

Power Corporation of Canada

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This document contains management's discussion and analysis of the financial condition, financial performance and cash flows of Power Corporation of Canada (the Corporation) for the three months ended March 31, 2021 and the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2021. This document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada and is available under the Corporation's profile on SEDAR at www.sedar.com.

Power Corporation of Canada

PART A

Great-West Lifeco Inc.

PART B

IGM Financial Inc.

PART C

Groupe Bruxelles Lambert

PART D

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Power Corporation of Canada

PART A

Management's Discussion and Analysis

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Management's Discussion and Analysis

MAY 13, 2021

ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS, UNLESS OTHERWISE NOTED.

The following presents Management's Discussion and Analysis (MD&A) of the unaudited interim condensed consolidated financial condition and financial performance of Power Corporation of Canada (Power Corporation or the Corporation) (TSX: POW; POW.PR.E), a public corporation, for the three-month period ended March 31, 2021. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Corporation and notes thereto for the three-month period ended March 31, 2021 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2020 (the 2020 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 (the 2020 Consolidated Financial Statements). Additional information relating to Power Corporation, including its Annual Information Form, may be found on the Corporation's website at www.powercorporation.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' current expectations as disclosed in their respective MD&A. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, the expected impact of the COVID-19 pandemic on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the intended effects of the Reorganization (as defined herein), the Corporation's NCIB (as defined herein), management of standalone businesses to realize value over time, the effect of the Lion Electric merger transaction (as defined herein), the completion of the Wealthsimple fundraising round (as defined herein) including the expected proceeds from the primary and secondary offerings and the resulting size and value of the ownership interest, and the extinguishing of the put rights, and the Corporation's subsidiaries' disclosed expectations, including as a result of the acquisition of the retirement services business of MassMutual, Personal Capital, Northleaf and related synergies, impacts and timing thereof. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this MD&A, the factors identified by such subsidiaries in their respective MD&A.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to complete purchases under the NCIB, that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this MD&A, the risks identified by such subsidiaries in their respective MD&A and Annual Information Form most recently filed with the securities regulatory authorities in Canada and available at www.sedar.com. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this MD&A and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Organization of the Interim MD&A

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The following abbreviations are used throughout this report:

adidas	adidas AG	Nautilus or Nautilus Solar	Nautilus Solar Energy, LLC Northleaf Capital
Alternative asset investment platforms or Investment platforms	Alternative Asset Investment Platforms	Northleaf	Group Ltd.
BME	Madrid Stock Exchange	Ontex	Ontex BV
Canada Life	The Canada Life Assurance Company	OSE	Oslo Stock Exchange
Canyon	Canyon Bicycles GmbH	PanAgora	PanAgora Asset Management, Inc.
China AMC	China Asset Management Co., Ltd.	Pargesa	Pargesa Holding SA
Dialogue	Dialogue Health Technologies Inc.	Parjointco	Parjointco SA
EBR	Euronext Brussels	Parques	Parques Reunidos Servicios Centrales, S.A.
EPA	Euronext Paris	Peak	Peak Achievement Athletics Inc.
European private equity	Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen	Pernod Ricard	Pernod Ricard SA
GBL	Groupe Bruxelles Lambert	Personal Capital	Personal Capital Corporation
GEA	GEA Group AG	Portage I or Portage I LP	Portag3 Ventures Limited Partnership
GLC	GLC Asset Management Group Ltd.	Portage II or Portage II LP	Portag3 Ventures II Limited Partnership
Great-West Life	The Great-West Life Assurance Company	Portage III or Portage III LP	Portage Ventures III Limited Partnership
Great-West Life & Annuity or Empower Retirement	Great-West Life & Annuity Insurance Company	Potentia or Potentia Renewables	Potentia Renewables Inc.
Holcim	Holcim Ltd.	Power Financial	Power Financial Corporation
IFRS	International Financial Reporting Standards	Power Pacific	Power Pacific Investment Management Inc.
IGM or IGM Financial	IGM Financial Inc.	Power Sustainable	Power Sustainable Capital Inc.
IG Wealth Management	Investors Group Inc.	Power Sustainable Energy	Power Sustainable Energy Infrastructure
Imerys	Imerys SA	PSEIP	Power Sustainable Energy Infrastructure Partnership
IntegraMed	IntegraMed America, Inc.	Putnam	Putnam Investments, LLC
Investment Planning Counsel or IPC	Investment Planning Counsel Inc.	Sagard Healthcare Royalty or SHRP	Sagard Healthcare Royalty Partners, LP
Irish Life	Irish Life Group Limited	Sagard Holdings	Sagard Holdings Inc.
Koho	KOHO Financial Inc.	Sagard Holdings Management or SHMI	Sagard Holdings Management Inc.
Lifeco	Great-West Lifeco Inc.	SGS	SGS SA
Lion or Lion Electric	The Lion Electric Co.	SIX	Swiss Stock Exchange
Lumenpulse	Lumenpulse Group Inc.	Total	Total SA
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation	TSX	Toronto Stock Exchange
MassMutual	Massachusetts Mutual Life Insurance Company	Umicore	Umicore, NV/SA
MOWI	Mowi ASA	Wealthsimple	Wealthsimple Financial Corp.
		Webhelp	Webhelp Group
		XETR	XETRA Stock Exchange

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation (TSX: POW; POW.PR.E) is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms. Through Power Financial, it controls Lifeco and IGM and in recent years has implemented an active fintech strategy. It also holds jointly with the Frère Group of Belgium a controlling interest in GBL.

Power Corporation conducts its investment activities, built upon a network of deep and long-standing relationships, to provide superior returns. Investment activities include investments in alternative asset managers and investment funds, including Sagard Holdings and Power Sustainable, and interests in China resulting from more than 40 years of engagement. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values, whereby value is best achieved through a prudent approach to risk and through responsible corporate citizenship.

Power Corporation adheres to four overriding investing principles to pursue its objectives of achieving sustainable long-term value creation in the best interests of the Corporation:

- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management

Power Corporation's value creation strategy is focused on financial services, designed to generate long-term sustainable growth in earnings and dividends, and is based upon three key levers:

- Operating company organic levers: organic growth strategies at the publicly traded operating companies;
- Operating company inorganic levers: deployment and redeployment of capital; and
- Holding company levers: actions that can be taken at the Corporation and between the Corporation and its publicly traded operating companies and investments.

Power Corporation, through its alternative asset investment platforms, is developing alternative asset management businesses which build upon the investment capabilities that have been created over many years in several high-growth asset classes. The alternative asset investment platforms are focused on growing their asset management businesses through raising third-party capital and the Corporation intends to provide seed capital to the different investment products managed by each of the alternative asset investment platforms:

- Sagard Holdings, since its inception in 2005, has evolved into a multi-strategy alternative asset manager. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings invests across four asset classes: private credit, healthcare royalties, venture capital and private equity, and also offers wealth management services.
- Power Sustainable is a sustainability-led global alternative asset manager with a long-term investment approach. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable currently manages two main platforms:
 - Power Pacific invests in China's public equity markets, selecting companies with sustainable business models that have significant alignment to China's multi-decade transformation to an innovation-led economy. Power Pacific invests with a high-conviction, fundamentals-based and research-driven investment process.
 - Power Sustainable Energy Infrastructure actively invests in the development, construction and operation of renewable energy infrastructure assets across North America. Power Sustainable Energy Infrastructure applies the Corporation's principles of collaboration and building trusted relationships in industries that benefit from the global energy transformation.

The alternative asset investment platforms also have significant influence and controlling interests in several standalone businesses, which will be managed to create and realize value over time.

The Corporation's multi-generational relationships have been foundational in creating investment opportunities in China. China AMC, one of the largest asset managers in China, diversifies the Corporation's interests by creating strategic opportunities with other asset managers within the Power group of companies.

Reorganization

On February 13, 2020, the Corporation and Power Financial successfully completed a reorganization transaction (Reorganization), pursuant to which each common share of Power Financial held by holders of common shares of Power Financial other than the Corporation and its wholly owned subsidiaries (PFC Minority Shareholders), were exchanged for 1.05 subordinate voting shares of the Corporation and \$0.01 in cash. The Corporation acquired 238,693,580 common shares of Power Financial and issued 250,628,173 of its subordinate voting shares to PFC Minority Shareholders. The Corporation now holds 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX. Power Financial remains a reporting issuer in all of the provinces and territories of Canada, as Power Financial's First Preferred Shares and its 6.9% debentures due March 11, 2033 remain outstanding.

As part of the Reorganization, the Corporation announced that it anticipates significant near-term cost reductions of approximately \$50 million per year within two years of the date of the Reorganization by eliminating duplicative public company-related expenses and rationalizing other general and administrative expenses. To date, the Corporation has implemented actions to achieve 66% of the targeted reduction.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, imposing restrictions on certain non-essential businesses, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize economic conditions. Equity markets in particular have been volatile, experiencing material and rapid declines in the first quarter of 2020; however, the markets have since experienced recoveries.

The duration and impact of the COVID-19 pandemic is unknown at this time. While the conditions have become more stable, governments and central banks in the jurisdictions in which the Corporation and its operating subsidiaries operate have implemented and extended many of the measures introduced earlier in 2020 to deal with the economic impacts of the COVID-19 pandemic; however, the depth and length of the recession, rollout and efficacy of vaccines, and durability and effectiveness of government and central bank interventions are unknown. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods. Refer to the section "Risk Management" in the 2020 Annual MD&A for a summary of how the Corporation is managing the risks related to COVID-19 and to the section "Summary of Critical Accounting Estimates and Judgments" in the 2020 Annual MD&A, to Note 2 of the Interim Financial statements and Note 2 of the 2020 Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. Refer to Parts B and C of this MD&A for a further discussion of the potential consequences due to COVID-19 as well as a further discussion on risk management, measurement uncertainty and the potential exposures at Lifeco and IGM.

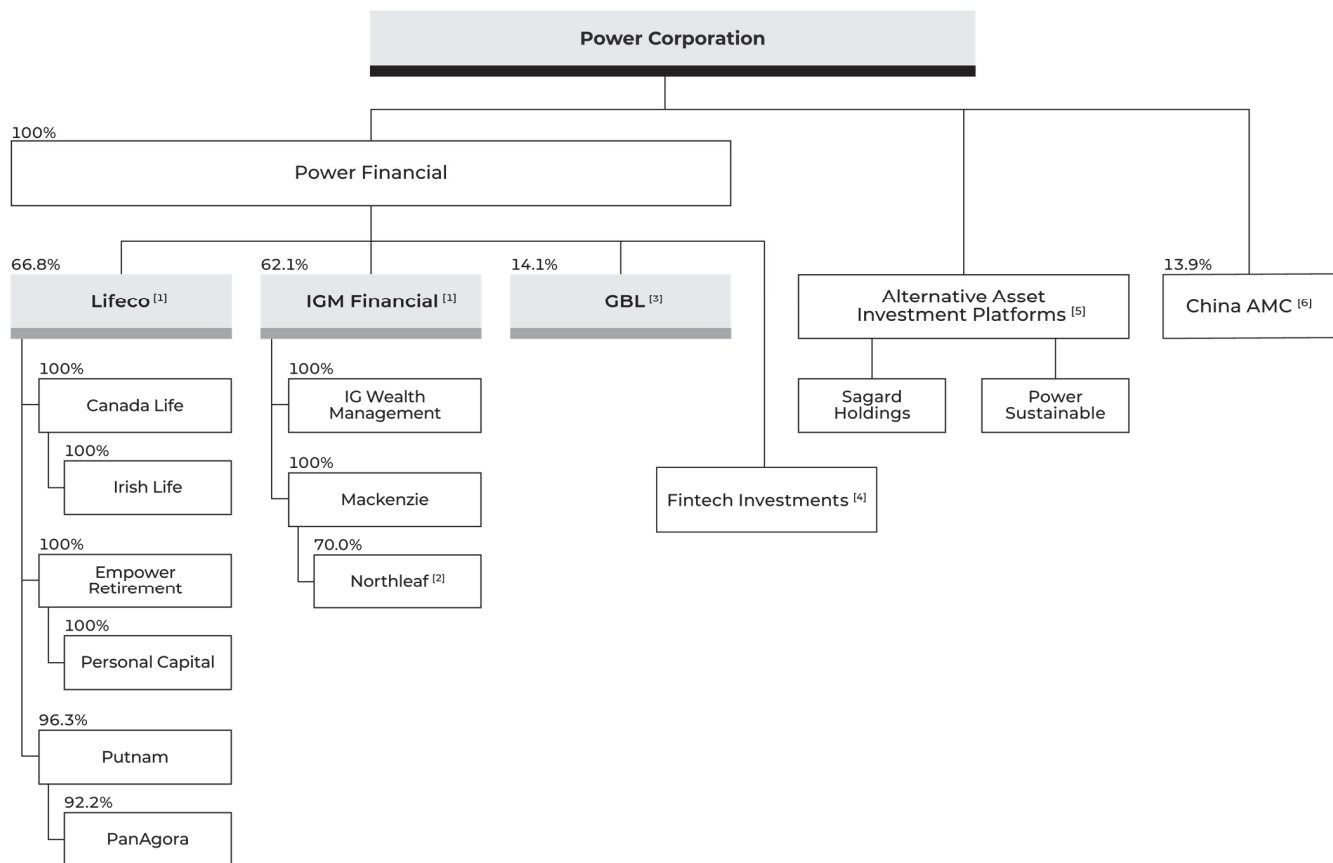
ORGANIZATION OF THE MD&A

The Corporation's MD&A consists of four parts:

- Part A - Power Corporation, presented on a consolidated and non-consolidated basis;
- Part B - Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part C - IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinancial.com);
- Part D - GBL's financial results, derived from publicly disclosed information, as issued by GBL in its first quarter press release. Further information on GBL's results is available on its website (www.gbl.be).

