# CI FINANCIAL CORP.

# FOURTH QUARTER 2011 RESULTS

# CONFERENCE CALL

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## Corporate Participants

**Stephen MacPhail**
**President and Chief Executive Officer, CI Financial**

**Doug Jamieson**
**Chief Financial Officer, CI Financial**

OPERATOR: Good afternoon. My name is Audrey and I'll be the Conference Operator today. At this time, I would like to welcome everyone to the CI Financial fourth quarter 2011 results conference call. After the speakers' remarks, there will be a question and answer session. This presentation 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 conditions. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risk and uncertainties. For further information regarding factors that could cause actual results to differ from expectations, please refer to management discussions and analysis available at www.ci.com/cix. This presentation includes several non-IFRS financial measures that do not have any standardized meeting prescribed by IFRS and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investments analysts prefer to include the use of these financial measures in analyzing CIX results. Based on IFRS measures and reconciliation to IFRS where necessary are included in management discussions and analysis available at www.ci.com/cix. I would now like to turn the call over to Mr. Stephen MacPhail, President and CEO of CI Financial. Mr. MacPhail, you may begin.

STEPHEN MACPHAIL: Thank you and good afternoon. I'm sorry that Derek Green isn't with us today but I can assure you he'll be back on the next call that we have in May. I'd just like to start out with saying that if you look at the volatility of the equity markets during the latter half of 2011, and the consistent and persistent problems in Europe, I can say I'm very pleased to report that CI’s net income was up 15% versus fiscal 2010. Our Q4 earnings per share were up 4% from the same period in 2010. Equally important, our pre-tax operating earnings per share were unchanged for consecutive quarters Q3 to Q4 during this year, even though our average assets were down slightly during that period. The dividends we paid in 2011 were up 16% from 2010. On top of that, we repurchased $4.7 million shares in 2011 and still managed to pay down our debt by $58 million.

From an operating perspective, the Hartford acquisition was successfully integrated in 2011, beating our initial targets when we made the acquisitions. We made significant enhancements to the Cambridge Advisors investment management team. We achieved preferred status with Edward Jones, a very important partner of CI’s. Our Las Vegas Advisor Conference was very successful, attracting 600 advisors, and is what I consider the top advisor conference of the year. We launched our new Private Investment Management program for mass affluent investors during the year, which to date has been very, very well received. Our Assante business is doing very well, and expanding.

Red Sky Capital Management, the alternative asset business that we own a significant interest in, had excellent first year performance, outperforming the TSX by over 10 percentage points in 2011 and positioning it for growth. Overall, our fund performance was very strong during what was a very volatile year, as was shown in our asset growth throughout the year.

Looking more specifically at the annual highlights, our average assets under management in 2011 was $72 billion, up 10% from $65.7 billion in 2010. And I should note that our actual assets today are higher than the average of 2011 already. Our net income of $377 million was up 15% from $328 million in the prior year. On a per-share basis, that was $1.31 this year, compared to $1.14 in 2010. EBITDA rose 8% from $669.7 million to $726.2 million, and on a per-share basis, up 9% from $2.32 per share to $2.53 per share.

Free cash flow rose 26% from $343.7 million to $433.5 million, setting the stage for dividends paid out rising 16% from $220 million to $254.2 million, but still representing just 67% of our net income for the year.

When we compare our performance to the TSX, this is where I'm particularly proud. This chart depicts all four quarters, and how our earnings changed relative to the average level of the TSX during the same period. Three out of four quarters, we handily beat the TSX. And over the course of the year, we well outperformed the TSX from an earnings perspective. This is clearly a reflection of the performance of CI's funds and our focus on expense control throughout the year.

This whole situation led to a dividend increase that we announced today to increase our dividend from 90 cents annually to 96 cents annually, reflecting a strong earnings growth, and cash flow growth in 2011 and our outlook for 2012. As I mentioned, our assets under management today are up over 4% from the Q4 2011 average and are above the 2011 year average. This will represent about a 65%-70% payout throughout the year, and we estimate that we will still have somewhere in the vicinity of $175 million to $190 million of free cash flow available for buy-backs or debt repayment in 2012.

From a sales perspective, in 2011, we had gross sales of $9.1 billion and net sales of $323 million. There's no question that the second half of the year was significantly impacted by the market volatility that went on, and that was the number one effect on sales.

