

CI FINANCIAL CORP.

FOURTH QUARTER 2015 RESULTS

CONFERENCE CALL

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. At this time I would like to welcome everyone to the CI Financial 2015 Fourth Quarter Results Webcast. All lines are in a listen-only mode. After the speakers' remarks there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw the question, please press the pound key. Please take note of the cautionary language regarding forward-looking statements and non-IFRS measures on the second page of the presentation. I would now like to turn the call over to Mister Stephen MacPhail, President

and CEO of CI Financial. Mr. MacPhail, please go ahead.

Stephen MacPhail, President and CEO

Thank you very much, and welcome to CI's earning call for the year ended December 31, 2015.

I'm going to start by a bit of a reflection on what was accomplished during the year, and then my colleagues Steve Donald and Neal Kerr and Doug Jamieson will take you through some of the other elements of the business, giving you a bit of a go-forward look.

Just looking back at the year, we finished December 31, 2015, with \$145.7 billion of fee-earning assets, representing an all-new record high for CI, up from \$134.8 billion the year before.

Equally important is at the end of the year we've now finished 21 years where we've had positive net sales in 89 percent of all quarters, a terrific accomplishment for any company.

Looking specifically at 2015, we reported earnings per share of \$1.99, up 8 percent from \$1.85 in 2014. Adjusting for fund remediation, our earnings per share for 2015 were \$0.03 higher at \$2.02, up 10 percent from \$1.83 in 2014 on an adjusted basis.

Our AUM, as I mentioned, was \$111.1 billion, up 8 percent from 2014. Assante Wealth Management and Stonegate Private Counsel Assets were \$34.6 billion, up 8 percent from 2014.

CI recorded net sales of \$3.43 billion in 2015, representing our third consecutive year of net sales well in excess of the \$3 billion mark.

We also increased the dividend by 5 percent in 2015, and it's now \$1.32 per annum, and Doug will talk later about how long we've been increasing the dividend.

But a lot of other great things happened in 2015. We acquired the First Asset ETF business under CEO Barry Gordon. This is a premier business in the ETF space that we were very fortunate to be able to acquire. It accomplished 60 percent growth in 2015. We have a great outlook for that business over the next five years.

Equally important, Stonegate and Assante, the growth in high net worth was the fastest-growing part of their business, and Steve Donald will address that in a minute.

We also saw increased institutional business under a number of mandates, and Neal Kerr will talk about that; it was a very positive year in our institutional side.

Our core retail distribution remains exceptionally strong, in our key channels of Assante, where we now have 60 percent penetration rate, Sun Life, credit unions and others, and Derek will address that in his talk.

I think it was very important to point out that our managed solutions now account for over one-third of all retail assets under management at CI. That's well in excess of \$30 billion of important sticky assets. Our whole strategy with respect to affluent and high net worth clients again will be discussed between Steve Donald and Derek Green.

What I'm particularly proud of is that we created positive returns for our clients in 2015 versus an 8.3 percent total return decline for the TSX. That's very important given the market turmoil we've had of late, to have had positive experiences for your clients going into 2016.

I now want to turn to what's been in the news the last day and unfortunately what the media has completely mischaracterized and misconstrued, and this is this forward fund issue you've heard about. First of all, I don't know where people came up with this \$156 million number that CI was paying out, but our one-time cost is \$9.8 million after tax in this issue, and that covers all our net costs. To be frank, it's insignificant. That's about \$0.03 a share to CI at the end of the day, on a one-time basis.

The second thing I want to point out is that this was an isolated incident due to the unique characteristics of the forward agreements, and they're only used in seven of the hundreds of CI funds that we have.

Thirdly, the \$156 million of interest accrued in the bank accounts of the funds, it's always been in the accounts of the funds. This has never been in the accounts of CI, and to characterize it as "CI is having to repatriate the money to the unitholders" is completely wrong. It's always been the unit holders' money, not CI, and that's very important to know.

Thirdly, this was merely an accounting and administrative error. It is not a compliance error. It built up over time on a wide variety or a wide base of funds. The minute we found it, we corrected it. It was reported and escalated to senior management. We put in place a plan to get the monies allocated correctly to the funds as soon as we could, and reported it to the OSC.

Just to finish off, to let you know, CI actually has an exceptional record of NAV accuracy. For years and years and years there have never been NAV errors on our accounts through our hundreds of millions of dollars – hundreds, to say, in billions of dollars of NAV calculations that go on. This was a very isolated incident, and it does not reflect any way on the fact that CI has any issues with its policies and procedures.

With that out of the way, I would hope that this puts this issue to bed, as it's not consequential to CI. Our

unitholders will be getting repatriated with the funds ASAP, that should start, we've communicated, within a month. CI has dealt with it the way CI has always dealt with its unitholders: fairly, quickly and efficiently.

With that behind us, I'd like to turn it over to Derek Green to talk about more positive things.

Derek Green, President, CI Investments

Thanks, Steve.

I'll now touch on our sales for 2015. Twenty-fifteen gross sales were \$15.4 billion, a new record, up 7 percent from 2014. Net sales were down from 2014 but still strong at \$3.43 billion, and well diversified by channel. Q4 net sales were almost \$300 million at \$299 million, and we continue to see a transition of our business; managed solutions and PIM, our mass affluent product, account for the majority of our net sales.

