analyst, CIBC World Markets*

Good afternoon. I wanted to ask you some more questions related to net sales. You talked about the Q4 numbers being negatively impacted by some seasonality type factors. Q1 tends to be a strong quarter seasonally. Is there reason to believe that the net sales picture should improve in Q1?

Derek Green

I would say the net sales picture is improving in Q1, but I won't get too specific. And again, up until a few days ago, we'd had really an extremely strong market for three or four months. So, as I said earlier, I think people are willing to take a little more risk. We're starting to see more interest away from income products and into enhanced income or balanced and even into equity.

I think it's sort of dependent on what the markets do from here. But, certainly the beginning of the year traditionally is a stronger period for us than say the end of the year.

Paul Holden

Can you give us any sense of how you'd compare it to Q1 last year?

Derek Green

I'm not going to get specific.

Paul Holden

With respect to the seg fund sales, Derek mentioned that perhaps you saw the peak of the redemption bubble in 2010. Can you just give us some of the reasons why you believe last year was the peak?

Derek Green

Well, this is Derek speaking. We've done a lot of analysis on this type of thing, and we have in force closed segregated products, and then we have open segregated products. We've gone through a number of times in history where segregated funds have been popular. 2000 was very popular, and at that time they were 10-year products. Unfortunately, they had a finite life. As they matured, the advisor or the investor could roll it over.

The analysis that I had, we had 16,000 seg fund deposit contracts in 2010 that matured. In this year, it's around 6,000. Now, the average seg fund contract, there's an average size. So, we're looking at about 35 to 40 percent, I would think, in 2011 to what we had in 2010. So, that's our expectations.

Paul Holden

All right. And then, maybe on the same topic but looking at a longer-term trend, you see on slide four of your presentation that sales of year-over-year sort of trended down for the last five years. Could you maybe speak to that and what factors may lead to a turnaround in that trend?

Derek Green

Well, I think the biggest factor, again, are segregated funds. At a minimum, our net sales are underestimated by about $500 million for the seg fund maturity business. I'm the last guy that wants people to redeem funds because they've been matured. But, the contracts did have an end date.

I also did mention, in 2008, 100 percent of our net sales would have come from seg fund sales into our Sun Life product or into products that we are participants in. So, over 100 percent of our net in 2008 was seg fund related.

Today, seg funds represent about 35 percent of our net sales. So, mutual funds are becoming a much bigger, more important part of our business.

We have great performance with our money managers, whether it's Signature, whether it's Cambridge. We've got a great stable of funds.

And with this acquisition of Hartford, which has now become Castlerock, there's tremendous interest. I wouldn't recommend to anyone to start a mutual fund company in a mature industry. But, I'll tell you, if I was going to start a fund company today, and we actually acquired one, when you look at the lineup of the PMs there, Eric Bushell, Dan Bubis, Alan Radlo, when you look at Bill Kanko and Richard Jenkins and then Rob Vanderhooft from Greystone, that lineup is the most enviable of anyone I would be aware of. So we're getting tremendous interest and great traction with this. That acquisition, that little acquisition as Steve alluded to it, was a great acquisition. And I think it'll help with our sales.

The biggest thing will be the seg fund maturity bubble in our mind. It peaked in 2010, but it'll be less in 2011.

Paul Holden

On a different topic, with respect to the dividend and potential for future growth, you highlighted that the payout ratio is expected to be 60 to 65 percent. I got a similar number based on my estimates. How high are you comfortable taking that? Sort of 65, the upper end of the range where you'd want that number to come in?

Stephen MacPhail

I would say that that would be a fair assessment, that as it stands right now, we're comfortable paying a dividend in that range to give ourselves the flexibility to do other things. I addressed that issue with the board. They actually asked me exactly the same question last night, and I said you never want to be in a position where you decide you're going to go to 70 percent, and then markets correct by 15 percent, and all of a sudden, you realize you're at 85 percent and you've limited some of your financial flexibility. By targeting that range we can be comfortable knowing that there has to be significant changes to our asset levels to make ourselves uncomfortable with that type of payout.

Paul Holden

And then final question with respect to the break fee, net of cost - assume that was included in the Q4 income statement and probably in other revenue. Is that correct?

Stephen MacPhail

That's correct, though Doug did take it out of those charts that show our EBITDA margins, and those margin charts all have it taken out of there so that we didn't want to distort some of those metrics by having that break fee in there.

Paul Holden

So, that's the $3.7 billion – or million – sorry.

Stephen MacPhail

That's correct. That was the net after all expense.

John Reucassel, ***Analyst, BMO Capital Markets***

Steve, just a point of clarification – on slide 18, you talked about a 60 to 65 percent payout ratio. Just if we use a mid-range, I just want to make sure I'm understanding, the 90 cents – you're indicating that earnings next year, given where markets are today, is about $1.45 earnings per share. Is that right?

Stephen MacPhail

Well, yeah, you can just take, 60 and divide it by .9

John Reucassel

I just wanted to make sure that was clear.

Stephen MacPhail

We've given you a range in there. And knowing that the numbers – we're not trying to be that precise for you, but we're comfortable within that range.