We also had a number of segregated fund maturities, and also what we'll call alliance class maturities, which is where we have fund-of-fund products with other companies including third party seg fund maturities, that took place during the year that resulted in a reduction of sales. But I think what's really important throughout the year is that six out of eight of our channels remain positive for net sales. So those are channels like Edward Jones, Assante, Sun Life, etc. In addition, we have positive net sales of our mutual funds during 2011. With that, I'm going to turn it over to you, Doug.

DOUG JAMIESON: Thank you Steve. First, I'll highlight our fourth quarter this year compared to the fourth quarter last year. Average assets under management were essentially flat at $69.3 billion and so is net income at $87.8 million. On a per-share basis, we pick up a penny as we had three million pure shares outstanding on average in the fourth quarter this year, giving us 31 cents per share. EBITDA went down 2% to $173.6 million, and also down 2% on a per-share basis to 61 cents per share. The main reason for the disparity between net income staying flat and EBITDA falling slightly is that CI's effective tax rate was about 3% lower this year.

CI's free cash flow, which is its operating cash flow less the amount spent on deferred sales commissions, increased to $103.9 million from $98.7 million – up 5% as operating cash flow was relatively flat. But we paid out less in deferred sales commissions.

Dividends paid were $64.1 million during the quarter, or 22.5 cents per share, up from $57.6 million or 20 cents per share in last year's fourth quarter. And net debt, which is total debt less available cash, declined from $789.1 million to $730.7 million. That is free cash flow that was not used for share buybacks or dividends. It was primarily used to reduce debt.

In mid-December, CI repaid $100 million of floating rate debentures through a combination of cash on hand and a drawdown on its credit facility for $33 million at year-end. When we compare Q4 with Q3, we see that average assets under management fell almost $1.5 billion or 2%. CI's net income dropped $3 million or 3% to $87.8 million and earnings per share fell one cent to 31 cents per share. EBITDA fell $3.2 million to $173.6 million, a drop of 2%, while it was steady at 61 cents per share due to the effect of share buybacks.

While these metrics are down by approximately the change in average assets under management, there are slight differences in the per-share numbers due to rounding and the share buybacks. CI EBITDA margin grew over the year by 1.5% to 48.7%, as total revenues declined 3.2% and EBITDA only dropped 2.2%. From last quarter, the margin is up from 48.1%. Again, as total revenue has dropped 2.9% and EBITDA only fell 1.8%, this is a good measure of CI's efficiency on its revenue numbers.

CI's total SG&A (as a percentage of assets under management and expressed in basis points) has declined over the past two years, averaging 40 basis points last year and only 39.3 basis points this year. As average assets under management increased 10% year-over-year, CI's spend on

SG&A items only increased 8%. What's more telling, however, is that during the latter half of 2011 when our average assets fell 7% over the third and fourth quarters, SG&A was also cut by 7%. I'd also like to point out that these numbers include everything: what it costs CI to administer its funds, pay its internal and external portfolio managers, sales and marketing costs, and corporate costs at both CI and Assante. So, it's everything all lumped in.

Next, we have the last five quarters of free cash flow, which has grown over the year and stayed quite strong these past two quarters, even as markets declined. Free cash flow was $104 million this quarter, up from $99 million last year, and unchanged for the last quarter. If we look at the cash flows for all of 2011 compared to 2010, CI generated operating cash flow of $575 million this year, compared to $501 million last year. From that, CI paid sales commissions of $141 million this year, down from $158 million last year, leaving free cash flow of $434 million and $343 million, respectively.

The next section details the amounts returned to shareholders via share buybacks and dividends. Last year, CI bought back $97 million in stock and paid $220 million in dividends. This year, CI bought back a similar amount at $95 million in stock and increased dividends paid to $254 million for a total of $349 million returned to shareholders this year, up from $317 million last year.

As indicated earlier, the surplus of $85 million was used to pay down CI's outstanding debt. And as Steve mentioned, with the announcement of the dividend increase today, CI has continued a trend of steady dividend increases. This chart shows the total dollar amounts paid out each year, with our forecast of $270 million for 2012, including the monthly dividend of 8 cents per share starting in March. This represents 17% annual growth from three years ago.

I will now hand it back to Steve.