We continue to focus on mass affluent and high net worth. We've made a significant investment in service and our value-added support to advisors. We also continued to invest in our brand awareness through advertising on TV during golf and curling events and on news radio.

I'll now touch on our performance. We continue to see strong performance: 73 percent of CI's long term AUM is first or second quartile over 10 years; 90 percent of CI's managed solutions AUM is first or second quartile over 10 years; 100 percent of Black Creek AUM is first or second quartile over 10 years; 87 percent of Signature's AUM is first or second quartile over 10 years; and 77 percent of Cambridge AUM is first or second quartile after five years.

So with that, I'd like to now pass the presentation over to Neal Kerr. Neal?

Neal Kerr, President, CI Institutional & Investment Management

Thank you, Derek.

Turning to our institutional business, it was a strong year for CI institutional in terms of new clients. We are benefitting from offering a more diversified institutional product lineup from multiple CI investment teams. Importantly, we have a sufficiently tenured and a dedicated Canadian equity institutional product in our lineup now for the first time, managed by our Cambridge Global Asset Management team. That Cambridge product complements our other institutional mandates, and Cambridge joins the manager lineup in this business unit along with Signature Global Asset Management and also along with our multi-asset class solutions group, who

run our asset allocation and target date institutional products.

With respect to First Asset, reminder, we closed the acquisition at the end of November, so still very early days for CI with the ETF business and our First Asset partners. We are working to realize synergies in areas such as IT, legal, operations and finance, while maintaining separate business management team and separate sales and marketing teams.

As Steve mentioned, 2015 was a strong year for First Asset, with ETF assets up 60 percent for the year. This growth is coming off a smaller starting base than CI's investment fund business, but it certainly highlights the growth opportunity for ETFs in the Canadian marketplace. In terms of 2016 plans, we're working together to enhance existing First Asset products, as well as existing CI products. We expect to launch new products in the actively managed ETF space throughout 2016. For instance, First Asset is planning to introduce a corporate class ETF structure later this month, which is an interesting innovation in the space that very few other ETF providers offer today.

Turning to the investment management part of our business, obviously 2015 was a tougher year for returns, really the toughest since 2011, on average; however, CI's clients made positive returns last year, again, different absolute numbers than the previous three years, but we are continuing to benefit from our multi-asset multi-manager strategy here at CI, and funds with global or non-Canadian investment mandates and funds with foreign currency outperformed Canadian mandates and Canadian currency. Also investment teams with more of a growth style to their investment approach generally had better relative years than our more value-style teams, as equity returns in many markets were quite narrowly concentrated in terms of contributing stocks, and our more growth-oriented and momentum-oriented strategies benefited while value-sensitive strategies don't typically own any or as much of these types of stocks.

So overall we're pleased with the results of our investment funds and our investment teams that have been our focus for the past several years. I'm thinking of our Signature team, our Cambridge team, Black Creek, as well as our asset allocation portfolio managed solutions. All of these have seen strong investment results and also strong Investor demand.

Over the past several years, CI has reinvested significantly in investment management analysts; portfolio management personnel have increased materially across all our internal portfolio management teams. In addition, we have been investing in various forms of technology for asset management, portfolio management systems, asset allocation and fixed-income tools, as well as attribution and reporting tools. These investments have largely been made, and going forward we expect to see

the benefits, and our anticipated rate of reinvestment in this area will slow.

With that I'd like to pass things to Steve Donald.

Steven Donald, President, Assante Wealth Management

Thanks, Neal.

Touching on our advisor businesses, as Steve mentioned, our assets across Assante Wealth Management and Stonegate Private Counsel have reached \$34.6 billion at the end of the year, which is up 8 percent on a year-over-year basis. Across the platforms we've also had strong inflows, up 8 percent on a year-over-year basis compared to 2014. When we look at data from Investor Economics, we see that the industry overall has seen net sales contract, in fact, by a rate of about 4.3 percent, so we're very pleased with that year-over-year growth in inflows across Assante and Stonegate.

As you've heard, across our entire organization that success has allowed us to have continuing investment back into the business to promote continued growth.

Firstly, touching on technology, we've made some significant investments, primarily focussed on security initiatives and efficiencies of the platform so that we can leverage those going forward.

Secondly, advisor recruiting. Activity in this area at Assante has been almost 2.5 times the activity of 2014, and I think that clearly reflects the trend that we've been talking about for some time now toward consolidation in the industry.

At Assante and Stonegate we've continued our branding efforts. At Assante, the complete campaign being leveraged into regions, creating awareness of who we are, what we stand for, and really supporting those recruiting and sales growth initiatives that we've talked about.

Related to sales growth, certainly that's also supported by our staff and their expertise, and we've invested in increasing our wealth planning team by 25 percent in the past year to support our advisors in dealing with our continuing focus on mass affluent and high net worth investors. As we look at assets across Assante and Stonegate, 62 percent of our assets or \$21.3 billion is in this space of affluent and high net worth families. For high net worth families, those families with more than a million dollars invested with us, we stand at almost \$14 billion or 40 percent of our assets, and that certainly represents the fastest-growing component of our asset base.

