CI FINANCIAL CORP.

THIRD QUARTER 2012 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 Jessica and I will be your conference operator today. At this time, I would like to welcome everyone to the CI Financial 2012 third quarter results conference call. All lines are in a listen-only mode. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star and the number one on your dial phone keypad. If you would like to withdraw your question, please press the pound key.

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This presentation 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. However, management believes that most shareholders, creditors, other stakeholders, and investment analysts prefer to include the use these financial measures in analyzing CI's results. These non-IFRS measures and reconciliations to IFRS, where necessary, are included in management's discussion and analysis, available at www.cifinancial.com. I would now like to turn the call over to Mr. Stephen MacPhail, President and CEO of CI Financial. Mr. MacPhail, you may begin.

MACPHAIL: Thank you and good afternoon. Thank you for joining our third quarter earnings call. I'll start with some of the highlights.

Earnings per share rose back to 32 cents per share from 25 cents in the second quarter. Gross sales and net sales were up significantly from both the prior quarter and on a year-over-year basis. Equally important, we experienced positive retail sales in each month of the third quarter. Our SG&A expense declined during the third quarter. CI's EBITDA margin rose in the third quarter. And lastly, our net debt was down 10%.

Looking at the results in a bit more detail, you can see that our average assets under management rose about 1.4% from Q2. Net income adjusted for the one-time tax charge in Q2 similarly rose 1.3% from Q2, in line with our expectations.

Earnings per share, again, adjusted for the taxes in the last quarter, were actually flat at 32 cents per share. And “flat” is a bit misleading here because if we take out the rounding, the increase in earnings per share was consistent with asset growth. EBITDA for the quarter was $175.2 million, up over 1% from the prior quarter. Dividends paid in the quarter were flat at $68 million. As mentioned, net debt declined from $614 million by about 10% to $552 million. And this puts our debt to EBITDA below 0.81, considerably lower than the one-to-one range we have considered to be the right level of debt to EBITDA for a company like CI.

CI experienced a 21% increase in gross sales from our prior quarter, posting gross sales at $2.4 billion. On the net sales side, we recorded net long-term sales of $375 million, an increase of over $600 million from the prior quarter, and an increase of over $460 million on a year-over-year basis.

We saw the benefits of a lot of hard work combined with exceptional fund performance, as CI experienced positive fund sales every month in the quarter. Equally as important, though, is that we experienced improvement in all channels on a quarter-over-quarter basis and year-over-year basis.

Lastly, our institutional I-class was a significant contributors in the third quarter, as we partially funded a large institutional mandate. As we still have a large portion of that mandate funding in Q4, we anticipate pretty good net sales in this sector for the next quarter.

From a sales outlook perspective, we can report that we posted positive sales in October with the biggest improvement coming on the retail side. Fund performance continues to be outstanding with three quarters of CI’s assets under management either first or second quartile on a both year-to-date and over ten-year basis.

Our three core money management teams, Signature, Cambridge, and Harbour, are all performing exceptionally well.

Lawrence Park Capital, the alternative asset manager we helped form earlier this year, has exceeded our return expectations and we consider this an excellent long-term growth opportunity and an excellent match to Red Sky, the alternative asset manager that we started two years ago.

Highlighting some of our specific fund performance, apart from the abundance of the first quartile ratings you see, the equally important observation is that an excellent performance is diversified across many of our money management teams. And with that, I’ll turn it over to Doug Jamieson, CI’s Chief Financial Officer, to discuss some of the results in more detail.

JAMIESON: Thank you, Steve. Our next slide has the quarterly highlights comparing the third quarter of this year with the third quarter of last year. Average assets under management were up 2% from $70.8 billion a year ago to $72.4 billion this year. Net income at $91.3 million, went up 1% from $90.8 million last year, and earnings per share was flat at 32 cents. Similar to what Steve pointed out, if we actually went to another decimal point on the per share calculation, we would see earnings per share went from 31.6 to 32.2, an increase of 2%, and that’s in line with the change in average assets.

Similarly, EBITDA per share was up a penny to 62 cents, and that's also a 2% increase. SG&A is down $2.3 million from last year, or 3%. And as we'll see in a couple of slides, that translates into a drop as a percentage of average assets under management.

Dividends paid were up 5% as CI paid out $64.7 million last year at a rate of 7.5 cents per month and $68 million this year, at a rate of 8 cents per month. And that's still our current monthly dividend rate.

The net debt, which is total debt less cash and marketable securities that are not required for regulatory working capital, dropped 20% over the past year, and in dollar terms, declined over $140 million. It now stands at approximately $553 million, which is the gross debt outstanding of $750 million, less almost $200 million in excess cash and marketable securities.