MACPHAIL: Thank you Doug. As I wrap up, I really want to start with talking about our sales outlook. Although you can't predict the absolute level of sales at any point in time, I can tell you a number of things. First, on every level that we look at, we see an improving sales trend over the last two and a half months. I think that's very important. But another good indicator for us is that we're running our second big advisor conference in Las Vegas. At this point in time, we have a 50% increase in people that want to attend this year over last year. This is a strong testimony not only to how well CI can entertain people, but to how much value-add we get from letting them be exposed to our money managers, like Signature's Eric Bushell, Harbour's Gerry Coleman, the new Cambridge Advisors team under Alan Radlo and Black Creek's Bill Kanko. The conference is all about them spending time with those money managers and so I'm very excited about that.

From a fund perspective, we continue to have very strong fund performance. We rank number one in the four and five star funds as a percentage of assets under management. That actually came from an analyst's report so it was separately validated for us, even though we knew it. Eighty-four percent of our assets under management are in the top two quartiles over 10 years, which is very positive.

We've talked about building out the Cambridge team under Alan Radlo. The assets continue to build in those portfolios, and they have had excellent performance. As I mentioned, there is an improving sales trend, all of which leads me to believe, certainly, that 2012 should be a better year than 2011.

When we look at assets under management, this is a chart I've shown you many times. Again, the shaded levels show the average level of assets. If you look, you see that since mid-November, we've had a steady upward trend in our assets under management. And as I mentioned, our assets as of today will be above the average level for the forth quarter by over 4%. But they're also above the average total for 2011, leaving me to believe at this point in time that 2012 will be an excellent year for us.

Turing to the outlook, we continue our expansion into alternate investments. You would have seen our press release earlier this week announcing that we now have a partnership with LP Capital Partners, which is an excellent fixed-income opportunity, and we think a very good complimentary fund to what we have with our Red Sky alternative investment program. We continue to look to do more. We're evaluating other opportunities in that area as we speak.

For 2012, we continue to have an intense focus on our distribution relationships. That would be primarily Sun Life, Assante and through the MFDA and a whole other plethora of relationships that we have. It is one of our number one things that we're doing. We continue to have emphasis on scale efficiencies. You might wonder how we continue to reduce costs? It is because every day we say, "How can we save money in here to invest in other parts of the business?" 2012 will be no different than 2011.

In 2011, we spent considerably more money on sales and marketing, and building out some of our money management firms, but at the same time still managed to make our business more efficient. We continue to emphasize a focus on our institutional business. I think it's very well positioned to grow in 2012 and build on the strength that it had in 2011.

Lastly, you might have noticed that we've started to focus somewhat on our branding as "Canada's Investment Company." You will see the CI and Assante name out considerably more into the marketplace.

With that, I'd like to turn it over to questions. Thank you very much for listening so far.

[Directions from Operator]

JOHN AIKEN, Barclays Capital: Good afternoon Steve. With the investment in Lawrence Park coupled with the investment in Red Sky, what's the ultimate goal here? How, outside of just the direct investment, are you going to eke out value? I saw some of your commentary in the media about trying to put a wrap program around these alternative managers. Can you let me know what you think ultimately margins or revenues would look like coming out of this?

MACPHAIL: Well I think it's a little bit premature to talk about how margins and revenues would work out. Clearly as those businesses grow, our intention is to participate in the profitability of those businesses. When we started with Altrinsic many years ago, who would've guessed it would grow to $11 billion. Our investment there is now worth north of $90 million, and it's contributing close to $10 million a year to CI now. I'm not suggesting these other businesses are guaranteed to go to $11 billion, but we certainly have teamed up with them because we see the possibility of strong growth.

But the second part of your question is how are they going to fit with CI? If you look through the channels where we have big exposure to Sun Life and Assante, we have a lot of high net worth clients within those channels. What we're trying to do is constantly evolve our products to appeal more and more to the high net worth investor. And there is a demand to have parts of your portfolios in some of these alternative investments. What they really want is CI's good-housekeeping seal of approval on these funds and knowing that we have a significant influence, not within the money management mandates themselves, but in overseeing to make sure they follow best practices, etcetera.

And because of their relationship, we know what we can do is deliver what we think are cost-effective products and well-priced products for the clients, which ultimately benefit everyone. So when we talk about a wrapper, we say if we add another two or three funds into here, then we basically put like a shell above it, and would allow you to invest in that company maybe in a corporate class structure or something similar to that. But it would allow high net worth clients, if they want to diversify 10% of their portfolio into it, to do it. We're hearing this type of demand from Assante. So I'm really responding to the feedback that I get from the Assante advisors.