So with that brief touch on our advisor businesses, I'll turn the call over to Doug Jamieson.

Douglas Jamieson, Executive Vice-President and Chief Financial Officer

Thank you, Steve.

On slide 10, we have the full-year highlights for 2014 and 2015. As largely pointed out by Steve, average assets were up 10 percent to \$108.4 billion. This average includes one month of First Asset's AUM that was acquired on November 30.

Reported net income was \$553.5 [million], up 5 percent from last year's \$525 million. On a per share basis, was up 8 percent to \$1.99, and a higher rate of increase from 5 percent to 8 percent is reflecting accretion from share buy-backs. Adjusting for the various provisions detailed at the bottom of the slide, net income was up 8 percent to \$563.7 million or \$2.02 per share.

EBITDA was up 7 percent to \$3.37 per share, and dividends paid totalled \$1.295 per share, up from \$1.180 per share last year.

Net debt ended the year at \$433.1 million, up from \$185.2 million last year, but \$172 million of this increase was due to the funds put on deposit with CRA during the year.

CI's net debt to EBITDA ratio sits at just under 0.5 to 1, as reported, but net of the deposit at CRA, the ratio is closer to 0.3 to 1.

Here we compare the fourth quarter of this year with the fourth quarter of last year. Average assets under management were up 7 percent from \$101.1 billion a year ago to \$108.7 billion.

Net income was \$127.2 million, down from \$140.4 last year, and on a per share basis \$0.46, down from \$0.50 last year. Adjusted for the provisions mentioned at the bottom of the slide, earnings were up 1 percent to \$137 million, and up 4 percent on a per share basis to \$0.50.

EBITDA per share, up \$0.01 to \$0.83. Dividends paid were up 8 percent, as CI paid out \$0.305 per share in the fourth quarter last year and \$0.33 in the fourth quarter this year.

CI's EBITDA margin has declined slightly from 47.9 percent a year ago to 46.3 in the most recent quarter. This is primarily attributable to increased spend on SG&A relative to the growth in revenue.

This next slide provides a little more insight into our management fees. The changing mix of product from Class A into Class F and high net worth, as well as the

inclusion of First Asset for one month of the fourth quarter, has pushed our gross management fee line down from 184 basis points in 2009 to 162 basis points in the most recent quarter. Over a full quarter, the impact of First Asset would be approximately 2 basis points. For the net fee, we take the trailer fees paid and the amortization of DSC from gross fees, in order to standardize our management fees to look as if all business was in fee-based or institutional accounts. So we're left with the net management fee that you see here, and that has held much more stable over the years. Here the impact of First Asset over a full quarter would be about a half a basis point.

The asset management margin measures how much we retain out of management fees after paying trailers, SG&A and DSC. We calculate it on a trailing 12-month basis within the asset management segment. We see we're left with \$42.50 out of every \$100 in management fees earned, up from about \$42 a year ago. This measure eliminates the financing impact of front-end versus back-end funds, since we have already deducted trailers and DSC. It also eliminates the distortion of equity and fixed-income mix changes, and retail and institutional mix changes, because it's measured as a percentage of management fees and not AUM.

CI's SG&A, calculated as a percentage of average assets under management, and we're showing it here in annualized basis points, were 35.4 basis points.

We saw on the highlights slide that CI's average AUM grew by 7 percent from last year, and at the same time SG&A spend grew by 11 percent.

We expect that our investments in our portfolio management teams and technology over the past several quarters is largely complete. We're going to look for ways to leverage efficiencies across the organization, given the current trend in AUM levels.

For the SG&A efficiency margin, also measured on a trailing 12-month basis within the asset management segment, we look at the available pool of management fees less trailer fees and DSC and how much of that pool remains after deducting SG&A spend. In the past 12 months, CI has retained 71.3 percent of that available pool.

Looking at our uses of free cash flow over the past few years, the darkest bar, representing dividends paid, is growing in line with free cash flow. We see that a large component of free cash was used to reduce net debt over the past few years. Our plan for 2015 was to stop paying down net debt and increase the level of buy-back so that, at a minimum, all free cash is returned to shareholders.

Here are the details on that plan. In 2015, CI reported operating cash flow of \$688 million and paid out sales commissions of \$91 million, for free cash of \$597 million. We repurchased \$244 million in stock and paid out \$362

million in dividends, for a total return to shareholders of \$606 million. So we executed our plan quite well in returning free cash to shareholders.

As we look at the fourth quarter cash flow, the reported \$158 million is impacted by the \$10 million provision for fund remediation, and so otherwise would have been \$10 million higher for both the quarter and the year. Sales commissions paid were \$16 million, giving \$142 million in free cash flow. We repurchased \$56 million in stock in the fourth quarter and paid dividends of \$91 million, for a total return of free cash flow of \$147 million.

We are very comfortable with this level of dividend payout that has averaged 60 percent of free cash flow. As we move into the next slide, CI remains below its target leverage, in particular when considering the \$172 million on deposit with CRA. But given the uncertainty as to the timing of getting those funds back, we are not adjusting for it when calculating our net debt. The shaded area highlights our target leverage ratio of 50 percent to 75 percent of EBITDA, to be achieved over time with increased buy-backs and particularly now in light of declining valuations.