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. GBL is a public company listed on the Brussels Stock Exchange (EBR: GBLB). Market capitalizations reported in the following sections are at March 31, 2021.

The following chart reflects the economic interests held by the Corporation at March 31, 2021, which include the operating subsidiaries (Lifeco and IGM) and its interest in GBL, held through Power Financial, interests held through the Corporation's alternative asset investment platforms, and an interest in China AMC.



In bold: Publicly listed holdings

[1] Lifeco, through Canada Life, holds a 3.9% interest in IGM, and IGM holds a 4.0% interest in Lifeco.

[2] Represents a 49.9% non-controlling voting interest. The interest in Northleaf is held through an acquisition vehicle in which IGM holds an 80% equity interest and Lifeco holds a 20% equity interest.

[3] Held through Parjointco, a jointly controlled corporation (50%). Parjointco has a 43.2% voting interest in GBL. Refer to the section "GBL" for a list of investments.

[4] Includes a controlling interest in Portage I, Portage II and Wealthsimple, held through Power Financial, Lifeco and IGM.

[5] Refer to the section "Alternative Asset Investment Platforms" for a list of investments held by each investment platform.

[6] IGM also holds a 13.9% interest in China AMC.

PUBLICLY TRADED OPERATING COMPANIES

The Corporation holds controlling interests, through Power Financial, in Lifeco and IGM. It also has significant holdings in a portfolio of European-based global companies through its investment in GBL.

Lifeco

Great-West Lifeco Inc. (TSX: GWO), market capitalization of \$31.0 billion at March 31, 2021, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life. For reporting purposes, Lifeco has five reportable segments: Canada, the United States, Europe, Capital and Risk Solutions, and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies.

The Canada segment is operated by Canada Life primarily through the Individual Customer and Group Customer business units. Through the Individual Customer business unit, Lifeco offers a broad portfolio of financial and benefit plan solutions for individuals including life, disability and critical illness insurance products as well as wealth savings and income and other speciality products. Through the Group Customer business unit, Lifeco provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

The United States segment operates two primary business units, Financial Services and Asset Management. Empower Retirement, the Financial Services business unit, is a leading provider of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. This includes the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), which Lifeco acquired on December 31, 2020. Its products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. The Financial Services business unit also includes the results of Personal Capital Corporation, a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020. Financial Services also includes a retained block of life insurance, predominately participating policies, which are administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. The Asset Management unit, Putnam, provides investment management, certain administrative functions, distribution and related services through a broad range of investment products, including the Putnam funds, its own family of mutual funds which are offered to individual and institutional investors. PanAgora, a Putnam affiliate, offers a broad range of investment solutions using sophisticated quantitative techniques.

As a result of the acquisition of Personal Capital, Lifeco expects to incur total integration expenses of US\$57 million pre-tax, of which US\$7 million pre-tax (US\$5 million post-tax) have been incurred as of March 31, 2021 (US\$4 million pre-tax and US\$3 million post-tax were recognized in the first quarter of 2021) related to the integration of Personal Capital. The integration remains on track to be completed in the first quarter of 2022.

As of March 31, 2021, US\$40 million of pre-tax run rate cost synergies have been achieved related to Lifeco's acquisition of MassMutual's retirement services business. Lifeco remains on track to achieve run-rate cost synergies of US\$160 million pre-tax at the end of integration in 2022. Lifeco also remains on track to achieve revenue synergies of US\$30 million in 2022 and continue to grow beyond 2022.

Lifeco expects to incur integration and restructuring expenses of US\$125 million pre-tax related to the MassMutual transaction, of which US\$37 million pre-tax (US\$29 million post-tax) have been incurred as of March 31, 2021 (US\$8 million pre-tax and US\$6 million post-tax were recognized in the first quarter of 2021). Lifeco incurred transaction expenses of US\$1 million pre-tax (US\$1 million post-tax) in the first quarter of 2021 related to the MassMutual transaction, which are included in the U.S. Corporate business unit. Lifeco expects that the integration will be completed in the second half of 2022.

The Europe segment comprises three distinct business units: United Kingdom (U.K.), Ireland and Germany. The core products offered by the U.K. business unit are bulk and individual payout annuities, equity-release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. The core products offered by the Ireland business unit are savings and investments, individual and group life insurance, health insurance and pension products. The German business unit focuses on company and individual pension and individual protection products. The U.K. and German units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand.

The Capital and Risk Solutions segment includes the operating results of the reinsurance business unit which operates primarily in the U.S., Barbados, Bermuda and Ireland.

At March 31, 2021, Power Financial and IGM held interests of 66.8% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%.

See Part B of this MD&A for additional information on Lifeco.

IGM Financial

IGM Financial Inc. (TSX: IGM), market capitalization of \$9.1 billion at March 31, 2021, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. IGM has three reportable segments: Wealth Management, Asset Management and Strategic Investments and Other.

The Wealth Management segment reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and represents the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. The Wealth Management segment provides a comprehensive planning approach through IG Wealth Management consultants and IPC advisors by offering a broad range of financial products and services including a broad selection of mutual funds, managed portfolios, advisory accounts and unique portfolio management programs as well as insurance products and mortgage and banking solutions. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

The Asset Management segment reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third-party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors. Mackenzie Investments is a diversified asset management solutions provider and offers a wide range of investment mandates through a boutique structure and uses multiple distribution channels. Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

On December 31, 2020, Mackenzie, a subsidiary of IGM, acquired GLC, a Canadian investment and management firm with \$37 billion in assets under management, from Lifeco. Separately, Canada Life acquired the fund management contracts relating to the private label Quadrus Group of Funds (QGOF). Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

The Strategic Investments and Other segment primarily represents the key strategic investments made by IGM, including China AMC (refer to the section "China AMC"), Lifeco, Northleaf, Wealthsimple, and the Portage Ventures funds (refer to the section "Alternative Asset Investment Platforms"), as well as unallocated capital.

On October 28, 2020, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf, a global private equity, private credit and infrastructure fund manager, headquartered in Toronto. Mackenzie and Lifeco executed the transaction through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco. The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf for cash consideration of \$241 million and up to an additional \$245 million in consideration at the end of five years, subject to the business achieving exceptional growth in certain performance measures over the period. Northleaf's assets under management, including invested capital and uninvested commitments, were \$15.9 billion at March 31, 2021. IGM has determined that the acquisition vehicle has significant influence over Northleaf, and has classified its investment in Northleaf as an associate using the equity method.

At March 31, 2021, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.1% and 3.9%, respectively, in IGM's common shares.

See Part C of this MD&A for additional information on IGM.

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At March 31, 2021, Parjointco held a 28.2% indirect (43.2% of the voting rights) controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

GBL, EBR: GBLB; market capitalization of €14.2 billion at March 31, 2021, is one of the largest listed holding companies in Europe. A holding company, focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. GBL strives to maintain a diversified high-quality portfolio composed of global industrial and services companies, leaders in their sectors, in which GBL can contribute to value creation by being an active professional investor.

At March 31, 2021, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

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| <ul style="list-style-type: none"> ▪ Imerys (EPA: NK) – mineral-based specialty solutions for industry ▪ SGS (SIX: SGSN) – inspection, verification, testing and certification solutions ▪ adidas (XETR: ADS) – design, development, production and distribution of sporting goods ▪ Pernod Ricard (EPA: RI) – wines and spirits ▪ Holcim (SIX: HOLN and EPA: LHN) – construction materials and solutions including cement, aggregates and concrete | <ul style="list-style-type: none"> ▪ Umicore (EBR: UMI) – materials technology and recycling of precious metals ▪ GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors ▪ Ontex (EBR: ONTEX) – disposable hygiene products ▪ MOWI (OSE: MOWI) – producer of Atlantic salmon |
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PRIVATELY HELD

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- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Webhelp – provider of customer experience and business process outsourcing ▪ Canyon – direct-to-consumer manufacturer of premium bicycles | <ul style="list-style-type: none"> ▪ Parques – operation of regional leisure parks |
|--|---|

In addition, through its subsidiary Sienna Capital, GBL is developing a portfolio of private equity, debt and thematic funds.

On March 9, 2021, GBL invested €0.4 billion and acquired a majority stake in Canyon Bicycles GmbH (Canyon). Canyon is a leading and fast-growing German manufacturer of premium conventional and electric bikes with global reach and a leader in direct-to-consumer distribution. GBL controls the acquisition vehicle, and held 60% of the capital jointly with co-investors at the closing of the acquisition.

During the first quarter of 2021, GBL entered into forward sales contracts maturing on March 26, 2021 and related to a portion of its holding in Holcim (formerly LafargeHolcim), representing 1.80% of the capital (11.1 million shares) for a net amount of €530 million. These sales generated a gain for GBL of €118 million. GBL's holding decreased from 7.57% of Holcim's capital at the end of 2020 to 5.77% as a result of these disposals. During the period subsequent to March 31, 2021, GBL has entered into forward sales contracts maturing on June 15, 2021, and through May 4, 2021 has sold an additional 0.71% of the capital in Holcim which GBL expects to generate a gain of €54 million.

Subsequent to March 31, 2021 and through May 4, 2021, GBL reduced its holding in Umicore from 18.02% of the capital to 17.04% through the sale of 2.4 million shares for a net amount of €120 million. These sales generated a gain for GBL of €71 million.

GBL's net asset value at March 31, 2021 was €21,090 million, compared with €20,498 million at December 31, 2020.

See Part D of this MD&A for additional information on GBL.

ALTERNATIVE ASSET INVESTMENT PLATFORMS

Since the launch of the first Sagard fund in Europe in 2002, Power Corporation has continued to develop alternative asset investment platforms (investment platforms) that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes in three principal geographies: Europe, North America, and China. The investment platforms Sagard Holdings and Power Sustainable are managed locally by experienced investment professionals who have an in-depth knowledge of the local markets and benefit from collaboration within the Power group of companies. Power Corporation's investment platforms seek to generate attractive returns for their investors by: (i) attracting experienced investment teams to execute on investment strategies where the investment platforms' ecosystem gives them a competitive advantage; (ii) leveraging the global network created over decades by the Power group to drive the commercial success of their investment strategies and underlying investments; and (iii) providing flexible capital solutions to solve a range of business and financing needs.

The investment platforms comprise asset management and investing activities. Earnings from asset management activities include income earned from management fees and carried interest, net of investment platform expenses. Earnings from investing activities comprise income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms.

Assets under management of the investment platforms include:

- Net asset value of the investment funds managed, including unfunded capital commitments;
- Assets managed on behalf of clients by asset managers controlled within the investment platforms;
- Fair value of equity interests in standalone businesses; and
- Cash and other assets held by the manager.

Sagard Holdings

Sagard Holdings was founded in 2005 as a complement to the Corporation's global investment activities. Today, Sagard Holdings is a multi-strategy alternative asset manager with professionals principally located in Canada, the U.S. and Europe. Sagard Holdings seeks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

On March 26, 2021, the Corporation completed a reorganization to consolidate the alternative investment management business of Sagard Holdings under a newly formed entity, Sagard Holdings Management Inc. (SHMI). In the first quarter, the Corporation invested US\$20 million in SHMI and management of Sagard Holdings acquired an interest of 4.5% in SHMI. SHMI also created a long-term incentive program pursuant to which certain key management received, or will receive in the future, compensation in the form of equity of SHMI vesting over a 6-year period.

The operations of Sagard Holdings are comprised of asset management and investing activities.

ASSET MANAGEMENT ACTIVITIES

At March 31, 2021, Sagard Holdings had US\$7.8 billion of assets under management, including unfunded commitments, of which US\$211 million relates to equity interests in standalone businesses (see section "Standalone businesses" below), across four asset classes: private credit, healthcare royalties, venture capital and private equity, including US\$0.7 billion through its wealth management business.

The following table summarizes the funds managed by Sagard Holdings and the Corporation's interests in each of the funds:

March 31, 2021				Interest held		Commitment		Manager compensation			
(in millions; except as otherwise noted)	Currency	Vintage year	Total capital commitment	Power Corporation	Third parties & associated companies ^[1]	Total funded	Unfunded	Distributions to date ^[2]	Net asset value of the fund ^[3]	Base fees ^[4]	Base carried interest
			(\$)	(%)	(%)	(\$)	(%)	(\$)	(\$)	(%)	(%)
Private Credit											
Sagard Credit Partners	US\$	2017	557	18.0	82.0	284	48.9	151	362	1.50	15.0
Sagard Credit Partners II ^[5]	US\$	2020	650	7.7	92.3	-	100.0	-	-	1.50	20.0
Healthcare Royalties											
Sagard Healthcare Royalty Partners	US\$	2019	726	10.3	89.7	71	90.3	-	57	1.75	20.0
Venture Capital											
Portage I LP ^[6, 7]	C\$	2016	397	37.8	62.2	397	-	17	2,760	2.00	10.0
Portage II LP ^[6]	C\$	2018	427	12.4	87.6	235	44.9	-	443	2.00	20.0
Portage III LP ^[5]	US\$	2021	148	10.8	89.2	19	87.5	-	19	2.00	20.0
Private Equity											
Sagard Europe II	€	2006	748	22.0	78.0	721	3.6	991	129	1.75	20.0
Sagard Europe 3	€	2013	808	37.3	62.7	652	19.3	250	913	2.00	20.0
Sagard Europe 4 ^[5]	€	2020	395	38.2	61.8	92	76.7	-	83	1.75	20.0
Sagard NewGen ^[5]	€	2020	111	54.4	45.6	33	70.2	-	31	2.00	20.0

[1] Third parties and associated companies includes commitments from management as well as commitments of Lifeco (US\$50 million in Sagard Credit Partners II, \$33 million in Portage II and US\$24 million in Portage III), IGM (\$33 million in Portage II and US\$26 million in Portage III), Pargesa (€37 million in Sagard Europe II), and GBL (€113 million in Sagard Europe II, €218 million in Sagard Europe 3, €149 million in Sagard Europe 4 and €50 million in Sagard NewGen). Lifeco and IGM have invested \$23 million and \$224 million, respectively, in Portage I.