CI EBITDA margin climbed to 48.5% this quarter and has held between 48% and 49% over the past year.

CI's selling general and administrative costs, as a percentage of assets under management and shown here in basis points, has declined steadily over the last year. As we saw from the quarterly highlights slide, CI's average AUM grew by 2% from last year and SG&A spend fell 3%. So that gives us a 5% overall drop, or two basis points from last year.

Next, we have the last five quarters of free cash flow. Free cash grew to $110 million, as operating cash flow moved higher by a couple of million, and the spend on sales commission has dropped a few million compared to last quarter. Typically, the first quarter has the highest DSC spend, and you can see that quarter has the dip in free cash in the middle of the chart.

And here in the first part of the table is that detail on the free cash flow. Last quarter's operating cash flow of $134 million less commissions of $29 million, gave us $105 million in free cash. And this quarter, we had $136 million of operating cash and $26 million of commissions paid for free cash of $110 million.

The next section details the amounts returned to shareholders as share buybacks and dividends. Last quarter, CI bought back $12 million in stock, paid $68 million in dividends. And this quarter, we bought back $6 million in shares, and again paid out dividends of $68 million, for a total of $74 million return to shareholders this quarter, down slightly from $80 million last quarter. And this left a surplus of $36 million this quarter.

When you couple that with a reduction of over $20 million in the amount of cash tied up in working capital on the balance sheet, it means that net debt was reduced by $61 million this quarter. This level of quarterly surplus, along with the almost $200 million in excess cash and marketable securities on hand at the end of September, plus an undrawn $250 million credit facility, provides significant financial flexibility as we head toward the $250 million debenture maturity in December. I will now hand it back to Steve.

MACPHAIL: Thank you, Doug. It never ceases to amaze me how Doug and the rest of the management team seem to continually find ways to run our business more efficiently, while at the same time, we keep investing more in critical parts of our business. So I've got to say thank you to you guys for that.

Turning to our assets under management chart, the positive news is that you can see we finished the quarter with assets well above the average for the third quarter. We experienced asset growth again in October. So at this point in time, we've had a very positive start to Q4. The yellow bar depicts the average assets for October so far, which are 2% above the average for Q3, where we are.

To conclude, our assets under management today are currently up over 3% from the Q3 average, reflecting a combination of net sales and market growth. Our strategy is to continue what has been producing results, and that is an intense focus on all sales channels by all aspects of our business, whether it be in operations, sales and marketing, or client services.

As you know, I've been at CI since 1994, and I'll say this is one of the busiest times we've ever experienced as a company. We continue to invest extensively in training, sales, support, and technology and we are funding these initiatives with efficiencies we continue to find throughout parts of our business. Lastly and equally as important, we are continuing to add to all our investment teams to ensure they are well positioned to help us grow the business in the future.

Thank you. I would now like to address any questions you might have.

[Directions from Operator]

SCOTT CHAN, Canaccord Genuity: Good afternoon. Just to comment on the institutional side, what are you expecting for Q4, which should be positive? Can you help modify the pipeline? I know last quarter you mentioned there was 700 million coming in, and then you got the Transamerica Life mandate. Is some of the balance left over, or was there something else that might be in the pipeline other than that?

MACPHAIL: There's definitely more in the Transamerica business. But I would say that just a little under half of the Transamerica business would have funded in the third quarter and the residual would fund in the fourth quarter. I know you're going to ask me for an approximate breakdown of institutional versus retail and probably about 30% of our net sales in the third quarter were on the retail side and the rest was a combination of I-class, and then straight institutional. So to answer the other part of your question, yes, you can expect to see more in the fourth quarter.

CHAN: Okay, and there's also talk that there might be some more business with you. Did any of that hit in Q3 or is that in the works?

MACPHAIL: None of that business has hit in Q3 and we're definitely hoping to see some of that in Q4. We've been having very positive conversations on some of the CI products that the Bank of Nova Scotia would like to use and so we do expect to see some business there.

JOHN REUCASSEL, BMO Nesbitt Burns: Steve or Doug, just on the expenses, how do you continue to distinguish yourselves there? You said that you're funding initiatives through greater efficiencies. Can you elaborate on that a little bit?

MACPHAIL: Now you're asking me for my secrets, John.

REUCASSEL: Well, I don't want secrets. Just you know… what is it? Is it that you find the lower rent district? Exactly what's going on?

MACPHAIL: There's nothing secret going on. John, it's a lot of little things that add up and I'd be lying if I said it wasn't $100,000 here or $200,000 there. You know, the people in technology, Larry Rowe and his team, seem to come up with little things here and there in renegotiating contracts – new servers at 25% lower costs, phone services at lower costs. On the operations side, we renegotiated some contracts. One of them is going to save us $600,000 a year. We started to feel the effect of that. So it's not one single thing; we just continually find different opportunities. Doug did talk about it in detail at the board meeting today and he was explaining it for 20 minutes so there was that many items involved. So I think the key thing for us is in the day in, day out. We just look for ways to do things less expensively, and that'll help, in the business.