John Reucassel

A question for Derek – on slide five, you talked about the gross sales through these different channels - the MFDA, IIROC, Assante, Sun Life. Which channels are you net flow positive in? I assume the Sun Life and Assante, but are you net flow positive in IIROC channel?

Derek Green

Net flow [for] MFDA, Sun Life, Assante and I would say net redemptions [in IIROC], but the number – the net redemption number is getting smaller. It got smaller in 2010 versus '09, and it's starting out to be very good. It's been something that we've really made a concerted effort to target. And if you're a bridge player, we've redoubled our efforts.

We're spending some significant money. We're doing a leadership forum this spring. We're taking 500 advisors. We can't target who they are, but we're going to have all of our portfolio managers at a location in the U.S. It was sold out within the first two and a half hours that phone lines were open. And a huge percentage of them are IIROC advisors, some of them that have not been big supporters of CI for quite some time.

So we're excited about the opportunity to showcase our wares to this group. If everything goes according to plan, we'll be able to get that into net sales.

John Reucassel

So, Derek, just if I understand, is the IIROC channel – judging by the increase in gross sales, it's been a gross sales issue as opposed to a redemption issue. Is that fair?

Derek Green

I would say so. It's not a huge number, the net redemption number. The net redemption number is getting smaller.

Stephen MacPhail

John, its Steve. Just to add to what Derek's saying, one of the areas where we experienced the greatest net redemptions is in some of the channels that we're not the direct seller, and where it's a fund of fund product where they invest in CI funds.

So, we're not the end wholesaler on that product but other firms have chosen to use our funds in a fund of fund. Those can go to net redemptions, and we really don't have a lot of control over that process. I really don't want to single this out because these are great clients that we're dealing with. But the net result is that in some of the cases, they've had outflows that have then impacted us because our funds had been favored in their portfolios.

John Reucassel

Would it be fair to say, Steve or Derek, that that is the nature of the IIROC channel now, or is that 37 percent increase really more the traditional mutual fund business? I guess I had assumed that that was the nature of the IIROC channel now with the different platforms at the different dealers.

Derek Green

We are seeing more interest from the channel. And I don't think there's any simple answer. As I said, we've redoubled our efforts. We're spending more money. We certainly have tried to resegment or segment our business where we can. Our wholesalers are focusing more on IIROC. So, it's a number of things that is turning this around.

The other thing that really is quite exciting to me is – and this is anecdotal, I don't have any firm proof from a study, but, I think most Canadians' portfolios are pretty overweight Canadian equities, whether its resource or energy or Canadian banks, to the point that they're the way things were with global investing in '99 and '00. And now, people are seeing, when the markets misbehave, they're willing to listen to that global story.

Well, most big IIROC shops, they think they're pretty good at picking Canadian stocks; they have that confidence, or laddering the portfolio of bonds. Where they admit that they fall short is constructing a diversified global portfolio. So, we're seeing interest specifically there with our friends from Black Creek and some of our other global managers.

John Reucassel

And then, Steve, the $165 to $185 million you talked about of excess or free cash flow to buy back stock or repay debt, is there a priority on one of those two for 2011?

Stephen MacPhail

No, there's no priority on those, John. It's really something we assess as we go along. And we look at opportunities. If we decide it's a good opportunity to buy CI shares, then we're well positioned to buy back stock. On the other hand, if we're just going to repay some debt or just hold the cash back because we think maybe there's a good acquisition opportunity, then we might well do that.

A good example is that we added a little bit of debt to buy Hartford. And we could just easily pay back 50 percent of the debt this year. But I'm not trying to delever the company. That's not the plan. I'm saying in the course of six to 12 months, I think you just have to be a little bit flexible in what you want to do and not commit right out of the gate.

John Reucassel

And then, last, I would just put in a request. I know you and some others have decided not to disclose monthly net inflows for a variety of reasons. I would argue that you could give monthly net inflows without giving away state secrets and would hope that you and others maybe reconsider what you disclose in your monthly month-end press releases. So, that's it. Thanks, Steve and Derek.

Stephen Boland, Analyst, GMP Securities

Oh, good evening. I just sort of want to echo Mr. Reucassel's comments, the last comment he made about disclosure. Are you going to commit to providing even a quarterly sales by fund or sales by even asset class?

Stephen MacPhail

No, we're going to provide overall sales, but we're not going provide the detail that had been disclosed in the past.

Stephen Boland

I guess the only concern I have, Steve, is that your gross sales look great, very consistent. But when we're trying to model out a management fee margin we don't know that gross sales are all going into some low margin product or a money market. So on a trend basis, it does add an element of risk to our modelling.

Could you not even provide gross sales by equity funds, balanced, etc., if that could be something that would be considered, not going into the actual fund level, but even the asset class, that, I think, would be helpful.

Stephen MacPhail

We'll take that under consideration. I mean, we try to go out of our way to provide good information on what type of margins we're earning and where our expenses are, etc., to make it pretty straightforward.

Stephen Boland

If you don't want to go to the fund level, but even the asset class level would be helpful.