I'll now turn it back to Steve.

Stephen MacPhail, President and CEO

Thank you, Doug.

On our next chart, we plot the last 12 months of our assets under management versus the TSX total return.

What's important to see at this point in time that just in 12 months the incredible gap between what's happened at CI, the growth at CI, versus the decline in the TSX. Why that's important is because you have to recognize that the mood of the market is set by the TSX even though CI has significantly outperformed it.

The other point I'd like to make is that, though certainly in the last month we've felt a downturn in the market, this is not the first time this has ever occurred. If you look at the history of CI, certainly over the last 22 years that I've been here, that CI shines best when times are a little tougher like they are right now. I am 100 percent confident that this will actually create opportunities for us, because our clients had a good experience last year, we have a lot of stability in our products; and, as a company, we're able to react to market changes, I think, better than any of our competitors.

So turning to and summarizing the outlook, as you heard, I believe we're very well positioned today in our key distribution channels. We've invested a lot in service and support for these areas, whether that could be in the CI Investments side or the Assante-Stonegate side. These are critical investments that we made last year and the

year before in order to drive the growth in 2016 and beyond.

Notwithstanding, the executive team has met a number of times, and our focus in 2016 not only will be on growing the business but on efficiency measures across the company, and we're looking at every way to deliver our services in a more efficient manner, and there's been a lot of good ideas that have come forth and I think over the course of the year you'll see them come to fruition.

In addition to the work that's been done in the portfolio management groups in the last year to again position us for future growth, I foresee that we'll be having further advancements to our portfolio management throughout 2016 as Neal Kerr remains focused on ensuring that CI really has world-class money management in many areas.

I can't understate how much our emphasis on the high net worth and mass affluent market will continue, and there's a tremendous number of projects underway on both the technology, training and service side and product side that we believe will lead to continued growth in that area. When you look at the success that we've talked about in our managed solutions, which are really an affluent and high net worth product, to being one-third of our retail assets now, I think that confirms what we've done.

Assante and Stonegate have become very attractive to new advisors. In 2015, we had one of our best years ever of advisors wanting to join the business. I believe 2016 will be as good, if not better, for that business.

Lastly, from a capital allocation perspective, we'll continue to focus on share repurchases and dividend growth as priorities for the business itself.

With that, I'd like to open it up to any questions you might have for myself or my colleagues.

QUESTION AND ANSWER SESSION

Operator

Thank you. We'll now take questions from the telephone lines. Please press star, one, at this time if you have a question. There will be a brief pause while the participants register for questions. Thank you for your patience.

The first question is from Gary Ho from Desjardins Capital. Please go ahead.

Gary Ho, Desjardins Capital

Good afternoon. Maybe a bigger question first, for Steve or Derek. Just wondering if you can share with us your outlook over the next 12 to 18 months, just given the market volatility to start the year, how are advisors or clients positioning themselves? I'm thinking they're a little bit more cautious. Just curious what you're seeing out there, and any comment on the outlook for the RSP season, that would be helpful.

Derek Green, President, CI Investments

Well, thanks for the question, Gary. It's Derek Green. Historically when we've seen a softer start to the year, the sales aren't as good. If I were to have told you a year ago that Government of Canada 10-year bonds were below 100 basis points and the 10-year in the States was 155 and rates were negative in many other parts of the world, I'm not sure what your thoughts (would be) on what was going on with global economies, but I think there's a lot of nervous people. Now in saying that, we have some excellent solutions from an income perspective, from a diversified income perspective, but the one thing that I'll say is, volatility historically has not been good for sales, so the longer, more volatile it is, the softer the sales will be. But in saying that, we do have good solutions for our clients in income and diversified income and I just think people will sit on their hands with regard to equities. But our managed solutions will also sell too.

Steven Donald, President, Assante Wealth Management

Gary, Steve Donald. I can add a little bit further colour from a distribution perspective. We've seen through the start of this year, our net inflows are actually fairly consistent with last year, but we are seeing a significant element of those inflows being put into cash for the short-term. The investments that are being made are being made to the managed solutions, trying to deal with some of the volatility by asset class, but if you think about the fact that investors are still putting money into the market with their advisors, that amount sitting in cash bodes well for a longer-term investment back into the markets.

Gary Ho, Desjardins Capital

That's great, and if I can dig a little bit further, just wondering if you're seeing maybe some weakness in Alberta, given what's going on there. Some of the feedback from advisors there would be helpful.

Derek Green, President, CI Investments

(In our sales), we look at Western Canada, we look at Ontario and then Québec and Atlantic. Western Canada on a relative basis overall had a pretty good year. Clearly, the closer you get to Calgary the tougher things are, so it's certainly softer than it was in 2014, but certainly not apocalyptic or anything.

Gary Ho, Desjardins Capital

Okay, great, and then the second question, perhaps for Doug, the SG&A expenses ticked up a little bit in Q4, and you mentioned there's some rationalization, but I'm assuming that it's not a good run rate to use for 2016, and if markets continue to be weak, what could management do to adjust the expense base and how quickly could you act on that? I know historically you've been pretty good at expense management. Or maybe asked another way, how much of your SG&A expenses are fixed versus variable?