[2] Excludes distributions which have been recalled by the fund for reinvestment, as well as distributions made by the fund due to rebalancing from increases in fund size.

[3] Controlled and consolidated investments held through investment funds are presented at fair value.

[4] Management fees are based on committed or invested capital.

[5] Sagard Credit Partners II, Portage III LP, Sagard Europe 4 and Sagard NewGen will continue fundraising activities in 2021.

[6] Includes an interest in Portage I and Portage II of 37.8% and 7.7%, respectively, held through Power Financial.

[7] Includes investments held by Portage I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple and Koho.

Private Credit

- Sagard Credit Partners manages US\$1,284 million of assets, including unfunded commitments.
- Sagard Credit Partners LP, a fund launched in 2017, provides credit capital directly to public and private middle-market companies across the U.S. and Canada. Sagard Holdings has committed US\$100 million, of which it has funded US\$51 million at March 31, 2021. Sagard Credit Partners LP held investments of \$444 million (US\$353 million) at March 31, 2021.
- In October 2020, Sagard Holdings launched Sagard Credit Partners II, LP, its second credit fund, which will primarily invest in secured private credit, which the fund's investment manager believes to be an underserved segment in the non-sponsor-backed middle market in Canada and the U.S. Sagard Holdings has completed the first closing of Sagard Credit Partners II, with commitments totalling US\$650 million, of which Sagard Holdings has committed US\$50 million.

Subsequent to quarter end, in April 2021, Sagard Credit Partners II completed an additional closing of approximately US\$259 million, increasing total commitments to US\$909 million.

Healthcare Royalties

- Sagard Healthcare Royalty Partners manages US\$712 million of assets, including unfunded commitments. Sagard Holdings has committed US\$75 million of which it has funded a net amount of US\$8 million at March 31, 2021. Sagard Healthcare Royalty Partners LP (SHRP), a fund launched in 2019, invests in the life sciences sector with a focus on investments protected by strong intellectual property. SHRP invests in various structures, including traditional healthcare royalties, royalty securitizations and royalty-related credit.

Venture Capital (Fintech Investments)

- Portage Ventures, the venture capital arm of Sagard Holdings, manages US\$2.8 billion (C\$3.6 billion) of assets, including unfunded commitments and an investment in Wealthsimple, a consolidated subsidiary. The Corporation, through investments held by Power Financial, together with Lifeco, IGM and Sagard Holdings, are anchor investors in the Portage I, Portage II and Portage III funds. Portage Ventures is a global fintech investor focused on identifying visionary entrepreneurs building the next generation of financial service companies. Its global focus enables the leveraging of market insights from one region to another. Through its funds, Portage Ventures has invested in more than 50 fintech companies and investment funds.
- Portage I held investments of \$130 million at March 31, 2021 (\$101 million at December 31, 2020), excluding the investment in Wealthsimple, a consolidated subsidiary discussed below.
- Portage II has total capital commitments of \$427 million, of which Sagard Holdings has committed \$20 million and Power Financial, Lifeco and IGM have each committed \$33 million for a total of \$119 million. At March 31, 2021, the fair value of Portage II's investment portfolio was \$502 million (\$369 million at December 31, 2020).
- In the first quarter of 2021, Portage Ventures launched Portage Ventures III LP, its third fintech venture fund focused on early stage investments in the global financial technology sector. At March 31, 2021, total capital commitments amounted to US\$148 million, of which Sagard Holdings committed US\$16 million and Lifeco and IGM have committed US\$24 million and US\$26 million, respectively. Portage Ventures will continue fundraising through 2021.

Private Equity

- Sagard Holdings, through its subsidiary Sagard SAS, a French management company headquartered in Paris, manages US\$2.0 billion (€1.7 billion) of assets, including unfunded commitments. Sagard SAS manages investment funds dedicated to investing in mid-sized and small cap private companies based in Europe. Sagard SAS currently has four private equity funds including Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen.
- Sagard Europe 4, a fund launched in 2020, currently has a total committed capital of €395 million. The Corporation has committed an amount of €150 million, which may be increased to €200 million under certain circumstances, to Sagard Europe 4.

Sagard NewGen, a fund launched in 2020, is a European small cap fund focused on the healthcare and technology sectors; it will invest in majority and minority holdings with deal sizes typically between €10 million and €50 million. Sagard NewGen will seek to invest in companies aiming to become leaders in their market that share a commitment to innovation and sustainability. The Corporation committed an amount of €60 million to Sagard NewGen.

Sagard SAS will continue fundraising in 2021 for Sagard Europe 4 and Sagard NewGen.

- In January 2021, Sagard Holdings announced the launch of its Canadian Private Equity platform, a strategy which will focus on the middle market in Canada. Sagard expects external fundraising efforts to begin in the second half of 2021.

Wealth Management

- Sagard Holdings holds a 47.2% controlling interest in Grayhawk Investment Strategies Inc. (Grayhawk). Grayhawk, a registered portfolio manager, investment manager and exempt market dealer, manages \$0.9 billion in assets for high-net-worth (HNW) Canadian families.

In April 2021, Sagard Holdings invested a further \$11 million in Grayhawk acquiring an additional 16.2% equity interest.

INVESTING ACTIVITIES

The Corporation holds the following investments in funds, including the investments held through Power Financial, which are managed by Sagard Holdings:

Asset class	Private Credit	Healthcare Royalties	Venture Capital			Private Equity			
	Sagard Credit Partners LP	Sagard Healthcare Royalty Partners LP	Portage I LP ^[1]	Portage II LP	Portage III LP	Sagard Europe II	Sagard Europe 3	Sagard Europe 4	Sagard NewGen
March 31, 2021 (in millions of Canadian dollars)									
Investments to date ^[2]	132	51	150	38	3	221	522	130	28
Share of distributions to date ^[2]	65	43	11	10	-	289	310	80	-
Fair value of the investment at March 31, 2021	83	8	986	54	3	33	473	47	24

[1] Includes investment in controlled and consolidated subsidiary, Wealthsimple, at fair value.

[2] Includes distributions which have been recalled by the fund and distributions due to rebalancing.

Fintech Investments

Fintech investments are comprised of the Corporation's investments, primarily held through Power Financial, in the Portage I, Portage II and Portage III funds and Wealthsimple.

WEALTHSIMPLE

At March 31, 2021, Portage I, Power Financial and IGM collectively held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 74.0% (74.9% at December 31, 2020), representing a voting interest of 75.9% and a fully diluted equity interest of 61.7%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to scale its presence in the marketplace and expand its suite of investment and savings products, which include Wealthsimple Cash, Wealthsimple Crypto, Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade and Wealthsimple for Work. At March 31, 2021, Wealthsimple had over 1.0 million clients, excluding tax clients, across the Canadian, United States and United Kingdom markets with assets under administration of over \$12.7 billion, compared with \$5.7 billion (excluding the assets under administration of Wealthsimple for Advisors) at March 31, 2020, representing a year-over-year growth of 124%.

On March 4, 2021, Wealthsimple announced that it had sold its U.S. book of business, and expects to transfer all of its U.S.-based customer accounts in mid-2021. This disposal supports Wealthsimple's strategy to focus on the Canadian market.

On May 3, 2021, Wealthsimple announced that it had signed a \$750 million equity offering, which consisted of a \$250 million primary offering by Wealthsimple, as well as a \$500 million secondary offering by the Corporation, IGM and Lifeco (Power Group) pro rata to their respective ownership interests. The investment was led by Meritech Capital and Greylock Partners, and included participation from a large group of investors. At the close of this investment, it is expected that the Power Group will hold a combined equity interest of 42.6%, on a fully diluted basis, representing 60.3% of the voting rights of which a 3.8% voting interest is held through a co-investment vehicle managed by Sagard Holdings. As a result of the secondary offering, the Corporation will receive its share of proceeds of \$187 million (\$164 million after tax, before the consideration of existing tax attributes) and will retain a 15.9% equity interest in Wealthsimple, on a fully diluted basis, valued at \$796 million. The Power Group will receive proceeds of \$500 million and will retain an interest valued at \$2.1 billion. The transaction is subject to customary closing conditions and is expected to close by mid-May 2021.

In the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable. The Corporation's share of the charge on the remeasurement of the put right liability was \$208 million and is included as an Adjustment, of which \$108 million was reflected as an Adjustment to Lifeco and IGM's contribution to net earnings based on their respective interests. The Corporation's share of the net charge on the carried interest payable was \$41 million comprised of:

- Asset management activities: a net carried interest earned by Sagard Holdings of \$61 million which includes an amount of \$20 million of related employee costs to be expensed over the vesting period; and
- Investing activities: an increase in the carried interest payable of the Corporation of \$102 million of which \$53 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interests.

At close of the transaction, the existing put rights held by non-controlling interests and option holders of Wealthsimple will be extinguished. Following the close of the primary and secondary offerings and the extinguishment of the put rights, the Corporation expects the transaction will result in an increase in participating shareholders equity recognized through the statement of changes in equity.

At March 31, 2021, the cost of the Group's investment in Wealthsimple was \$315 million (same as at December 31, 2020).

DIALOGUE

Dialogue, one of the largest and fastest-growing telemedicine companies in Canada, is a health and wellness platform that offers on demand access to healthcare professionals for employees through Canadian employers. Portage I and Portage II together hold an approximate economic interest of 15.2% in Dialogue. At March 31, 2021, the Corporation's interest, held through Portage I and Portage II, was \$37 million.

On March 30, 2021, Dialogue successfully completed an initial public offering on the TSX, issuing an aggregate 8,334,000 common shares at a price of \$12.00 per share, which represents a post-money valuation of \$779 million. Dialogue plans to use the \$100 million of proceeds to expand its product offering, build and implement new health services in end markets, grow its customer base and acquire and invest in complementary businesses.

In the first quarter of 2021, due to the fair value increase in Dialogue, the Corporation recognized an unrealized gain of \$23 million on its share, held through Portage I and Portage II. In addition, \$12 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interest.

Power Sustainable

Power Sustainable is a global multi-platform alternative asset manager with a long-term investment approach focused on sustainable strategies. It has offices in Montréal, Toronto, Shanghai, Beijing and New Jersey. Power Sustainable is comprised of two platforms: the Pacific platform invests in the China equity markets, seeking high-quality, sustainable business models with a fundamentals-based, research-driven investment process; and the Energy Infrastructure platform invests in the development, construction and operations of renewable energy infrastructure assets in North America.

Power Sustainable has \$3.8 billion of assets under management, including unfunded commitments, of which \$1.1 billion relates to equity interests in standalone businesses (see section "Standalone Businesses" below).

POWER PACIFIC

Power Pacific invests in the mainland China A-shares (A shares) market through a Qualified Foreign Institutional Investor (QFII) licence as well as through the Hong Kong Stock Connect program. Power Pacific has a long-term, fundamentals-based investment philosophy, and benefits from ongoing growth across multiple attractive sectors in China.

Since its inception in 2005, the Corporation has invested \$360 million in Power Pacific and has received distributions of \$249 million, including distributions of \$72 million in the first quarter of 2021. At March 31, 2021, the fair value of the Corporation's investment in Power Pacific, including cash and other, was \$956 million (includes unrealized gains of \$74 million), compared with \$1,134 million at December 31, 2020.

	March 31, 2021	December 31, 2020
Investment in A shares	694	1,025
Cash and other	262	109
Total portfolio, at fair value	956	1,134

Power Pacific has launched China equity investment funds and also holds a Private Fund Manager (PFM) licence in China. At March 31, 2021, Power Pacific managed \$97 million on behalf of third-party investors and will continue fundraising activities.

POWER SUSTAINABLE ENERGY INFRASTRUCTURE

At March 31, 2021, Power Sustainable Energy Infrastructure (Power Sustainable Energy) managed \$1,586 million of net assets, including unfunded commitments, and operates a leading North American-focused renewable energy platform with 1.4 GW of utility-scale and distributed energy assets, including 384 MW of assets under construction, and 557 MW of assets in advanced development projects. Through its wholly owned operating companies - Nautilus Solar and Potentia Renewables - Power Sustainable Energy has a dedicated team of over 100 in-house professionals to oversee the development, construction, financing and operation of renewable energy assets across North America.

- **Potentia Renewables:** Power Sustainable holds a 100% interest in Potentia, a renewable energy generation company, which is a fully integrated developer, operator and manager of solar and wind energy assets, active in North America and the Caribbean.
- **Nautilus Solar:** Power Sustainable holds a 100% interest in Nautilus, a company headquartered in New Jersey, U.S. that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

Values for net assets disclosed throughout this section reflect the fair value of assets, net of liabilities and project debt.

Power Sustainable Energy actively manages these investments through Power Sustainable Energy Infrastructure Partnership (PSEIP) and through direct investments:

March 31, 2021 (in millions of Canadian dollars)	Assets under management ^[1]	Net asset value	Total assets ^[2]
PSEIP	1,136	422	993
Direct Investments	450	450	1,064
	1,586	872	2,057

[1] Net asset value and unfunded commitments.