SCOTT CHAN, Canaccord Genuity: Hi Steve. I am wondering if I can get an update on the pension side. I think last quarter, or at the beginning of 2011, you stated a target of $600 million. I know it started lumpy but I think last quarter you mentioned a pipeline of $144 million. How did that play out towards the end of the year? Based on your net redemptions, and the quarter, it just didn't seem like any new business was booked. Is that fair to say?

MACPHAIL: Yeah, it is fair to say that we didn't book as much institutional business as we might have hoped last year. When we set our target that was before all the turmoil in the marketplace. I don't think it suggests that business still isn't poised for growth, but we did about $300 million in business last year. We're now starting to see some of the business we would've hoped for last year funding this year. If I look forward to where this could go this year, I would hope that we meet and exceed that $600 million target this year, in addition to where we were from before. We've got a well built-out team. We're adding some Cambridge assets into the equation, so I think there's a real opportunity to get this moving forward.

CHAN: Perfect. Just a last question. On the seg fund side, you mentioned that most of the redemptions for the year included the Class I and seg fund maturities. Can you just remind me when does it start to fall off significantly? Is it sometime this year?

MACPHAIL: Well, I think we mentioned before that we had some significant seg fund maturities in the past two years. So it does taper off a bit. I'll just temper it by saying that though we might not have had as many maturities in the seg fund business, I just don't think you're going to have as many gross sales in the seg fund business. So, it's not going to be a dominant part of our business as it would've been throughout one period of time. It's still a substantial amount of the business and we still do very good business in the area. It's just not going to dominate it. I think what you'll see as some of the redemption profiles from those big lumps drop off, is kind of offset by lower sales into that business.

CHAN: In 2012, with your new [age] 55 product with Sun*Wise*, do you expect net sales in 2012 or net redemptions, including some of the maturities that are going to fall off in 2012 for that?

MACPHAIL: I would think we'd be net sales in that business.

DOUG YOUNG, TD Securities: So my question is from the net flow side, Steve. How much of the net outflows was institutional, how much was retail? Or, was it all retail?

MACPHAIL: You're talking about the fourth quarter?

YOUNG, TD Securities: Yes

MACPHAIL:  So, we had net outflows of $360 million but half of that was institutional where it came out. Then, on top of that, we had another $50 million from an annual retraction on an old structured product, and adding to that, in some of the cases I mentioned where we had the fund-of-fund [segregated fund] products. So that constituted the majority of it. I think the 360 from a gross perspective is a little misleading as to the state of our business. It was much better than that would suggest to you.

YOUNG, TD Securities: When you say “institutional”, is that traditional institutional, or is that the Class I type?

MACPHAIL:  That’s what we call the Class I.

YOUNG, TD Securities: Okay. You also say that you’ve been positive in six out of eight channels. What are the two channels where your net outflows? I’m going to guess IIROC. What’s the other channel that you have net outflows?

MACPHAIL:  It would be part of the MFDA. But the MFDA where you’re taking out Assante and others like that, which are actually part of the MFDA. If we subtract out the firms where we have different relationships, we’re just saying that it is the MFDA channel where we do not have those relationships.

YOUNG, TD Securities: Do you see that changing at all near-term? Or, is that just going to be an ongoing headwind?

MACPHAIL:  Well there had been sales headwinds since I joined in 1994 to be perfectly honest with you. I think all you can do is start the year with a lot of good products and go out there and do the best that you can. Do I think this is going to be an overwhelming contributor of sales? No. Do I think it’s going to be a big drain on us? I would say the answer is no to that also.

YOUNG, TD Securities: Okay. And then on to Sun Life. We get a lot of questions on the relationship with Sun and we’ve chatted about this in the past.  Sun’s quarterly call just came out and said their Canadian mutual fund business is starting to capture 10% of sales from the Sun Life advisors. How have growth and net flows through that relationship trended? Have you seen some deterioration there?

MACPHAIL: No, we haven't at all. You've got to remember, if they said they got 10%, then we got 90%, because we're the only other ones there. So when you're in school, any time you got 90%, I bet your mom and dad were pretty happy, right?

DOUG YOUNG, TD Securities: I know we've talked about this in the past, but where do you see that levelling out? Where's the natural rate between yourself and Sun, if you care to guess?