REUCASSEL: Then just on the net debt to EBITDA at 0.8 and you made a point of mentioning you're more comfortable at one. Are you just saying that over time you'd like to get there, or are there plans to get there through buybacks in the nearer term?

MACPHAIL: The reason I mentioned that, John, is that we always felt one was probably the appropriate level of leverage, but we weren't going to go out of our way to be strictly at one. So, we've tended to be more conservative in that and we've just paid down more debt than we anticipated. It could have been a case where we could have bought back more stock in this quarter; we just didn't happen to, and maybe debt wouldn't have dropped as fast.

But the point I want to make is one-to-one, we've concluded, is a pretty good level for us, given the stability of our business. And you know, we're about $150-$160 million below that. So that should give shareholders a lot of comfort that we have a lot of financial flexibility in whatever we want to do in our business. That was really the point that I was trying to make.

REUCASSEL: Okay. And the 250 million that's due in December, presumably you'll turn that out? I guess you could use your facility, but with rates R1, you could just do a new facility of five years or something. Would that be a fair statement that you're going to do, or…

MACPHAIL: We're in no immediate rush to get anything done. The reality is we're going to pay back one facility and we'll instantly have significant interest savings. So the day after we pay this back, our interest costs are going to drop because we're going to pay for some of it with low-yielding cash, because cash doesn't pay much these days, and we can finance on our bank lines lower than what the fixed rate was costing us under this term financing. So we'll actually see a benefit for a while. So to rush into a five-year financing, unless you have a strong conviction that rates are going to go up, it's really just going to increase our costs on the day we do it. And since

we really aren't going to be forced into doing anything until the following year where we have another debt maturity, we've got 12 months to make that decision.

REUCASSEL: Last question. So you're still positive sales through Edward Jones. What about IIROC? Is that still a tough channel? And maybe you could just talk a little bit about the trends amongst the channels.

MACPHAIL: I'm not going to give the specific sales in every channel. But every channel, on a year-over-year basis, and a quarter-over-quarter basis, went through significant improvement. A number of our channel observations are in strong positive net sales. The IIROC channel, we have said before, has been a difficult channel. But I saw more improvement in the IIROC channel, quarter-over-quarter or year-over-year, than in any other channel that we have.

And a lot of the business, John, has come out of the benefit of the big Vegas conference. We had a lot of IIROC advisors show up for the last two years, and we're seeing the benefits of that. We're seeing business going into places like the Cambridge funds, which have been very, very popular with them and the Signature funds. So I'm not going to say that we're hitting the ball out of the park yet. But the improvement is absolutely maturing in those two channels, and I'm really happy with that. And IIROC would be the only channel for us that was in net redemption because every other channel was positive sales.

GEOFF KWAN, RBC Capital Markets: To add on to John's last question, on the quarter-over-quarter change on the retail side, was it particular? Without giving specific numbers, I can appreciate that, but were there specific channels that really drove it? Was it much less redemption activity? You know, are you seeing things in the industry that might be getting a little bit better or encouraging?

MACPHAIL: Geoff, are you asking on a year-over-year quarter or consecutive quarters?

KWAN: Sorry, just consecutive, so Q2 versus Q3 2012?

MACPHAIL: Sure, I can look at it. You're asking about the IIROC channel specifically. Is that correct?

KWAN: Well, I mean, just broadly speaking. Like, what throughout the sequential on Q2 over Q3 on the retail side?

MACPHAIL: We didn't really see much of a move on the redemption side. In fact, redemptions were actually down a bit quarter-over-quarter.

But the real benefit came on the gross sales side. That's always the real driver. We have a natural level of redemptions because our assets are so big and our company's been around so long. So we saw a slight decrease in redemptions and we saw a good increase in gross sales. And so when you look at what changed it by that amount on a consecutive quarter basis, then that was the big change.

KWAN: Are you able to say was it coming through stuff like Assante or Edward Jones? Again, without actually giving the numbers behind it.

MACPHAIL: Every channel was up. So what I'm going to say is, Sun Life channel was up. Assante channel was up. Edward Jones channel was up. IIROC channel, significant improvement. MFDA, up. So every channel had positive improvement. It was very encouraging, what we saw, and I'm not going to lie about that.

KWAN: Okay. On the institutional side, aside from the Transamerica mandate that you guys won, how's the outlook there on RFPs and that sort of thing?

MACPHAIL: I would say it's pretty good, given the limited number of products that we actually have on our shelf. And we're really looking to try to expand this institutional side.