[2] Represents the carrying value of total consolidated assets.

Power Sustainable Energy Infrastructure Partnership

- Power Sustainable Energy Infrastructure Partnership manages \$1,136 million of net assets, including unfunded commitments, throughout North America. In January 2021, Power Sustainable launched the Power Sustainable Energy Infrastructure Partnership, a partnership with committed capital of \$1 billion dedicated to the renewable energy sector, including a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco. Power Sustainable Energy will earn management fees of 0.85% to 1.00% charged on the net asset value of the partnership as well as a carried interest of 15%. At March 31, 2021, Power Sustainable has invested \$115 million in the partnership and has an unfunded commitment of \$285 million.
- At March 31, 2021, Power Sustainable Energy Infrastructure Partnership had \$993 million of total assets on a consolidated basis, having a net asset value of \$422 million. The fair value of the Corporation's investment in the partnership was \$160 million at March 31, 2021.

Direct Investments

- Power Sustainable Energy manages \$450 million of net assets through direct investments in projects under development and in operation in North America and the Caribbean.
- At March 31, 2021, Power Sustainable Energy had \$1,064 million in total assets on a consolidated basis. These direct investments have a combined 817 MW of solar and wind energy assets, which includes 210 MW of assets under construction, and 417 MW of assets in advanced development projects.

On January 1, 2021, certain existing operating assets and projects under development and the related project debt, in the amount of \$255 million, were transferred to the partnership from Potentia Renewables and Nautilus in exchange for consideration in cash of \$154 million and a 40% interest in the fund.

The Corporation controls the fund and consolidates the activities of the fund. Equity interests held by third parties have redemption features, subject to certain restrictions, and have been classified as a financial liability. In the first quarter of 2021, as a result of the investment by third parties in equity interests of the fund, the Corporation recognized a reduction of retained earnings of \$45 million in the statements of changes in equity, primarily related to the initial measurement of non-controlling interests.

The fair value of the Corporation's share in the energy infrastructure portfolio was \$610 million at March 31, 2021, compared with \$730 million at December 31, 2020. During the first quarter, the Corporation invested an additional \$34 million in the portfolio and received a distribution of \$154 million.

Standalone Businesses

The Corporation also has the following equity investments in standalone businesses which are managed to realize value over time:

SAGARD HOLDINGS

- Peak: Sagard Holdings held a 42.6% equity interest and 50% of the voting rights in Peak at March 31, 2021. Peak designs and markets sports equipment and apparel for ice hockey, baseball, softball and lacrosse under iconic brands including Bauer and Easton. The Corporation's investment is accounted for using the equity method.

In the fourth quarter of 2020, Easton Diamond Sports, LLC (Easton), a wholly owned subsidiary of Peak, and Rawlings Sporting Goods, Inc. (Rawlings), completed the previously announced definitive agreement for Rawlings to acquire Easton. As part of the agreement the existing shareholders of Peak continue to participate as minority owners in the combined organization. Peak's investment in the combined organization is accounted for using the equity method. In the fourth quarter of 2020, Peak recognized a gain on disposition; the Corporation's share of this gain was \$15 million.

- GP Strategies (NYSE: GPX): Sagard Holdings held a 21.0% equity interest at March 31 2021 in GP Strategies Corporation, a global performance improvement company offering sales and technical training, eLearning solutions, management consulting and engineering services. The Corporation accounts for its investment using the equity method.

POWER SUSTAINABLE

- Lumenpulse: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 60.5% at March 31, 2021 in Lumenpulse, an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments.
- Lion Electric: Power Sustainable, through Power Sustainable Energy, held a 44.1% equity interest at March 31, 2021 in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion designs and manufactures all-electric school buses and midi/minibuses for special needs or urban transit as well as urban trucks. Lion positions itself as a leading original equipment manufacturer (OEM) in transportation electrification in North America.

On November 30, 2020, Lion announced its intention to combine with Northern Genesis Acquisition Corp. (Northern Genesis). Northern Genesis is a publicly traded special-purpose acquisition company focused on a commitment to sustainability and strong alignment with environmental, social and governance principles.

On May 6, 2021, Lion announced the closing of the transaction. On that date, a wholly owned subsidiary of Lion merged with Northern Genesis, and as a result Lion is publicly listed on the TSX and the New York Stock Exchange. A US\$200 million committed private placement of common shares of Lion was completed, through which Power Sustainable invested an additional US\$17 million (C\$21 million).

Power Sustainable also holds call rights to acquire up to 13,212,480 shares from certain existing shareholders of Lion. The fair value of the call rights was estimated to be \$102 million at March 31, 2021 (same at December 31, 2020). Subsequent changes in the fair value of the call rights will be recognized in net investment income on the consolidated statement of earnings.

At the closing of the transaction, Power Sustainable held an equity interest in Lion of approximately 31.0%. The effect of the change in ownership is expected to result in a gain which will be recorded in earnings in the second quarter of 2021.

CHINA AMC

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained its position among the market leaders in China's asset management industry. China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,461 billion (C\$285 billion) at December 31, 2020.

The Corporation and IGM each hold interests of 13.9% in China AMC, representing a combined 27.8% interest. Together they have significant influence and account for their respective interests as an associate using the equity method.

The investment in China AMC leverages the group's global experience in wealth management and distribution. The Power group of companies benefits from the strategic relationship with China AMC which provides opportunities to work together, developing products and subadvisory relationships.

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) and are presented in Canadian dollars.

Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries. The consolidated financial statements present the financial results of Power Corporation (parent) and its subsidiaries after the elimination of intercompany balances and transactions.

The financial statements of the Corporation include the consolidated results of Power Financial which include the results of Lifeco, IGM, Wealthsimple and the Portage I and Portage II funds, which are controlled by Power Financial.

Power Financial's investment in GBL is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group, and is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and adjusted thereafter for changes in the share of net earnings (loss), other comprehensive income (loss) and changes in equity. The investment is reduced by the amount of dividends received.

The investment platforms manage and operate alternative asset investment funds in which third-party investors, the Corporation and associated companies can participate. The Corporation controls a fund when it is exposed, or has rights, to variable returns from its involvement with the fund and has the ability to affect those returns through its power to direct the relevant activities of the fund.

The following table summarizes the accounting presentation for the Corporation's holdings:

Control	Accounting Method	Earnings and Other Comprehensive Income	Impairment Testing	Impairment Reversal
Controlling interest in the entity	Consolidation	Consolidated with non-controlling interests	Goodwill and indefinite life intangible assets are tested at least annually for impairment	Impairment of goodwill cannot be reversed Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	Equity method	Corporation's share of earnings and other comprehensive income	Entire investment is tested for impairment	Reversed if there is evidence the investment has recovered its value
Investment	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal

At March 31, 2021, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Publicly traded operating companies^[1]			
Lifeco ^[2]	66.8	Controlling interest	Consolidation
IGM ^[3]	62.1	Controlling interest	Consolidation
GBL ^[4]	14.1	Joint control	Equity method
China AMC^[5]	13.9	Significant influence	Equity method
Alternative asset investment platforms			
Sagard Holdings	100.0	Controlling interest	Consolidation
Sagard Holdings Management	94.4	Controlling interest	Consolidation
Wealthsimple ^[1, 6]	18.4	Controlling interest	Consolidation
Portage I ^[1, 7]	63.0	Controlling interest	Consolidation
Portage II ^[1, 8]	12.4	Controlling interest	Consolidation
Portage III ^[9]	10.8	Controlling interest	Consolidation
Sagard Credit Partners LP	18.0	Controlling interest	Consolidation
Sagard Healthcare Royalty	10.3	Investment	Fair value through profit and loss
Sagard Europe II	22.0	Investment	Available for sale
Sagard Europe 3	37.3	Investment	Available for sale
Sagard Europe 4	38.2	Controlling interest	Consolidation
Sagard NewGen	54.4	Controlling interest	Consolidation
Power Sustainable	100.0	Controlling interest	Consolidation
Power Pacific Investments	100.0	Controlling interest	Consolidation
Power Sustainable Energy Infrastructure Partnership ^[10]	< 5.0	Investment	Available for sale
Power Sustainable Energy Infrastructure Partnership ^[10]	40.0	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
Lumenpulse	60.5	Controlling interest	Consolidation
Lion	44.1	Significant influence	Equity method
GP Strategies	21.0	Significant influence	Equity method

[1] Investments held by the Corporation through Power Financial.

[2] IGM also holds a 4.0% interest in Lifeco.

[3] Canada Life also holds a 3.9% interest in IGM.

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco holds a controlling interest in GBL.

[5] IGM, through Mackenzie, also holds an interest of 13.9% in China AMC.

[6] Portage I and IGM also hold interests of 14.7% and 40.9%, respectively, in Wealthsimple (see also the section "Wealthsimple").

[7] Lifeco and IGM also hold equal interests of 18.5% in Portage I.

[8] Power Financial holds a 7.7% interest, Sagard Holdings holds a 4.7% interest, and Lifeco and IGM also hold equal interests of 7.7% in Portage II.

[9] Lifeco and IGM also hold interests of 16.2% and 17.8%, respectively, in Portage III.

[10] Lifeco also holds a 15.0% interest in PSEIP.

At March 31, 2021, Parjointco's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
CBL	28.2	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
SGS	18.9	Investment	Available for sale
adidas	6.8	Investment	Available for sale
Pernod Ricard	7.6	Investment	Available for sale
Holcim	5.8	Investment	Available for sale
Umicore	18.0	Investment	Available for sale
GEA	8.5	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
MOWI	7.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Capital ^[1]	100.0	Controlling interest	Consolidation
Webhelp	61.2	Controlling interest	Consolidation
Canyon	51.9	Controlling interest	Consolidation
Parques	23.0	Significant influence	Equity method

[1] Sienna Capital holds a portfolio of investments in alternative investment funds.

The following table summarizes the classification of the investments held by the controlled and consolidated funds managed by the investment platforms:

Investment Fund	Classification of Investments held by the fund	Measurement
Sagard Credit Partners	Loans and receivables	Amortized cost
Portage I LP ^[1]	Available for sale	Fair value
Portage II LP	Fair value through profit and loss	Fair value
Sagard Europe 4	Fair value through profit and loss	Fair value
Sagard NewGen	Fair value through profit and loss	Fair value

[1] Excludes investment in Wealthsimple which is controlled and consolidated by the Corporation.

This basis of presentation should be read in conjunction with the following notes to the Corporation's 2020 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 5);
- Investments in jointly controlled corporations and associates (Note 7);
- Goodwill and intangible assets (Note 10); and
- Non-controlling interests (Note 20).

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

This MD&A presents and discusses financial measures which are not in accordance with IFRS. Management uses these financial measures in its presentation and analysis of the financial performance of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. The non-IFRS financial measures used in this MD&A are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Non-consolidated basis of presentation	Power Corporation's controlling interests, held through Power Financial, in Lifeco, IGM, Portage I, Portage II and Wealthsimple, as well as other subsidiaries and investment funds consolidated by Power Corporation are accounted for using the equity method.	Used by the Corporation to present and analyze its results, financial position and cash flows. Presents the holding company's (parent) results separately from the results of its consolidated operating companies. As a holding company, management reviews and assesses the performance of each operating company's contribution to net earnings and adjusted net earnings. This presentation is useful to the reader to assess the impact of the contribution to earnings for each subsidiary.
Adjusted net earnings	Net earnings excluding Adjustments.	Assists in the comparison of the current period's results to those of previous periods as it reflects management's view of the operating performance of the Corporation and its subsidiaries and excludes items that are not considered to be part of the underlying business results.
Adjustments	After-tax impact of any item that in management's judgment, including those identified by management of its publicly traded operating companies, would make the period-over-period comparison of results from operations less meaningful. Includes the Corporation's share of Lifeco's impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, as well as items that management believes are not indicative of the underlying business results which include those identified by a subsidiary or a jointly controlled corporation.	Identifies items that are not considered part of operating performance by management, including items identified by management of its publicly traded operating companies. The exclusion of these items assists management and the reader in assessing current results as these items are not reflective of underlying business results.
Adjusted net earnings per share	Earnings per share calculated using adjusted net earnings. Adjusted net earnings divided by the weighted average number of participating shares outstanding.	Assists in comparing adjusted net earnings on a per share basis.
Net asset value	Net asset value is the fair value of Power Corporation's non-consolidated assets less its net debt and preferred shares. The investments held in public entities (including Lifeco, IGM and GBL) are measured at their market value and investments in private entities and investment funds are measured at management's estimate of fair value.	Presents the fair value of the net assets of the holding company and is used to assist in assessing value. This measure may be used by investors and analysts in determining or comparing the fair value of investments held by the company or its overall fair value.
Net asset value per share	Net asset value calculated on a per share basis. Net asset value divided by the number of participating shares outstanding.	Assists the reader in comparing net asset value on a per share basis.

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities. Reconciliations of the net asset value and the non-IFRS basis of presentation with the presentation in accordance with IFRS are included throughout this MD&A.

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

The following tables present a reconciliation of net earnings reported in accordance with IFRS to non-IFRS financial measures: adjusted net earnings, adjustments and related per share amounts. Adjusted net earnings and adjusted net earnings per share are presented in the section "Non-Consolidated Statements of Earnings":

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Net earnings - IFRS financial measure ^[1]	556	623	200
Share of Adjustments ^[2] , net of tax			
Lifeco	32	(7)	135
IGM	98	3	5
GBL ^[3]	-	-	1
Alternative and other investments	100	-	-
Corporate operations	-	8	-
Attributable to non-controlling interests of Power Financial	-	-	4
	230	4	145
Adjusted net earnings - Non-IFRS financial measure ^[1]	786	627	345

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, GBL, alternative and other investments and corporate operations.