Douglas Jamieson, Executive Vice-President and Chief Financial Officer

Well, first on the Q4 numbers, there is an element of First Asset in that, we had one month of SG&A there. As Neal pointed out, we are looking for ways to achieve synergies by integrating back-office functions. We expect to see that over 2016.

I would say, we kind of view our SG&A as half fixed, half variable, and we're certainly able to act during market downturns to make necessary cuts. Our first priority is to look for ways to just be more efficient. That's our plan, as Steve said, for 2016, to look for those efficiencies and hold the line on SG&A.

Gary Ho, Desjardins Capital

How quickly can you guys act on that – on the variable part?

Douglas Jamieson, Executive Vice-President and Chief Financial Officer

On some things, very quickly.

Gary Ho, Desjardins Capital

Okay. All right, that's it for me. Thank you.

Operator

Thank you. The next question is from Paul Holden from CIBC. Please go ahead.

Paul Holden, CIBC

Hi. Thank you. Good afternoon.

So, Steve, you made some comments about the media reports or maybe some other reports related to the OSC no-contest settlement, and I get how that might be somewhat disruptive for you, but maybe more importantly sort of the way the advisors perceive this, so wondering if you can provide some commentary on what you're doing to go out to the advisor community in terms of communications with them over this issue.

Stephen MacPhail, President and CEO

Sure, Paul, it's Steve, and I'm just going to start and then turn it over to Derek, because he's been doing a lot of work on the communication side. We're not happy that it happened, you know. CI takes huge pride in the accuracy of our business. We're actually known to process very accurately, but I think that's holding us in good stead on this. We're just trying to make sure that what we communicate with the advisors is the correct story on this. I think the most important thing that, Derek will talk about is, CI has always done what's right for investors. There are always going to be small errors made in this business, it's not unique to CI. The question is, you know, how do you react to it and what do you do? We always do what's right. I think the press has characterized this as like the OSC's taking the claim that, "Oh yeah, we came in and we found this money for the investors." That couldn't be further from the truth. We already had a plan in place, it was just proceeding, they just came in after kind of the fact. But with that, I really like to turn this over to Derek because I think what the results he's seen so far are pretty amazing.

Derek Green, President, CI Investments

Thanks, Steve. Hi, Paul. So we've had a communication plan that's been a work in progress really for the last two weeks. We had calls with our wholesalers Monday after the news broke on Friday and then we, after the hearing yesterday, we sent out 15,000 e-mails to advisors; we sent out 5,000 letters to advisors today; and we will contact 9,000 advisors by phone over the next 10 business days. So from this morning till when we came in the room now, we've contacted 1200 advisors with \$18 billion in retail assets.

In real time, and this is a plug for Salesforce I guess, no I don't own the stock, 97 percent of our clients had no issues. Five percent of them had small concerns. So we continue. This is a huge undertaking, and we take it, as

Steve said, we take it incredibly serious. It may be a big to-do, but to date it hasn't been a big issue, there just doesn't seem to be that many concerns. The one common theme that we are getting from advisors, and it is consistent across all channels, the line is, "We appreciate you getting out in front of this, keeping us informed and calling to summarize what we've seen in the press or at least correct what was picked up incorrectly by some of the people in the press."

Paul Holden, CIBC

Okay. Good. Then, question related to CRM2, given the way the markets are heading right now, there's a very good chance that when clients get their first CRM2-related statement they see negative one year of returns. So that will have challenges of its own, I guess, for the industry, and just wondering generally how at CI in general you feel about that, and then particularly maybe Steve Donald could talk with the Assante perspective on that as well.

Derek Green, President, CI Investments

We've known each other for a while, and I'm surprised you're throwing in the towel on the year already. We're only five weeks into the year. If you remember, 2012 started out as a pretty tough year and then it turned out pretty well. But you and Steve and I have had long conversations about CRM2. My concern has always been, after tremendous bull markets, that the year before people see their first statement after CRM2 is fully implemented, that the market could be a bear market and then it would be harder to explain to clients. Hope is a terrible strategy, but we still have 10.5 months for the markets to firm up and get positive returns. We continue to see more and more of our clients transition their business into either a fee-disclosed or a transparent model, to the point where either the managed solutions or high net worth solution are effectively 100 percent of our sales now. So the more of our business we can get into that format, the more comfortable I am with our business and investors seeing their returns. Steve?

Steven Donald, President, Assante Wealth Management

I think, just from an Assante or from a Stonegate perspective, if the markets continue to misbehave and that performance is reflected, given the fact that through our channels we've been having these discussions as Derek has said and repositioning the relationship with clients, I think we'll be well positioned for this and there might actually be an opportunity within Assante and Stonegate where our competitors haven't positioned their clients for disclosure over both cost and performance. So, you know, while I hope that this is going to look more

like 2012 than otherwise, as Derek has often said, hope is not a terribly good strategy, but I think we're well positioned to deal with any fallout that may occur.

Paul Holden, CIBC

Okay. Good to hear. Then, final question, as we're talking about the institutional business opportunities there, both those realized in 2015 and those potentially in the future, like what kind of institutional business are we talking about? Is this pension fund type business, or is this sub-advisory business? Maybe you can just clarify in terms of the type of clients we're talking about.