Neal Kerr, who I don't think you've met yet, but has been with CI working closely with Derek Green for a long time, and has been closely involved with many aspects of the business, is now in charge of the institutional business at CI. He's really putting together, what I would say, is a comprehensive plan on how to grow that, including getting a lot more funds added into institutional.

To date, we've really only been offering a balanced fund product through Eric Bushell's group, but as it stands now, we have five more funds types that are being launched into the process and so we think that will help. Notwithstanding, we're shortlisted I think right now at about six mandates. So you know, whether they hit percentages on those at 20, 25%, who knows? But at least we've been shortlisted on those.

I think the outlook for the fourth quarter and the first quarter right now is pretty decent, but we're not talking billions of dollars here. But we certainly are seeing growth. And I do believe strategically, we are really laying the groundwork here to get some growth in this, you know, one to two years out.

KWAN: Okay, and if I could just sneak in one last question on your thoughts on the dividend and where you are right now and prospects for dividend increases?

MACPHAIL: Oh boy, Geoff, we've certainly debated the dividend long and hard, I'll say that, at the board meeting. One of the observations is, if you go back to that asset under management chart that I put up, and we raised the dividend back in February. And at that point in time, our assets were a couple billion dollars below where we are today. And so certainly, you know, the stage has been set for a dividend increase.

I think we're probably erring on the side of caution right now. We've got the U.S. election that we're right in the middle of. They still have to address that fiscal cliff at the end of the year. And we said, "Well, let's just be patient on that." But we're definitely on the cusp of where we could have increased the dividend or not, given where our assets are today.

It's certainly not a cash issue. As Doug pointed out, from a cash flow earnings perspective, we're in a good position to do it. So you know, I don't want to put the cart before the horse here, but I think if we were to continue to see positive growth in our assets, then the stage is certainly set that we should be able to reward investors with a dividend increase come February.

STEPHEN BOLAND, GMP Securities: A couple just quick questions. I guess the first one is on the new mandates and the RFPs. Is this really traditional institutional business, pension/consultant-type driven business, or is this more direct?

MACPHAIL: No, this is expanding into the traditional institutional business itself.

BOLAND: Okay, great. And second, just on the retail flows, balanced is, obviously, still the dominant seller. Have you seen any shift between balanced and pure equity funds? Or is balanced, in your outlook still going to be the main seller for the next?

MACPHAIL: No, the balanced income type funds are still taking the majority of the flows. Certainly, we're seeing a lot more interest in the equity funds, but a lot of sales are still going into the other areas. Unfortunately, the equity funds have been terrific performers, especially the funds outside of Canada. If you look at the performance of some of those funds, it would have been nice to see investors participate in the equity growth that we've seen in those funds. But I will say a lot of money still goes into the income-type product. And you know, and that's fine. We're participating significantly. We've got some great fund offerings in that area. So that has been good for CI, outstanding.

BOLAND: Okay, thanks, Steve.

PAUL HOLDEN, CIBC World Markets: I just want to ask a question on the lower sales commissions at Assante. Is that really just a function of lower volumes, or is there some kind of reduction in commission rates?

MACPHAIL: No, there's been no change in the commission rates. Or, I think you're referring to the grid, right – that's what you're referring to?

HOLDEN: Yes.

MACPHAIL: No, no change certainly in the grid at Assante. We have no plans on that front for sure. And that's just some lower volumes that we're seeing right now.

HOLDEN: Okay, fair enough. And in terms of trying to keep track of potential growth with your assets at Scotia, is looking at your DSC and trailers from quarter to quarter a fair way to do that?

MACPHAIL: You know, our asset position with Scotia is very good right now. They've been good partners in trying to be better partners, and so I can only say positive things. But if you looked at the total exposure that we would have with the Bank of Nova Scotia, it would be over a billion dollars, just to be clear. This is not a minor relationship at all. And we do business with them on a lot of fronts.

HOLDEN: Right. I guess the point I'm trying to make is, you disclosed the DSC and trailers you pay directly to Scotia. So as that billion dollars grows over time, we would expect the DSC and trailers to grow in a fairly similar manner?

MACPHAIL: Absolutely. But it depends on the type of mandate also, right? You remember, if we're doing a sub-advisory mandate, for example, participating in one of their managed solution programs, then that would come in on an I-class basis. So they wouldn't be paying your trailer fees; they would simply be paying sub-advisory fees to us. So that's why I think it's very hard to break it out, but I certainly can tell you that the business there is positive and growing.

HOLDEN: Okay, that's all the questions I had.

OPERATOR: Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. MacPhail.

MCPHAIL: Okay. Thank you again. I appreciate everyone participating on it and I look forward to speaking to you in the middle of February. Thank you.