[3] Previously reported by Pargesa.

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Net earnings per share - IFRS financial measure ^[1]	0.82	0.92	0.36
Share of Adjustments ^[2] , net of tax			
Lifeco	0.05	-	0.25
IGM	0.14	-	0.01
GBL ^[3]	-	-	-
Alternative and other investments	0.15	-	-
Corporate operations	-	0.01	-
	0.34	0.01	0.26
Adjusted net earnings per share - Non-IFRS financial measure ^[1]	1.16	0.93	0.62

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, GBL, alternative and other investments and corporate operations. Share of Adjustments on a per share basis are presented net of amounts attributable to non-controlling interests of Power Financial.

[3] Previously reported by Pargesa.

Results of Power Corporation

This section presents:

- the “Consolidated Statements of Earnings in accordance with IFRS”; and
- the “Non-Consolidated Statements of Earnings”, which present the contributions to Power Corporation of its operating subsidiaries (Lifeco and IGM) and GBL, which are held through Power Financial, and the contribution of the Corporation’s alternative and other investments and China AMC to the net earnings and adjusted net earnings of Power Corporation.

Refer to the section “Non-IFRS Financial Measures and Presentation” for a description of the non-consolidated basis of presentation and a reconciliation of IFRS and non-IFRS financial measures.

PRESENTATION OF CORPORATE OPERATIONS (NON-CONSOLIDATED BASIS)

The Corporation completed the Reorganization and announced a change in its strategy in early 2020. In the fourth quarter of 2020, the Corporation modified the presentation of the activities held through Power Financial. Previously, Power Financial’s results including its corporate operations were presented separately by the Corporation. Subsequent to the Reorganization, the corporate operations of both the Corporation and Power Financial are being managed together and have been presented on a combined basis throughout the “Results of the Corporation” section. The investment activities of Power Financial, other than those held in publicly traded operating companies, are primarily interests held in fintech investments, all of which are managed by Sagard Holdings, and have been presented combined with the investing activities of Sagard Holdings, which represents the management and oversight structure. The comparatives in the non-consolidated earnings statements, non-consolidated balance sheets and non-consolidated statements of cash flows have been restated to reflect this change.

As well, in the second quarter of 2020, the Corporation modified the presentation of the asset management companies held by the investment platforms. Previously, the asset management activities were consolidated and included as corporate activities within the non-consolidated balance sheet of the Corporation. The activities of each asset management company are now presented within their operations. The comparatives in the non-consolidated balance sheets and non-consolidated statements of cash flows have been restated to reflect this change.

DEFERRAL OF IFRS 9, FINANCIAL INSTRUMENTS (IFRS 9)

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* and will be applied retrospectively. In June 2020, the IASB issued amendments to IFRS 17, which include an amendment to the effective date of the standard to January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17.

IGM, a subsidiary, and GBL, held through Parjointco, a jointly controlled corporation, do not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted but not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation decided to continue applying accounting policies in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, to GBL’s results. On consolidation, the Corporation has adjusted the results of both IGM and GBL to be in accordance with IAS 39. Refer to the specific discussion included in the IGM and GBL sections “Contribution to net earnings and adjusted net earnings”.

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the three months ended March 31, 2021 are presented below. The Corporation's reportable operating segments are Lifeco, IGM and GBL. This table reflects the contributions to the net earnings attributable to Power Corporation's participating shareholders from its reportable operating segments and the Corporation's alternative and other investments including its investment platforms, which include controlled and consolidated investment funds and investments and its investment in China AMC.

Consolidated net earnings - Three months ended

	Lifeco	IGM ^[1]	GBL ^[2]	Investment Platforms and Other ^[3]	Corporate ^[4]	Effect of consolidation ^[5]	Power Corporation Consolidated net earnings		
							March 31, 2021	December 31, 2020	March 31, 2020
Revenues									
Total net premiums	14,361	-	-	-	-	(5)	14,356	11,742	10,901
Net investment income	(4,003)	3	-	295	20	17	(3,668)	3,763	(1,938)
Fee income	1,751	836	-	74	-	(44)	2,617	2,365	2,192
Other revenues	-	-	-	88	-	-	88	84	194
Total revenues	12,109	839	-	457	20	(32)	13,393	17,954	11,349
Expenses									
Total paid or credited to policyholders	8,795	-	-	-	-	-	8,795	13,555	7,705
Commissions	661	290	-	-	-	(13)	938	932	882
Operating and administrative expenses	1,751	301	-	582	40	(31)	2,643	2,493	2,093
Financing charges	79	28	-	13	13	7	140	141	150
Total expenses	11,286	619	-	595	53	(37)	12,516	17,121	10,830
Earnings before investments in jointly controlled corporations and associates, and income taxes	823	220	-	(138)	(33)	5	877	833	519
Share of earnings of investments in jointly controlled corporations and associates	8	42	74	47	13	(36)	148	(1)	58
Earnings before income taxes	831	262	74	(91)	(20)	(31)	1,025	832	577
Income taxes	57	60	-	-	38	2	157	(147)	27
Net earnings	774	202	74	(91)	(58)	(33)	868	979	550
Attributable to									
Non-controlling interests	313	212	-	(227)	34	(33)	299	343	337
Non-participating shareholders	-	-	-	-	13	-	13	13	13
Participating shareholders of Power Corporation ^[5]	461	(10)	74	136	(105)	-	556	623	200
	774	202	74	(91)	(58)	(33)	868	979	550

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation by the Corporation and included in "Effect of consolidation".

[2] Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings of GBL includes adjustments in accordance with IAS 39.

[3] "Investment platforms and other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, standalone businesses as well as the investment activities held through Power Financial including Portage I, Portage II and Wealthsimple.

[4] "Corporate" is comprised of the corporate operations of Power Financial and the Corporation, presented on a combined basis.

[5] The results presented for Lifeco and IGM are as reported by each operating subsidiary. The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control including an allocation of the results of the fintech portfolio and reflects adjustments in accordance with IAS 39 for IGM. The contribution from Lifeco, IGM, GBL and Investment Platforms and Other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

As a holding company, the Corporation evaluates the performance of each segment based on its contribution to net earnings and adjusted net earnings. A discussion of the results of Lifeco, IGM and GBL is provided in the section "Contribution to net earnings and adjusted net earnings" below.

NON-CONSOLIDATED STATEMENTS OF EARNINGS

In this section, the contribution from Lifeco and IGM to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders are accounted for using the equity method. The contribution to the Corporation's net earnings and adjusted net earnings includes the contribution from GBL, and the Corporation's alternative and other investments including investment platforms, which includes controlled and consolidated investments accounted for using the equity method, and China AMC. The corporate operations from Power Financial and Power Corporation are presented on a combined basis.

Contribution to adjusted and net earnings

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Adjusted net earnings ^[1]			
Lifeco ^[2]	494	495	363
IGM ^[2]	125	127	100
GBL ^[2]	50	16	4
Effect of consolidation ^[3]	(14)	(34)	71
	655	604	538
Alternative and other investments ^[4]	256	78	25
China AMC	13	12	9
Corporate operating and other expenses	(91)	(20)	(63)
Dividends on non-participating and perpetual preferred shares	(47)	(47)	(48)
Non-controlling interests of Power Financial	-	-	(116)
	786	627	345
Adjustments ^[5]			
Lifeco ^[2]	(21)	114	(135)
IGM ^[2]	-	16	-
GBL ^[2]	-	-	(1)
Effect of consolidation	(109)	(126)	(5)
	(130)	4	(141)
Alternative and other investments	(100)	-	-
Corporate operations	-	(8)	-
Non-controlling interests of Power Financial	-	-	(4)
	(230)	(4)	(145)
Net earnings ^[6]	556	623	200

[1] For a reconciliation of Lifeco, IGM and GBL's non-IFRS adjusted net earnings to their net earnings, refer to the section "Contribution to net earnings and adjusted net earnings" below.

[2] As reported by Lifeco, IGM and GBL.

[3] See table below for details on Effect of consolidation.

[4] Includes earnings of the Corporation's investment platforms including investments held through Power Financial and earnings (losses) from standalone businesses.

[5] See "Adjustments" section below, including details on Effect of consolidation.

[6] Attributable to participating shareholders.

Contribution to adjusted and net earnings per share

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Adjusted net earnings per share – basic			
Lifeco ^[1]	0.73	0.73	0.52
IGM ^[1]	0.18	0.19	0.15
GBL ^[1]	0.08	0.02	0.01
Effect of consolidation ^[2]	(0.02)	(0.05)	0.06
	0.97	0.89	0.74
Alternative and other investments ^[3]	0.38	0.12	0.04
China AMC	0.02	0.02	0.02
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.21)	(0.10)	(0.18)
	1.16	0.93	0.62
Adjustments^[4]			
Lifeco	(0.03)	0.16	(0.25)
IGM	-	0.02	-
Effect of consolidation	(0.16)	(0.18)	(0.01)
	(0.19)	-	(0.26)
Alternative and other investments	(0.15)	-	-
Corporate operations	-	(0.01)	-
	(0.34)	(0.01)	(0.26)
Net earnings per share^[5]	0.82	0.92	0.36

[1] As reported by Lifeco, IGM and GBL. For a reconciliation of Lifeco, IGM and GBL's non-IFRS adjusted net earnings per share to their net earnings per share, refer to the section "Contribution to net earnings and adjusted net earnings" below.

[2] See table below for details on Effect of consolidation.

[3] Includes earnings of the Corporation's investment platforms including investments held through Power Financial and earnings (losses) from standalone businesses.

[4] See "Adjustments" section below, including details on Effect of consolidation.

[5] Attributable to participating shareholders.

Effect of consolidation reflects:

- The elimination of intercompany transactions;
- The application of the Corporation's accounting method for investments under common control to the reported net earnings of the publicly traded operating companies, which includes an allocation of the results of the fintech portfolio including Wealthsimple, Koho, Portage I and Portage II, to the contributions from Lifeco and IGM based on their respective interest; and
- Adjustments in accordance with IAS 39 for IGM and GBL.

The following table summarizes the effect of consolidation on adjusted net earnings by nature for Lifeco, IGM and GBL:

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Lifeco			
Allocation of fintech portfolio and other	(1)	18	(1)
IGM			
Allocation of fintech portfolio	(40)	13	(7)
Adjustments in accordance with IAS 39 and other	3	(4)	4
	(37)	9	(3)
GBL			
Adjustments in accordance with IAS 39 and other	24	(61)	75
	(14)	(34)	71
Non-controlling interests of Power Financial	-	-	(32)
	(14)	(34)	39
Per share	(0.02)	(0.05)	0.06

Q1 2021 vs. Q1 2020 and Q4 2020

Net earnings

\$556 million or \$0.82 per share, compared with \$200 million or \$0.36 per share in the corresponding period in 2020, and \$623 million or \$0.92 per share in the fourth quarter of 2020.

Adjusted net earnings

\$786 million or \$1.16 per share, compared with \$345 million or \$0.62 per share in the corresponding period in 2020, and \$627 million or \$0.93 per share in the fourth quarter of 2020.

Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL

Contribution to net earnings of \$525 million, compared with \$397 million in the corresponding period in 2020, an increase of 33.6%, and \$608 million in the fourth quarter of 2020.

Contribution to adjusted net earnings of \$655 million, compared with \$538 million in the corresponding period in 2020, an increase of 21.7%, and \$604 million in the fourth quarter of 2020.

A discussion of the results of the Corporation is provided in the sections "Contribution to net earnings and adjusted net earnings", "Alternative and other investments", "China AMC", "Corporate operations", and "Adjustments" below.

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

The reportable operating segments of Power Corporation are Lifeco, IGM and GBL.

LIFECO**Contribution to Power Corporation**

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Contribution to Power Corporation's ^[1] :			
Adjusted net earnings			
As reported by Lifeco	494	495	363
Effect of consolidation ^[2]	(1)	18	(1)
	493	513	362
Adjustments			
As reported by Lifeco	(21)	114	(135)
Effect of consolidation ^[3]	(11)	(107)	-
	(32)	7	(135)
Non-controlling interests of Power Financial	-	-	(76)
Net earnings	461	520	151

[1] Power Financial's average direct ownership in Lifeco was 66.8% for the quarter ended March 31, 2021 (66.9% in the corresponding period in 2020). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively.

[2] The Effect of consolidation includes the elimination of intercompany transactions and the application of the Corporation's accounting method for investments under common control including an allocation of the results of the fintech portfolio.

[3] Refer to the section "Adjustments" below for details of the Effect of consolidation; the fourth quarter of 2020 excludes the gain recognized by Lifeco on the sale of GLC.

Adjusted and net earnings per share as reported by Lifeco

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Adjusted net earnings per share ^[1, 2]	0.796	0.799	0.585
Adjustments ^[3]	(0.034)	0.184	(0.216)
Net earnings per share ^[1]	0.762	0.983	0.369

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings per common share" by Lifeco; refer to Part B of this MD&A.

[3] See "Adjustments" section below.