Neal Kerr, President, CI Institutional & Investment Management

Sure, Paul, it's Neal here. We are talking about both. To this point, approximately two-thirds of our business is sub-advisory, and approximately a third is in pension, foundation and endowment business. So we're in both lines. Our history in sub-advisory goes back 15 years or so. Our history in more traditional institutional goes back now about five or six years, so it's newer for us. But we have product for both of those broad channels inside the business unit and we have business development resources focussed on both lines inside that institutional business.

Paul Holden, CIBC

Then just to follow on to that answer, would you expect that proportion to change, then, over the next three or five years, to reflect more of the true institutional business?

Neal Kerr, President, CI Institutional & Investment Management

Great question. It's hard to forecast future business, in my experience, since the accounts can be lumpy coming in or lumpy going out, when that happens. So I'm really never 100 percent certain about where the new client mandates or the sales that correspond to those are going to come and until we see the money hit our system, I really don't feel it's prudent to forecast. What I can tell you from a forecast perspective is that we've got a robust business plan focused on both lines and, like in years past, we will do over a thousand business development and service meetings in the institutional market this year, and from these meetings, we always have an interesting pipeline of opportunities; whether these opportunities come to fruition or not is never certain.

Paul Holden, CIBC

Okay. Great. That's all the questions I had. Thank you.

Derek Green, President, CI Investments

So Paul, it's Derek, just an update on that question you asked me earlier about the advisors. So we've now contacted 20 percent of affected advisors today by phone, over \$30 billion in retail assets that they hold with CI; 97 percent of them say it's not a big concern. So, those are real-time numbers as of, you know, 12 minutes ago. So that's pretty definitive data.

Paul Holden, CIBC

Okay. Appreciate that. Thank you.

Operator

Thank you. The next question is from Tom MacKinnon from BMO Capital. Please go ahead.

Tom MacKinnon, BMO Capital

Thank you very much. Good afternoon. A question maybe Derek or Steve can take. I was just wondering, with respect to the NAV error that you settled here, and the fact that it seems to have stemmed from your outsourced service provider, and I would assume just some of the controls you had over that, how are you tightening up the controls here, and is there any change in your outsourced service provider as a result of this? Just wondering what kind of what actions you're taking at that end.

Stephen MacPhail, President and CEO

Sure, Tom, it's Steve MacPhail. I would start out by saying that our controls with our outsourced service provider, does all the custodial work, they're excellent. This is a very isolated situation that started out very tiny and built up over a number of years. Our outsourced provider calculates thousands and thousands of NAVs every day and has never made an error. We've had a relationship with them for 14, 15 years, and they've done a fabulous job for us the whole time. Notwithstanding, we have made a few changes, but these changes took 20 minutes' worth of work. Let's just be clear here that we had a process in place and it wasn't followed precisely right, and it was kind of a perfect storm situation that led to this administrative error. All it was was an administrative error, and it built up over time. So, really to answer your question, the change was made right away, we changed the program. The rest of our business works

well. That's why there are no errors and our work is highly accurate. Third, our outsourced service provider wouldn't have liked this to happen either. They're not happy with the situation, and they've worked with us closely to ensure, when we have unique situations like this, this can never happen again either. So, I think we've got a good outcome on this situation, but no one's losing sleep thinking this is going to happen again.

Tom MacKinnon, BMO Capital

Sounds like you just flipped the switch and you fixed it, but you should have been monitoring that a little bit beforehand. It doesn't look like you have to delve into something in order to fix it.

Stephen MacPhail, President and CEO

It's not as simple as this, because the money was always in the fund, and we have billions, \$100 billion worth of many funds, and at the end of the day you have this understanding that this tiny amount – remember, this is a fraction of a basis point each day, a fraction of a basis point, and it just builds up over time. If your understanding is that it's being properly allocated to the NAV of the fund, then things would just progress and you'll just discover that it wasn't and we've definitely corrected that and moved on.

Tom MacKinnon, BMO Capital

Okay. Thanks for that.

Stephen MacPhail, President and CEO

This is not a substantial issue, and I'm not trying to downplay it or not take accountability for any of this or say we don't take it seriously, but this has really just been blown out of proportion as to what it was. This could have just been easily caught at some earlier time and you never would have noticed, because there's things like this going all the time, they're just not reported, so you don't hear about them. This is being sensationalized unnecessarily.

Tom MacKinnon, BMO Capital

Okay. Thanks for this.

Operator

Thank you. The next question is from Graham Ryding from TD Securities. Please go ahead.

Graham Ryding, TD Securities

Hi. You talked about having some success recruiting advisors at the Assante-Stonegate platform. Can you maybe give us some context around the number of advisors today versus a year ago?

Steven Donald, President, Assante Wealth Management

We're running around 750. It's fairly stable. Where we're having a lot of success is, as we see advisor departures, Graham, they tend to be retirements, so to give you context, the average age of the advisors that we brought in over 2015 is 38 years old, versus the departing advisors at 62. So, we've maintained or slightly increased the total number of advisors but the average age is dropping, which is critical for us as we think about future succession planning arrangements.