MACPHAIL: Yeah, I've always said I'd like to see Sun successful in this channel. It's a big channel for us. And, as we go forward I wouldn't be surprised to see them up at the 15%-20% level and with us at 80% because we have such a dominant position in that channel. But we haven't seen any weakening in that channel at all. We have an outstanding relationship with the Sun advisors. I probably personally met with 150 of them over the last three or four months, and I can tell you we've got a strong relationship. They like the products and they really like the money managers we brought to the table. I just think they're augmenting it with some of the other Sun products, which probably offer some things that we don't have right now.

YOUNG, TD Securities: Okay, just two last quick questions. So far this RSP season, what's your view, and are you net flow positive so far this year?

MACPHAIL: Our sales have turned around and we're pretty well even into the year. You've got to remember January is always a big redemption month with some things but certainly our sales trends are much more positive. I would say we'll be in positive sales for Q1 of this year.

YOUNG, TD Securities: Lastly, you talked about a pay out ratio of 65-70%. That's on earnings I assume?

MACPHAIL: That's correct.

YOUNG, TD Securities: If I can simply do the math, I guess you're implying 400 to 450 of earnings?

MACPHAIL: You can do the division yourself and you know I can't tell you exactly what we're going to earn because I don't know what markets will do. But I try to come up with what I think is a reasonable range based on what I know today and I view that as a pretty reasonable range.

YOUNG, TD Securities: I guess that's where I'm going. What are the assumptions that you've built in there? Is it average assets going up by 2%, 3%, 5% or 6% throughout the year? What's the assumption baked in there?

MACPHAIL: Yeah, our assumption is always that way. We look at overall asset growth on average about 6% over the course of the year, so we take that into consideration. We add into that things where we know we've got some cost efficiency strategies that we think we can bring into play in this year. So, you put it all together and we're pretty confident we'll get it into that band.

GEOFFERY KWAN, RBC Capital Markets: Hi. I'm just following up on Doug's question on the sales. Given what we've seen in the past couple of quarters, I'm just trying to get a sense once we get through RSP season and heading into Q2, do you think from what you see right now that you'll be able to put everything back into the positive net sales side?

MACPHAIL: I certainly would hope so Geoff. And I think it's a bit market-dependent for us right now on the sales. So, if we really have stability for the next three months, then I'm pretty confident we'll see more and more flows going, and not just into the income product, which you know everyone's getting flows into the income product. But, the key thing is flows into the equity products, and I could see the world changing that way. If we run into a situation like we did in September of last year and Europe falls apart again, I just don't know what that type of volatility will do to investor appetite. But, if you ask me where we sit today and the progress that we’ve seen today, I am feeling much more confident about the outlook, especially given the performance of our fund managers and the perceived interest in our products.

KWAN: Okay. The other question I had was if you had any sort of update on what’s been going on with Scotia, whether it’s business development or other?

MACPHAIL: The relationship there is fine. I talk to Chris Hodgson reasonably regularly and so I think everything is positive going forward on that. I’m not going to guarantee you that you’ll see us do a lot of things together in 2012, but we do have business on our books with them already and in certain areas that they’re trying to be supportive. So I would say the relationship under any measure is positive and any of the friction that might’ve existed last year up to June is clearly gone and by the wayside.

STEPHEN BOLAND, GMP Securities: Thanks. Just to beat the sales question to death, Steve you mentioned at the Vegas conference that there’s great performance in all the funds and a great product lineup but the gross sales are trending down. What is the mood? You’ve said you met a lot of advisors over the last several months. Is it that they’re just sitting on the sidelines and purchasing nothing, and then at some point there’s going to be a massive purchase equation coming into the industry?

MACPHAIL: First of all, I wouldn’t say necessarily that our gross sales are trending down. I think if you look specifically at 2011, then you’re looking at a period from August through to December where it was one of the worst periods we’ve ever experienced. And definitely gross sales were down, and to a much more significant extent for much of our competitors. I mean our numbers are extremely light compared to what had gone on there. But, what I’m looking at is in the period since, things seemed to have settled down. What’s happened on the gross sales side. And this is where we’re starting to see them come back, and again, I say it’s contingent upon what happens going forward here. But the mood is more positive and I would also say from my discussions with the advisors that in the last three weeks, the mood has been much, much more positive for them.

MACPHAIL: I’d like to say again thank you very much for participating in the conference call. If there are any questions that weren’t asked, feel free to call myself or Doug afterwards. You know how to get a hold of us and I look forward to speaking to you again in May. Bye now.