Adjusted and net earnings (loss) as reported by Lifeco

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Adjusted net earnings (loss)^[1, 2]			
Canada	298	348	273
United States	104	90	17
Europe	201	195	132
Capital and Risk Solutions	145	124	119
Lifeco Corporate	(9)	(16)	2
	739	741	543
Adjustments^[3, 4]			
Actuarial assumption changes and other management actions	5	(23)	(52)
Market-related impacts on liabilities	(24)	(31)	(149)
Net gain (charge) on business dispositions	-	143	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(1)	(47)	-
Revaluation of a deferred tax asset	-	196	-
Restructuring and integration costs	(12)	(67)	-
	(32)	171	(201)
Net earnings (loss)^[1]			
Canada	287	300	151
United States	89	208	5
Europe	195	253	91
Capital and Risk Solutions	145	167	93
Lifeco Corporate	(9)	(16)	2
Net earnings^[1]	707	912	342

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings" by Lifeco; refer to Part B of this MD&A.

[3] Described as "items excluded from base earnings" by Lifeco; refer to Part B of this MD&A.

[4] See "Adjustments" section below.

Q1 2021 vs. Q1 2020 and Q4 2020**Net earnings**

\$707 million or \$0.762 per share, compared with \$342 million or \$0.369 per share in the corresponding period in 2020, and \$912 million or \$0.983 per share in the fourth quarter of 2020.

Adjusted net earnings

\$739 million or \$0.796 per share, compared with \$543 million or \$0.585 per share in the corresponding period in 2020, an increase of 36.1% on a per share basis, and \$741 million or \$0.799 per share in the fourth quarter of 2020.

CANADA

Net earnings in the three-month period ended March 31, 2021 increased by \$136 million to \$287 million, compared with the corresponding quarter in 2020. Adjusted net earnings in the three-month period ended March 31, 2021 were \$298 million, an increase of \$25 million compared with the same quarter last year, primarily due to:

- Favourable morbidity experience in Group Customer; and
- Favourable impact of new business in Individual Customer;
- Partially offset by lower contributions from investment experience in Individual Customer.

Adjusted net earnings in the three-month period ended March 31, 2021 excluded Adjustments of negative \$11 million, compared with Adjustments of negative \$122 million in the corresponding quarter in 2020. Actuarial assumption changes and management actions were negative \$13 million primarily due to valuation model refinements, compared with negative \$94 million for the same quarter last year, which reflected the impacts of significant equity market declines in the first quarter of 2020. Positive market-related impacts were \$2 million in the three months ended March 31, 2021, compared with negative market-related impacts of \$28 million in the same quarter last year. Negative market-related impacts in the first quarter of 2020 resulted from in-quarter equity market declines and volatility on segregated fund guarantees and their related hedging ineffectiveness.

UNITED STATES

Net earnings in the three-month period ended March 31, 2021 increased by US\$66 million (C\$84 million) to US\$70 million (C\$89 million), compared with the corresponding quarter in 2020. Adjusted net earnings were US\$81 million (C\$104 million) in the three-month period ended March 31, 2021, an increase of US\$68 million (C\$87 million) compared with the same quarter last year, primarily due to:

- An increase of US\$42 million in Financial Services, primarily due to MassMutual-related base earnings of US\$38 million, net business growth driven by higher average equity markets and an increase in participants, and higher contributions from investment experience;
- Partially offset by a Personal Capital-related net base loss of US\$11 million; and
- An improvement of US\$28 million at Putnam primarily due to lower unrealized losses on seed capital and higher fee revenue, partially offset by higher compensation-related expenses. Putnam performance fees, which are seasonally higher in the fourth quarter, were comparable to the prior year, reflecting continued strong investment performance.

Adjusted net earnings in the three-month period ended March 31, 2021 excluded Adjustments of negative US\$11 million (C\$15 million), compared with negative US\$9 million (C\$12 million) in the corresponding quarter in 2020. The three months ended March 31, 2021 included restructuring and integration costs related to the MassMutual and Personal Capital acquisitions of US\$9 million. Market-related impact on liabilities for the first quarter of 2021 were negative US\$1 million compared with negative US\$9 million for the same quarter last year, primarily driven by lower hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits caused by market volatility.

EUROPE

Net earnings in the three-month period ended March 31, 2021 increased by \$104 million to \$195 million, compared with the corresponding quarter in 2020. Adjusted net earnings in the three-month period ended March 31, 2021 were \$201 million, an increase of \$69 million compared with the same quarter last year primarily due to annuitant experience in the U.K. and favourable morbidity experience in the U.K. and Ireland. The increase was partially offset by unfavourable mortality experience in the U.K. and Ireland.

Adjusted net earnings in the three-month period ended March 31, 2021 excluded Adjustments of negative \$6 million, compared with Adjustments of negative \$41 million in the corresponding period in 2020. The decrease in Adjustments of \$35 million was primarily due to less unfavourable market-related impacts on liabilities, partially offset by lower contributions from actuarial assumption changes. In the three months ended March 31, 2021, negative market-related impact on liabilities was \$24 million, primarily due to updated cash flow projections for real estate which support insurance contract liabilities. In the first quarter of 2020, negative market-related impacts on liabilities of \$79 million were primarily due to movements in the valuation of U.K. real estate assets as well as unhedged market movements in Ireland and Germany, partially offset by the impact of changes to certain tax estimates driven by equity markets in the U.K. Contributions from actuarial assumption changes and other management actions were a positive impact of \$18 million in the first quarter of 2021 primarily due to updated economic assumptions, compared with a positive impact of \$38 million in the first quarter of 2020.

CAPITAL AND RISK SOLUTIONS

Net earnings in the three-month period ended March 31, 2021 increased by \$52 million to \$145 million, compared with the same quarter last year. The increase in net earnings is primarily due to higher business volumes and favourable claims experience in the longevity business, partially offset by less favourable claims experience in the life business.

Adjusted net earnings in the three-month period ended March 31, 2020 excluded Adjustments of \$26 million. The first quarter of 2020 included negative market-related impact on liabilities driven by an increase in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting negative market-related experience during the quarter, partially offset by positive contributions from insurance contract liability basis changes.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Lifeco's management. Refer to further discussion above in each of Lifeco's operating segments.

In the first quarter of 2021, Adjustments of \$32 million consist of:

- Actuarial assumption changes and management actions had a positive impact of \$5 million;
- Market-related impacts on liabilities had a negative impact of \$24 million; and
- Restructuring and integration costs of \$12 million.

In the first quarter of 2020, Adjustments of \$201 million consisted of:

- Actuarial assumption changes and other management actions had a negative impact of \$52 million; and
- Market-related impacts on liabilities had a negative impact of \$149 million.

In the fourth quarter of 2020, Adjustments of a positive earnings impact of \$171 million consisted of:

- Actuarial assumption changes and other management actions had a negative impact of \$23 million;
- Market-related impacts on liabilities had a negative impact of \$31 million;
- Net gain on business dispositions of \$143 million recognized by Lifeco related to the sale of GLC Asset Management Group Ltd., net of restructuring costs of \$16 million after tax. The Corporation continued to consolidate GLC as it was acquired by IGM, and therefore the transaction has no impact on the consolidated statements of earnings and balance sheets. The Corporation has eliminated the gain recognized by Lifeco of \$159 million on consolidation.
- Revaluation of a deferred tax asset of \$196 million (US\$151 million). As a result of the acquisitions in the United States segment of the retirement services business of MassMutual and Personal Capital in 2020, Lifeco revised its estimates of future taxable profits and recognized a deferred tax asset that had previously been derecognized in the fourth quarter of 2019. The deferred income tax asset revaluation resulted in a \$196 million recovery to income tax expense;
- Transaction costs of \$47 million recognized by Lifeco related to the acquisitions of Personal Capital and the retirement services business of MassMutual; and
- Restructuring and integration costs of \$67 million recognized by Lifeco related to the acquisition of Personal Capital and the retirement services business of MassMutual as well as strategic initiatives in the Canadian segment. These initiatives, together with the sale of GLC, will result in staff reductions, exit costs for certain facilities' lease agreements and decommissioning activities related to technology and other assets. Changes relating to these initiatives are expected to be fully implemented by the end of 2022.

The information above has been derived from Lifeco's interim and most recent Annual MD&A; see Part B of this MD&A for additional information on Lifeco's interim results. Lifeco's most recent Annual MD&A is available under their profile on SEDAR (www.sedar.com).

IGM FINANCIAL

Contribution to Power Corporation

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Contribution to Power Corporation's ^[1] :			
Adjusted net earnings			
As reported by IGM	125	127	100
Effect of consolidation ^[2]	(37)	9	(3)
	88	136	97
Adjustments			
As reported by IGM	-	16	-
Effect of consolidation ^[3]	(98)	(19)	(5)
	(98)	(3)	(5)
Non-controlling interests of Power Financial	-	-	(17)
Net earnings	(10)	133	75

[1] Power Financial's average direct ownership in IGM was 62.1% for the quarter ended March 31, 2021 (same as in the corresponding period in 2020). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively.

[2] The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control including an allocation of the results of the fintech portfolio and reflects adjustments in accordance with IAS 39.

[3] Refer to the section "Adjustments" below for details of Effect of consolidation; the fourth quarter of 2020 excludes the Corporation's share of IGM's Adjustments related to the gain recognized by IGM on the sale of the QGOF.

Adjusted and net earnings per share as reported by IGM (in accordance with IFRS 9)

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Adjusted net earnings per share ^[1]	0.85	0.86	0.68
Adjustments ^[2, 3]	-	0.10	-
Net earnings per share^[1]	0.85	0.96	0.68

[1] Available to IGM common shareholders.

[2] See "Adjustments" section below.

[3] Described as "Other items" by IGM, refer to Part C of this MD&A.

Adjusted and net earnings by segments as reported by IGM (in accordance with IFRS 9)

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Wealth Management ^[1]	115	122	106
Asset Management ^[1]	48	41	32
Strategic Investments and Other ^[1]	39	42	23
Adjusted net earnings ^[2, 3]	202	205	161
Adjustments ^[4, 5]	-	24	-
Net earnings^[3]	202	229	161

[1] In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of its business. IGM has realigned the previously reported IG Wealth Management, Mackenzie Investments and Corporate and Other segments into three segments so that financial reporting characterizes its distinct business lines. The realigned segments include: Wealth Management, Asset Management and Strategic Investments and Other. In the first quarter of 2021, IGM further expanded its reportable segment disclosures to present net earnings, whereas previously it was presented as earnings before interest and taxes. Debt and interest expense is allocated to each segment based on IGM's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Comparative figures have been reclassified to reflect these changes.

[2] Non-IFRS financial measure described in Part C of this MD&A.

[3] Available to IGM common shareholders.

[4] IGM does not allocate Adjustments to segments.

[5] Described as "Other items" by IGM, refer to Part C of this MD&A.

Net earnings

\$202 million or \$0.85 per share, compared with \$161 million or \$0.68 per share in the corresponding period in 2020, an increase of 25% on a per share basis, and \$229 million or \$0.96 per share in the fourth quarter of 2020.

Adjusted net earnings

\$202 million or \$0.85 per share, compared with \$161 million or \$0.68 per share in the corresponding period in 2020, an increase of 25% on a per share basis, and \$205 million or \$0.86 per share in the fourth quarter of 2020.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39. The contribution to Power Financial includes adjustments to reverse the impact of the application of IFRS 9 by IGM.

There were no Adjustments in the first quarter of 2021 and in the corresponding quarter in 2020. The following is a summary of each segment's net earnings:

WEALTH MANAGEMENT

Net earnings increased by \$9 million to \$115 million in the three-month period ended March 31, 2021, compared with the corresponding quarter in 2020. The increase in net earnings is mainly related to an increase in net earnings of IG Wealth Management of \$9 million, primarily due to:

- An increase in income from advisory fees of \$20 million, primarily due to the increase in average assets under advisement of 11.1%, offset by a decrease in the advisory fee rate. The average advisory fee rate for the three-month period was 104.3 basis points of average assets under advisement, compared with 106.6 basis points in 2020, reflecting changes in product and client mix as there is an increase in high-net-worth clients who are eligible for lower rates;
- An increase in income from product and program fees of \$14 million, primarily due to the increase in average assets under management of 9.5%. The average product and program fee rate for the quarter was 85.9 basis points of average assets under management, compared with 87.0 basis points in 2020, reflecting changes in price and product mix;
- An increase in other financial planning revenues of \$6 million to \$42 million, primarily due to higher earnings from the mortgage banking operations and higher distribution fee income from insurance products; and
- An increase in net investment income and other of \$3 million to \$1 million. Net investment and other primarily relates to investment income earned on cash and cash equivalents and securities and other income not related to IG Wealth Management's core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

Partially offset by:

- An increase in advisory and business development expenses of \$21 million to \$205 million in the three-month period which includes compensation paid to Consultants, the majority of which varies directly with asset or sales levels. Asset-based compensation increased by \$15 million to \$124 million, mainly due to increased average assets under advisement and consultant performance. Sales-based compensation is based on the level of new assets contributed to client accounts and compensation paid on the sales of investment products are generally capitalized and amortized over their useful life. Sales-based compensation increased by \$4 million to \$12 million, due to additional sales-based commission being capitalized and amortized throughout 2020 and 2021;
- An increase in sub-advisory expenses of \$5 million to \$41 million, primarily due to higher assets under management;
- An increase in operations and support expenses of \$2 million to \$110 million which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses; and
- A decrease in redemption fees of \$2 million to \$4 million.

ASSET MANAGEMENT

The Asset Management segment includes the fees received from IGM's mutual funds, Wealth Management segment and third parties for investment management services.