Graham Ryding, TD Securities

Got it. Then, you've talked a little bit before about looking at an automated advice platform, building that out at Assante. Is there any update there?

Steven Donald, President, Assante Wealth Management

We continue to look at how we can develop enhanced capabilities around some of our managed platforms that advisors can use for potentially lower fee services to the bottom end of their book. So, it's in progress, is the short answer.

Graham Ryding, TD Securities

Okay. Got it. Then, maybe just with the dividend, I was expecting a dividend increase this quarter. Just wondering, was that maybe related to the combination of the First Asset acquisition and also your higher investments towards SG&A, was that maybe a factor in looking at your dividend payout?

Stephen MacPhail, President and CEO

It's Steve MacPhail. I think you've known me long enough. When markets are volatile like this, then we really don't feel like taking aggressive position on the dividend. Certainly, our cash flow, everything can support it, the SG&A is a non-factor in the whole thing of First Asset. We just like to see a bit of an idea in market

stability, and we collectively agree that this wasn't a time to increase the dividend, focus a little bit more on share buybacks; certainly the market's created an awesome opportunity for us to buy back our shares right now. I see Doug smiling over there. The reality is we'll review this again in May and we've always focused on trying to increase the dividend each year for our shareholders and we would hope that would come to fruition again this year. We'll look at that again in May.

Graham Ryding, TD Securities

Perfect. Then just lastly, with the First Asset acquisition, you know that platform had 60 percent growth last year; do you have any targets or what are your expectations for what you think this platform can deliver this year?

Neal Kerr, President, CI Institutional & Investment Management

Great question. It's Neal here. The platform is, I think, a little more sensitive to market performance than the mutual fund business. And it's not something that CI's had direct experience in. Obviously, if we can see the same type of growth this year we would be absolutely thrilled. We want to manage expectations here. We're going to be doing some innovative things together. I think it will somewhat depend on the overall growth of the ETF market in Canada, because really First Asset has been getting their fair share of market growth, as ETF's become more popular. CI will be bringing some additional resources to the business and so the profile of the First Asset products should be increasing accordingly. With some new products that are being introduced we should have some interesting things there too, but, similar to my comments around the institutional business, we're really not providing a specific forecast at this point in time.

Graham Ryding, TD Securities

That's fine. How about just the percentage of inflows for First Asset that come through brokers versus do-it-yourself investors? Do you have a feel for that?

Neal Kerr, President, CI Institutional & Investment Management

Absolutely. The First Asset business plan, which is very consistent with CI's investment fund business plan, has been to do business development with advisors, and in this case almost exclusively, to this point, IIROC advisors. So there'd be very little do-it-yourself today in the First Asset business and they are really focused on working with advisors, and that fits very well into our overall philosophy of an advised client is better off.

Graham Ryding, TD Securities

Great. Thank you.

Operator

Thank you. The next question is from Scott Chan from Canaccord Genuity. Please go ahead.

Scott Chan, Canaccord Genuity

Good afternoon. I just wanted to go back to the institutional, Neal, and just on the Cambridge side, why the Canadian equity mandate and not the U.S. and global, or is something that might be considered in the future?

Neal Kerr, President, CI Institutional & Investment Management

Thanks for the question. We launched the Canadian equity mandate 4-1/2 years ago. It takes at least three to four years to build the track record and get the ratings that we need to win business. So, it's the most tenured product. We do have international, global, U.S. pools that are already in the water and they are about 2-1/2 years into their life right now with some very nice initial performance results. So we will be introducing those as they mature.

Scott Chan, Canaccord Genuity

Okay. Just lastly, Steve, can you remind me who your custodian is?

Stephen MacPhail, President and CEO

You know what, I don't think I'm going to talk. It's one of the major custodians, you dig hard enough, but I'm not going to say who the custodian is. But we have a good relationship with them, so.

Scott Chan, Canaccord Genuity

Okay. It's public, though, so I guess they can ...

Stephen MacPhail, President and CEO

Listen, Scotty, you can dig that up yourself.

Scott Chan, Canaccord Genuity

Okay. I'm pretty busy, though, but okay.

Stephen MacPhail, President and CEO

We've had a good relationship there a long time.

Scott Chan, Canaccord Genuity

Okay. Thanks, guys.

Operator

Thank you. The next question is from Stephen Boland from GMP Securities. Please go ahead.

Stephen Boland, GMP Securities

Just one question. There was some additional responses on the OSC on mutual fund fees, responses to some questions, that had been sent in. It seemed to be very more definitive in terms of saying trailer fees are bad, affiliated dealer flows are bad, value advice is maybe not really worth what people are paying. Do you have any responses to those questions and obviously just an update on the regulatory, your thoughts?