Derek Green

I think we've pretty disciplined and for the last 16 years on all those other points, but, you're right. There's a certain amount of fine tuning you can do if you know exactly where every fund goes into.

The tradeoff for us is it's a lot of competitive information that's being handed out that no other industry would do it on a fund by fund basis.

Stephen Boland

Right. So, even by asset class I think would be helpful just so we –.

Stephen MacPhail

– We'll take that into consideration.

Stephen Boland

Okay, that's great. I guess the only other question now on the consolidation, your 36 percent owner I guess is on standby. Is there anything you can do or are you content with having a big shareholder like that sitting on the sidelines for however long? Is there anything you can do to reduce that ownership level going forward?

Stephen MacPhail

Well, you know, that's actually a good question. And maybe I have to answer it in a little more detail.

The last discussion I had with the Bank of Nova Scotia was Monday, December the 6th. I remember it precisely. It was at 8 a.m. in the morning. And at that time, I congratulated Chris Hodgins on the acquisition of DundeeWealth. They had matched us, and that was fine. That was all fair game.

I guess the one thing I had been surprised at the time that learning that they wanted to own 100 percent of DundeeWealth. And it was confirmed to me at the time that that's what they wanted, 100 percent of Dundee, and that their interest really is DundeeWealth and it's actually not CI at all now that they have the choice.

So, what that has forced us to do is to really relook at where we're going. For the better part of two and a half years we sat down and tried to figure how we could do deals, CI, Scotia, Dundee, CI, Scotia, a whole bunch of things – it took up a tremendous amount of our time, mental time here in calculations and enough models probably to sink a ship.

But that's gone. They've lost, really lost interest in our business. That's been clear. I mean, they're not interested any more in having board seats. They used to want dilution protection. They don't want any of that any more, all for obvious reasons.

So, I don't know what it means what they're going to do. But, from CI's perspective, we've had to conclude as a result of that meeting that we're going to plot our own course going forward on it. So, that's the first one.

The second question I then should just clarify for you is, because you asked about could they sell or how could they sell is that we have a poison pill in place that really doesn't allow them to sell their shares. Well, it doesn't allow them to sell their shares at a block. If they wanted to sell their shares, the only way they could do it would be to sell it in pieces of less than 10 percent.

Alternatively, they can't sell their shares without CI shareholders, not just CI but all of our shareholders, approving it. So I can't see any circumstance that CI shareholders would agree to them to selling their block unless it was in the interest of something that CI wanted to do that was for the betterment of all its shareholders.

That's why you have a protection plan in place that if a transaction gets done, it's there to protect all the shareholders, not just one individual group.

I guess what they are is a passive shareholder now. They can sit as a passive shareholder for a long time. That doesn't bother us at all because we have no expectations of a passive shareholder other than to collect a dividend, which I guess is pretty hefty for them now.

And I guess that's the best way to answer your question that we're just moving forward with our own plan knowing that if they really want to do something, it's really got to be in the context of something that's good for all of CI shareholders, not just Scotia shareholders.

Is that helpful?

Stephen Boland

Yep, that's great.

Scott Chan

Just one last follow up question on the CI Institutional Division. Just kind of getting a sense of what stage you're at – are you just marketing to potential Canadian pensions right now and not U.S.? And how is the RFP activity? Are you in that stage right now where you are in the RFP process for several mandates or is it still like in the infancy stage?

And lastly, the $150 million that was won last week, is that your biggest mandate to date in that segment?

Derek Green

I'll take that as the first question. We received actually the news yesterday. It's a $150 million mandate, the DBDC business, Defined Benefit, Defined Contribution. Our biggest mandate win prior to that was $73 million.

We have several RFPs out. As I said, that $150 was a really big win.

Canadian balanced is where there's a lot of interest. We are getting more interest also in our fixed-income capabilities, but also in our global capabilities.

Obviously, the fixed income has lower fees than the balanced, but with the global equity, the fees are about 50 percent higher than the Canadian balanced. So we're excited about that.

We talk frequently in the retail mutual fund business about Morningstar, the PALtrak rankings and how our funds stack up from a performance standpoint. But there are databases that are populated in the pension business, and we have a global product that now has a four-year track record that shows incredibly well.

Now, a couple of other things that I'd like to point out – the incumbents in this business, there are a couple of challenges. One, there are a lot of investment counselors that were baby-boomers. They're in their late 50s, early 60s. These companies, a lot of them either don't have additional capacity, they're looking for succession planning, or they don’t have very good numbers. And I'm not pointing the finger at any one in particular.

We really got serious about this space about 18 months ago. Chris Boyle, who heads up that group, and his team, a dedicated group of individuals – I always say it takes a while to get the rock moving, but once you get the rock moving and you've got some momentum – so, the answer is there are a number of RFPs that are out there, and it's not just in Canadian balanced. It's in fixed income, and it's also in global.

Scott Chan

Okay, thanks a lot.

Operator

Thank you. That was our final question.

Stephen MacPhail

Well, thank you very much and – Steve MacPhail here – for listening into CI's conference call for our fourth quarter results. And we look forward to speaking to you at the end of our first quarter reporting those results to you in mid-May. Thank you very much.