Net earnings increased by \$16 million to \$48 million in the three-month period ended March 31, 2021, compared with the corresponding quarter in 2020, due to:

- An increase of net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$26 million to \$175 million, mainly due to an increase in net asset management fees – third party of \$25 million, primarily due to a 67.9% increase in average assets under management, partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 53.2 basis points for the three months ended March 31, 2021, compared with 73.7 basis points in the comparative period in 2020. The decline in the net asset management fee rate in the quarter was primarily due to the increase in sub-advisory assets from the GLC acquisition, which have lower effective rates, and to a change in the composition of assets under management, including the impact of having a greater share in non-retail-priced products. Management fees – Wealth Management increased by \$2 million to \$27 million; and
- An increase in net investment income and other of \$3 million to \$1 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds, which are generally made in the process of launching a fund and are sold as third-party investors subscribe;
- Partially offset by an increase in expenses of \$8 million to \$106 million, primarily due to an increase in operations and support expenses. Operations and support expenses includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of IGM's Wealth Management segment's operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment and a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where IGM provides investment management services, and include investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities.

Total assets under management and advisement were as follows:

(In billions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020	December 31, 2019
Wealth Management				
Assets under management	106.1	103.0	86.6	98.6
Other assets under advisement	30.8	29.6	23.6	26.3
Assets under advisement	136.9	132.6	110.2	124.9
Asset Management				
Assets under management excluding sub-advisory to Wealth Management	115.5	111.0	60.9	68.2
Sub-advisory to Wealth Management	76.1	74.2	64.1	73.6
Assets under management	191.6	185.2	125.0	141.8
Consolidated^[1]				
Assets under management	221.6	214.0	147.5	166.8
Other assets under advisement ^[2]	26.9	26.0	20.9	23.2
Total assets under management and advisement^[2]	248.5	240.0	168.4	190.0

[1] Represents the consolidated assets under management and advisement of IGM. In the Wealth Management segment, assets under management is a component part of assets under advisement. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client assets held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

Total average assets under management and advisement were as follows:

(In billions of dollars)	2021				2020
	Q1	Q4	Q3	Q2	Q1
Wealth Management					
Assets under advisement	134.9	128.3	124.3	117.1	121.9
Assets under management	104.9	100.4	97.7	91.9	96.2
Asset Management					
Assets under management excluding sub-advisory to Wealth Management	112.7	77.2	73.7	67.3	67.1
Total assets under management	187.2	149.5	144.5	134.5	137.5
Consolidated^[1]					
Assets under management	217.6	177.6	171.4	159.2	163.3
Assets under management and advisement ^[2]	243.9	202.2	194.9	181.5	186.0

[1] Represents the consolidated assets under management and advisement of IGM. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client assets held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by IGM's management.

There were no Adjustments in the first quarter of 2021 and in the corresponding quarter in 2020.

Adjusted net earnings in the fourth quarter of 2020 exclude a positive earnings impact of \$24 million, consisting of:

- In the fourth quarter, IGM recognized a gain on the sale of the investment in the Quadrus Group of Funds to Lifeco, net of acquisition costs, of \$21 million after tax (\$25 million pre-tax). The Corporation has not included the amount of the gain of \$30 million on the sale of the Quadrus Group of Funds in its Adjustments as this gain was eliminated on consolidation; and
- In the fourth quarter, a positive earnings impact of \$3 million, consisting of IGM's proportionate share of Lifeco's after-tax adjustments, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.

The information above has been derived from IGM's interim and most recent Annual MD&A; see Part C of this MD&A for more information on IGM's interim results. IGM's most recent Annual MD&A is available under their profile on SEDAR (www.sedar.com)

GBL

Contribution to Power Corporation

Three months ended (In millions of Canadian dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Contribution to Power Corporation's ^[1] :			
Adjusted net earnings (loss)			
As reported by GBL ^[2]	50	16	4
Effect of consolidation ^[3]	24	(61)	75
	74	(45)	79
Adjustments ^[2]	-	-	(1)
Non-controlling interests of Power Financial	-	-	(33)
Net earnings (loss)	74	(45)	45

[1] In the three-month period ended March 31, 2021, Power Financial's average indirect ownership in GBL was 14.1% (13.9% in the corresponding period in 2020). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively.

[2] In the fourth quarter of 2020, following the merger of Pargesa and Parjointco SA, Pargesa was delisted from the SIX and has therefore ceased to publish quarterly financial information. Prior to the fourth quarter of 2020, the Contribution to the Corporation was based on the financial results of Pargesa which included Adjustments identified by Pargesa. As of the fourth quarter of 2020, the Contribution to the Corporation is based on the financial results of GBL. GBL does not identify Adjustments or report adjusted net earnings.

[3] The Corporation has not adopted IFRS 9. The contribution to the Corporation includes an adjustment to account for GBL under IAS 39 as described below.

Adjusted and net earnings (loss) as reported by GBL (in accordance with IFRS 9)

Three months ended (In millions of euros)	March 31, 2021	December 31, 2020	March 31, 2020
Share of earnings (loss) of associates and consolidated operating companies of:			
Imerys	39	(36)	24
Webhelp	11	(4)	2
Piolin II/Parques	(11)	(35)	(15)
Canyon	(9)	-	-
Sienna Capital	11	16	(10)
	41	(59)	1
Net dividends from investments:			
SGS	104	-	108
Pernod Ricard	-	29	-
GEA	-	7	-
Total	-	-	(9)
Other ^[1]	1	16	14
	105	52	113
Interest income (expenses)	(5)	(7)	(4)
Other financial income (expenses)	5	136	(82)
Other operating income (expenses)	(39)	(60)	(7)
Gains (losses) from disposals, impairments and reversals of non-current assets	118	6	(6)
Taxes	-	-	-
Net earnings^[2, 3]	225	68	15

[1] In 2020, mainly consists of a reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total in 2008 and between 2016 and 2017.

[2] Described as "IFRS consolidated net result" in Part D of this MD&A.

[3] Attributable to GBL shareholders.

Q1 2021 vs. Q1 2020 and Q4 2020

Net earnings

€225 million, compared with €15 million in the corresponding period in 2020, and €68 million in the fourth quarter of 2020.

IAS 39 adjustments to the contribution of GBL

On January 1, 2018, GBL adopted IFRS 9, *Financial Instruments*. The majority of its investments in public entities are classified as FVOCI, an elective classification for equity instruments in which all fair value changes remain permanently in OCI. GBL and Pargesa have consistent classifications in accordance with IFRS 9.

The investments in private equity and other investment funds are classified as fair value through profit or loss (FVPL). The transition requirements of IFRS 9 required that all unrealized gains and losses at January 1, 2018 on investments previously classified as available for sale remain permanently in equity. Starting January 1, 2018, subsequent changes in fair value are recorded in earnings.

Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39. The following table presents adjustments to the contribution of GBL to Power Corporation's earnings in accordance with IAS 39:

Three months ended (In millions of Canadian dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Disposal of interest in Total ^[1]	-	-	45
Partial disposal of interest in Holcim ^[2]	35	-	-
Impairment charges ^[3]	(8)	-	(40)
Disposal of private equity funds and other ^[4]	7	7	17
Reversal of unrealized (gains) losses on private equity funds and other ^[5]	(10)	(68)	20
Total	24	(61)	42

[1] During the second quarter of 2019, GBL sold substantially all of its 0.6% interest in Total through forward sales contracts, which matured in January 2020 and resulted in a gain. GBL's gain of €411 million was not reflected in its earnings as the investment is classified as FVOCI. Power Corporation's share of this realized gain was \$45 million.

[2] During the first quarter of 2021, a portion of the investment in Holcim was disposed of, resulting in a gain from the reversal of previous impairments. The gain was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$35 million.

[3] Under IFRS 9, GBL classifies the majority of its investments in public entities as FVOCI, and as a result impairment charges are not recognized in earnings. Power Corporation recognized impairment charges on the following investments:

- GEA - The investment in GEA has been previously impaired, resulting in an adjusted cost of €22.50 per share. During the first quarter of 2020, the share price decreased to €18.73, resulting in an impairment charge. Power Corporation's share was \$13 million.
- Holcim - The investment in Holcim has been previously impaired, resulting in an adjusted cost of €35.83 per share. During the first quarter of 2020, the share price decreased to €33.41, resulting in an impairment charge. Power Corporation's share was \$27 million.
- Ontex - The investment in Ontex has been previously impaired, resulting in an adjusted cost of €11.00 per share. During the first quarter of 2021, the share price decreased to €8.98, resulting in an impairment charge. Power Corporation's share was \$8 million.

[4] During the first quarter of 2021, investments held through private equity funds, classified as FVPL in accordance with IFRS 9, were disposed of, resulting in a gain. Power Corporation's share of the realized gain in accordance with IAS 39 was \$7 million in the first quarter of 2021 and \$9 million in the corresponding period in 2020. During the first and fourth quarters of 2020, Power Corporation recognized its share of gains on the sale of other investments in the amount of \$8 million and \$7 million, respectively. The gain in the first quarter of 2020 resulted from the reversal of a previously recognized impairment.

[5] GBL classifies private equity investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation does not recognize these unrealized fair value changes in earnings as it continues to classify these private equity funds as available for sale in accordance with IAS 39.

Other than the share of earnings of Imerys, Webhelp, Canyon, Parques and Sienna Capital, a significant portion of GBL's net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Holcim (second quarter) ▪ SGS (first quarter) ▪ adidas (second quarter) | <ul style="list-style-type: none"> ▪ Umicore (second and third quarters) ▪ Pernod Ricard (second and fourth quarters) ▪ GEA (second quarter) |
|---|---|

RESULTS

Net earnings in the three-month period ended March 31, 2021, increased by €210 million to €225 million in the corresponding quarter in 2020. The increase in net earnings was mainly due to:

- An increase in the contribution from Imerys to net earnings of €15 million to a positive contribution to GBL of €39 million;
- An increase in the contribution from Webhelp to net earnings of €9 million to a positive contribution to GBL of €11 million;
- An increase in the contribution from Sienna Capital of €21 million to a positive contribution of €11 million;
- A negative contribution from Piolin II S.à.r.l. to GBL's net earnings of €11 million, compared with a negative contribution of €15 million in the first quarter of 2020;
- An increase in other financial income of €87 million to €5 million. Other financial income mainly includes the net increase in fair value of €47 million of Sienna Capital's investments in funds which are not consolidated, or equity accounted, partially offset by the net negative impact of marking to market derivatives associated with exchangeable bonds of GEA and Holcim of €45 million and marking to market the debt held by GBL to Webhelp's minority shareholders of €8 million; and
- An increase in gains (losses) from disposals, impairments and reversals of non-current assets of €124 million to €118 million. In the three-month period ended March 31, 2021, GBL recognized net gains on the sale of two investments held by Sienna Capital.

Partially offset by:

- A negative contribution to net earnings of €9 million from Canyon, acquired during the first quarter of 2021, mainly related to costs incurred in the context of the acquisition;
- An increase in other operating income (expenses) of €32 million to a total of €39 million, mainly due to the increase in debt recorded under Webhelp's staff incentive plan, which includes the effect of discounting and vesting; and
- A decrease in dividends of €8 million to €105 million mainly due to a decrease of other dividends of €13 million and a decrease of SGS dividends of €4 million. The dividend distributed by SGS in 2021 was SF80.00 per share, comparable to the distribution in 2020. Other dividends in the first quarter of 2020 of €13 million related to the reimbursement of withholding taxes received from the French tax authorities relating to dividends received from Engie and Total between 2016 and 2017. As well in 2020, there was a negative impact of €9 million recognized related to the impact of forward sales on Total.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Pargesa's management. The Contribution to the Corporation's adjusted and net earnings for the first quarter of 2020 includes the Corporation's share of Adjustments reported by Pargesa. GBL does not identify Adjustments or report adjusted net earnings.

Pargesa reported Adjustments of SF5 million in the first quarter of 2020. Adjustments mainly consisted of Pargesa's share of charges of Imerys, Parques and Webhelp.

AVERAGE EXCHANGE RATES

The average exchange rates for three-month periods ended March 31, 2021 and 2020 were as follows:

	March 31, 2021	March 31, 2020	Change %
Euro/CAD	1.525	1.483	2.8
SF/CAD	1.398	1.390	0.6

The information above has been derived from GBL's first quarter of 2021 press release; see Part D of this MD&A for additional information on GBL's results.

ALTERNATIVE AND OTHER INVESTMENTS

Alternative and other investments are comprised of the results of the investment platforms, which includes income earned from asset management and investing activities. Asset management activities includes management fees and carried interest net of investment platform expenses. Investing activities comprises income earned on the capital invested by the Corporation (proprietary capital) in each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms. Other includes the share of earnings (losses) of standalone businesses and the Corporation's investments in investment and hedge funds.

Income earned from investing activities (proprietary capital) and earnings from other investments are volatile in nature as they depend on many factors, including and primarily related to the timing of realizations.

Summary of income (loss) from the Corporation's alternative and other investments:

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
INVESTMENT PLATFORMS			
Sagard Holdings			
Asset management activities			
Management fees ^[1]	21	17	13
Investment platform expenses	(31)	(27)	(17)
	(10)	(10)	(4)
Net carried interest ^[2, 3]	71	7	(1)
Non-controlling interests ^[4]	(2)	-	-
	59	(3)	(5)
Investing activities (proprietary capital)			
Private equity and other strategies	(5)	8	38
Venture capital (fintech investments) ^[5]	(25)	32	(10)
	29	37	23
Power Sustainable			
Asset management activities			
Management and other fees ^[1]	4	3	2
Investment platform expenses	(13)	(11)	(5)
	(9)	(8)	(3)
Net performance fees and carried interest ^[2]	4	-	-
	(5)	(8)	(3)
Investing activities (proprietary capital)			
Power Pacific ^[6]	225	(2)	80
Power Sustainable Energy	(14)	(11)	(27)
	206	(21)	50
Income (loss) from investment platforms	235	16	73
Standalone businesses ^[7]	1	47	(44)
Other			
Investment and hedge funds	17	14	(5)
Other ^[8]	3	1	1
	20	15	(4)
Income (loss) from alternative and other investments	256	78	25

[1] Includes management fees charged by the investment platform on proprietary capital. Management fees paid by the Corporation are deducted from income from investing activities.