Steven Donald, President, Assante Wealth Management

Stephen, it's Steve Donald. Really no different position than what we've talked about over the last couple of quarters. I think the Brondesbury Report, in terms of their global review of the marketplace, is pretty clear: they say that there is some issues that need to be considered, but don't really quantify those. I think the report from Dr. Cummings, and I haven't gone in detail through some of the updates to that report, but I think it had some interesting findings where flows to funds, all things being equal, flows to funds that pay an above-market trailer tend to get greater flows, so that's something I think that needs to be taken into consideration, but I also think he was very ill informed when he said that funds that have a trailer, those that have an advisor, have lower past performance than other funds. I think that's misguided because that is in fact the value of an advisor. You shouldn't chase performance. We've known in this industry for decades that chasing performance results in bad returns. So, I think it needs to be looked at very closely. There hasn't really been a lot of update coming out of the CSA. I would anticipate that over the next quarter we'll start to see their conclusions on some of

these reports, but really from our perspective no real change in our view right now. Advisors would have stronger practices if they started to embrace a discussion or disclosed fee arrangements and we across our entire organization believe in the value of active management, we believe in the value of active advice.

Stephen Boland, GMP Securities

Okay. Thanks, and obviously a press release just came out so I guess I'm the lucky one who gets to ask, Mr. MacPhail retiring, Steve, can you obviously comment on that?

Stephen MacPhail, President and CEO

They messed up the timing because I was trying to hold back till you asked all your questions, so it wouldn't be distracting.

I guess you'll get my answer now. I'll just say that with the equity markets over the last month and, well, especially the last three days and now what I would best describe as a silly overreaction to our forward fund issue, which I would say no thanks to the OSC on that, I could have had a little bit better timing than today. But I just want to announce to you the analysts – I was hoping you were going to get it first – that on June 30 of this year I'm going to be retiring from CI after I'll call it 22 awesome years here. It's no secret that I always told you that when we had good succession at CI and when I was going to be closing in on 60 years old, that I would pass the baton. Well, mission accomplished on both fronts. We've got great succession at CI and, dammit, I'm closing in on 60.

So, I've been working with the Board and with Bill Holland for the last several months and everything's really come together here. As I said, I could have picked a better date to announce it but, notwithstanding, I'm actually really excited about the outcome of my succession. Let us start by saying, my friend, former CI partner and highly respected Peter Anderson is going to replace me as CEO this summer. Just as a reminder, Peter was a skilled operator and a builder of our company, when he was at CI for so many years, and I missed him when he went off to do some other things, but I'll say what's great is he's augmented his management skills from here as the current CEO of Aston Hill with its challenges.

In addition you have to remind that Peter's going to be supported by a world-class management team here at CI. I've spoken at length to all of them. You know, it's funny. I think they're sincere when they say they're going to miss me. I'm taking them at face value. But the reality is everyone's pretty excited that Peter's the guy who's going to continue the great CI story. His executive team will include the four colleagues of mine in this room as well as Sheila Murray, whose exceptional performance has

elevated her to the position of President of CI Financial, looking after some of the operational sides of our business, and I think that's a fantastic team for Peter.

Just so you know, Peter's going to get his old office back, right beside me, at the end of the month, he's going to come in and he and I are going to be working side by side and I'm pretty excited about that.

All of you have known me for many years and watched what we've accomplished at CI. If you go way back in time, when I started at CI we had a market cap of \$125 million and about \$2.5 billion in assets under management. We've just come off another year of record profits and our business is in great shape.

But I won't lie: I will miss CI and all its great employees.

Looking at 2016, like many other years, it's going to have its challenges, we've talked about those on this call. But you got to remember, CI has always shone best when things were tougher. I have many months to work with Peter and the executive team to advance CI forward. So I'm just not throwing him in the deep end and saying, you know, "attaboy, go get 'em." We're going to work very closely to make sure this works perfectly.

I know you have lots of questions over the next few months, but I want to take this opportunity to say I've worked with so many of you analysts, I think of all your names here, Jeff, Paul, Scotty, Stevie, Phil, John, Gary, Tom, Graham, Suzanne; you all know who you are. We've had a lot of time together. So I just want to say, thank you for all your work at CI, I've seen so many of you evolve in this business, and that Peter will be working with a great group.

So, I guess that's kind of it for what I have to say. It's back to work time for us unless you have any other questions here.

Stephen Boland, GMP Securities

No, I'm not speaking for everyone, Steve, but thanks for very much and obviously you guys are very open with information so appreciate getting more information on the transition over the next several months.

Stephen MacPhail, President and CEO

Thanks, Steve.

Operator

Thank you. The next question is from Graham Ryding from TD Securities. Please go ahead.

Graham Ryding, TD Securities

Well, Stephen Boland beat me to it, but Stephen, do you have any plans to remain on the Board or will that be it with your direct involvement?

Stephen MacPhail, President and CEO

No, that will be with my direct involvement, I mean that's pretty standard issue, that Peter Anderson will take my place on the Board, and I'll move on to other things. But, I'm a good-sized shareholder of CI so I'll be keeping a close watch on things though. I don't need to be on the Board to do that.

Graham Ryding, TD Securities

All right. Well. congratulations on a great job and all the best.

Stephen MacPhail, President and CEO

Thank you.

Operator

Thank you. There are no further questions at this time. I would like to turn the meeting back over to Mr. MacPhail.

Stephen MacPhail, President and CEO

All right. Thank you for tuning in to our conference call. We really appreciate it. We look forward to talking to you over the next few months, and also at the next earnings call which is slated for early May and I believe Peter Anderson will join us on that call for his inaugural CI call with us. Thank you very much.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.