[2] Net carried interest is comprised of carried interest earned on changes in fair value of investments held within each fund, net of related employee costs which are recognized over the vesting period.

[3] Includes an amount of \$21 million in which the related cost will be recognized over the vesting period.

[4] Non-controlling interests represents equity interests held in SHMI by management of Sagard Holdings.

[5] Includes the Corporation's share of earnings (losses) of Wealthsimple and Koho (up to the date of deconsolidation on December 1, 2020). The first quarter of 2021 includes a charge of \$52 million related to the Corporation's share of the carried interest payable due to increases in fair value of investments held in the Portage Funds and Wealthsimple; as well, excludes a charge of \$100 million related to the remeasurement of the put right liability held by certain of the non-controlling interests in Wealthsimple to fair value which has been included in Adjustments. In the fourth quarter of 2020, the Corporation's share of the gain on deconsolidation of Koho was \$31 million. The increase in fair value of the Corporation's investment, including its investment held through Power Financial, in Portage I, Portage II, Koho and Wealthsimple was \$605 million in the first quarter of 2021, compared with no change in fair value in the first quarter of 2020.

[6] Mainly comprised of gains (losses) realized on the disposal of investments and dividends received. In the first quarter of 2021, the Corporation recognized realized gains on the disposal of investments in Power Pacific of \$229 million.

[7] In the fourth quarter of 2020, the increase in the fair value of the call right held by Power Sustainable to acquire additional equity interests in Lion resulted in a gain of \$102 million, partially offset by an increase in amounts payable for long-term incentive plans and deferred taxes of \$47 million and the Corporation's share of Lion's net loss in the amount of \$35 million. The net loss of Lion included charges related to their employee incentive plan and an increase in fair value of warrants. Includes the Corporation's share of earnings (losses) of IntegraMed (up to the date of deconsolidation on May 20, 2020), Lumenpulse, Lion, a jointly controlled corporation, and associates.

[8] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents.

Impairment Charges

Impairment charges included in income from Alternative and Other investments were nil in the three-month period ended March 31, 2021, compared with \$53 million in the corresponding period in 2020, of which \$18 million were related to Sagard Holdings, \$28 million to Standalone businesses and \$7 million to investment and hedge funds. In the fourth quarter of 2020, impairment charges were nil.

Sagard Holdings

For the three-month period ended March 31, 2021, impairment charges were nil, compared with \$18 million for the same period in 2020. The impairment charge in the first quarter of 2020 was related to the Corporation's share of an impairment charge on an investment held in the Sagard Europe 3 Fund.

Standalone businesses

For the three-month period ended March 31, 2021, impairment charges were nil, compared with \$28 million for the same period in 2020. The impairment charge in the first quarter of 2020 was related to an equity-accounted investment due to a decline in equity values at the end of March 2020.

CHINA AMC

For the three-month period ended March 31, 2021, income from China AMC was \$13 million, compared with \$9 million in the same quarter in 2020.

CORPORATE OPERATIONS

Corporate operations include operating expenses, financing charges, depreciation and income taxes.

Operating and other expenses

Summary of corporate operating and other expenses of the Corporation and Power Financial shown on a combined basis:

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Operating expenses ^[1]	36	31	48
Financing charges ^[2]	13	14	13
Depreciation	4	4	4
Income taxes	38	(29)	(2)
	91	20	63

[1] Operating expenses in the three-month period ended December 31, 2020 includes a gain of \$11 million related to the curtailment of certain executives from the Corporation's pension plan and updated pension assumptions used for certain executives as well as a reduction in other operating expenses in conjunction with the Reorganization.

[2] Financing charges related to Power Financial were \$4 million in the three-month period ended March 31, 2021.

INCOME TAXES

In the fourth quarter of 2020, a deferred tax expense was recognized through other comprehensive income in relation to unrealized gains in other comprehensive income. The Corporation had sufficient deductible temporary differences and tax attributes to offset these gains. The income tax recovery of \$29 million in the fourth quarter of 2020 included a deferred tax recovery recognized through earnings as these deductible temporary differences and tax attributes were related to items recorded in the statement of earnings.

The income tax expense in the first quarter of 2021 of \$38 million primarily relates to the deferred tax expense resulting from the realization of gains recorded in earnings on the sale of investments, and is a reclassification of the income tax previously recorded in other comprehensive income at December 31, 2020.

ADJUSTMENTS (EXCLUDED FROM ADJUSTED NET EARNINGS)

The following table presents the Corporation's share of Adjustments:

Three months ended	March 31, 2021	December 31, 2020	March 31, 2020
Lifeco^[1]			
Actuarial assumption changes and other management actions	4	(15)	(35)
Market-related impacts on liabilities	(16)	(21)	(100)
Net gain of sale of GLC	-	95	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(1)	(31)	-
Revaluation of a deferred tax asset	-	131	-
Restructuring and integration charges	(8)	(45)	-
	(21)	114	(135)
Effect of consolidation^[2]	(11)	(107)	-
	(32)	7	(135)
IGM^[1]			
Gain on sale of QGOF, net of acquisition costs	-	14	-
Share of Lifeco's adjustments	-	2	-
	-	16	-
Effect of consolidation^[2]	(98)	(19)	(5)
	(98)	(3)	(5)
GBL^[3]			
Other charges	-	-	(1)
	-	-	(1)
Alternative and other investments	(100)	-	-
Corporate operations			
Reorganization charges	-	(8)	-
Non-controlling interests of Power Financial	-	-	(4)
	(230)	(4)	(145)

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects the elimination of intercompany transactions and the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM, which includes an allocation of the Adjustments related to the fintech portfolio based on their respective interest. Includes IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impact on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings.

[3] As previously reported by Pargesa.

Wealthsimple fundraising - Lifeco, IGM and Alternative and other investments

On May 3, 2021, Wealthsimple announced that it had signed a \$750 million equity offering. As a result, in the first quarter of 2021, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value. The Corporation's share of the charge on the remeasurement of the put right liability was \$208 million and is included as an Adjustment. The charge has been reflected in the Adjustments of the alternative asset investment platforms, Lifeco and IGM based on their respective interest in the Effect of consolidation, of \$100 million, \$11 million and \$97 million, respectively. At close of the transaction, the existing put rights held by non-controlling interests and option holders of Wealthsimple will be extinguished. The fair value changes in the put right obligations were not previously presented as an Adjustment as they were expected to be recurring.

Effect of consolidation

- Lifeco: the fourth quarter of 2020 primarily reflects the Corporation's share of the elimination of the gain recognized by Lifeco on the sale of GLC.
- IGM: the fourth quarter of 2020 primarily reflects the Corporation's share of the elimination of the gain recognized by IGM on the sale of QGOF.

Corporate operations

- During the fourth quarter of 2020, the Corporation recognized charges in conjunction with the Reorganization of \$14 million related to the impairment of certain leasehold improvements and property-related right-of-use assets partially offset by a gain recorded in the fourth quarter of \$6 million on the disposal of a property.

For additional information, refer to the Lifeco, IGM and GBL "Adjustments" sections above.

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco, IGM and the investment platforms and other, as well as Power Corporation's and Power Financial's combined non-consolidated balance sheet ("Corporate"), are presented below. This table reconciles the non-consolidated balance sheet, which is not in accordance with IFRS, with the condensed consolidated balance sheet of the Corporation at March 31, 2021.

	Lifeco	IGM	Investment Platforms and Other ^[1]	Corporate	Effect of consolidation	Power Corporation Consolidated balance sheets	
						March 31, 2021	December 31, 2020
Assets							
Cash and cash equivalents	5,616	658	562	1,315	(204)	7,947	10,040
Investments	187,936	7,574	1,275	3,618	(3,843)	196,560	199,985
Investments in:							
Power Financial, Lifeco and IGM	357	969	-	17,492	(18,818)	-	-
Parjointco	-	-	-	4,089	-	4,089	4,216
Other ^[2]	107	943	407	-	880	2,337	2,313
Funds held by ceding insurers	17,619	-	-	-	-	17,619	18,383
Reinsurance assets	20,252	-	-	-	-	20,252	22,121
Other assets	12,991	2,587	3,166	337	(233)	18,848	17,772
Intangible assets	5,521	1,332	778	2	(33)	7,600	6,279
Goodwill	8,784	2,803	438	-	613	12,638	13,963
Investments on account of segregated fund policyholders	333,576	-	-	-	-	333,576	334,032
Total assets	592,759	16,866	6,626	26,853	(21,638)	621,466	629,104
Liabilities							
Insurance and investment contract liabilities	210,834	-	-	-	-	210,834	218,047
Obligations to securitization entities	-	5,820	-	-	-	5,820	6,174
Power Corporation's debentures and other debt instruments	-	-	-	732	-	732	756
Non-recourse debentures and other debt instruments ^[3]	9,465	2,100	1,500	250	(88)	13,227	13,299
Other liabilities	11,499	2,960	2,240	991	891	18,581	18,063
Insurance and investment contracts on account of segregated fund policyholders	333,576	-	-	-	-	333,576	334,032
Total liabilities	565,374	10,880	3,740	1,973	803	582,770	590,371
Equity							
Perpetual preferred shares	-	-	-	2,830	(2,830)	-	-
Non-participating shares	2,714	-	-	955	(2,714)	955	956
Participating shareholders' equity	21,691	5,936	2,646	21,095	(30,273)	21,095	21,251
Non-controlling interests ^[4, 5]	2,980	50	240	-	13,376	16,646	16,526
Total equity	27,385	5,986	2,886	24,880	(22,441)	38,696	38,733
Total liabilities and equity	592,759	16,866	6,626	26,853	(21,638)	621,466	629,104

[1] Includes consolidated investment funds, Wealthsimple and standalone businesses.

[2] Includes investments in jointly controlled corporation and associates.

[3] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[4] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[5] Non-controlling interests in Effect of consolidation represent non-controlling interests in the equity of Lifeco, IGM and controlled and consolidated investments.

Total assets of the Corporation decreased to \$621.5 billion at March 31, 2021, compared with \$629.1 billion at December 31, 2020, primarily due to a decrease in cash and cash equivalents of \$2.1 billion and a decrease in investments of \$3.4 billion which includes a decrease in Lifeco's bond portfolio driven by a decline in fair values resulting from an increase in bond yields across all geographies in which Lifeco operates, as well as an impact of currency movement.

Liabilities decreased to \$582.8 billion at March 31, 2021, compared with \$590.4 billion at December 31, 2020, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities decreased by \$7.2 billion, primarily due to fair value adjustments, normal business movements and the impact of currency movement. These items were partially offset by the impact of new business.
- Investment and insurance contracts on account of segregated fund policyholders decreased by \$0.5 billion, primarily due to the negative impact of currency movement of \$5.8 billion and net withdrawals of \$3.0 billion, partially offset by the impact of net market value gains and investment income of \$8.2 billion.

Parts B and C of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

NON-CONSOLIDATED BALANCE SHEETS

In the non-consolidated basis of presentation shown below, the non-consolidated balance sheets of Power Corporation and Power Financial are shown on a combined basis; investments in subsidiaries are presented using the equity method. These non-consolidated balance sheets, which are not in accordance with IFRS, enhance the MD&A and assist the reader by identifying changes in the combined non-consolidated balance sheet of Power Corporation and Power Financial.

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents ^[1]	1,315	1,226
Investment in:		
Lifeco	14,685	14,451
IGM	2,807	2,853
GBL ^[2]	4,089	4,216
Alternative and other investments ^[3]	2,928	3,367
China AMC	690	715
Other assets ^[4]	339	282
Total assets	26,853	27,110
Liabilities		
Debentures and other debt instruments ^[5]	982	1,006
Other liabilities	991	1,067
Total liabilities	1,973	2,073
Equity		
Perpetual preferred shares	2,830	2,830
Non-participating shares	955	956
Participating shareholders' equity	21,095	21,251
Total equity	24,880	25,037
Total liabilities and equity	26,853	27,110

[1] Cash equivalents include \$464 million (\$544 million at December 31, 2020) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements.

[2] Indirectly held through Parjointco.

[3] Includes Power Financial's investments in Portage I, Portage II and Wealthsimple, presented using the equity method, and its investment in Koho.

[4] Includes \$83 million of dividends declared in the first quarter by IGM and received by Power Financial on April 30, 2021 (same as at December 31, 2020).

[5] Includes Power Financial's debentures of \$250 million at March 31, 2021 (same as at December 31, 2020).

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to \$1,315 million at March 31, 2021, compared with \$1,226 million at the end of December 2020 (see "Non-Consolidated Statements of Cash Flows" below for details).

The cash and cash equivalents held by Sagard Holdings and Power Sustainable including Power Pacific amounted to \$486 million at March 31, 2021 (\$280 million at December 31, 2020) and are included in the carrying amount of the investment platforms.

Investments

INVESTMENTS IN LIFECO, IGM AND GBL (AT EQUITY)

The table below presents a continuity of the investments in Lifeco, IGM and GBL (held through Parjointco), which are presented using the equity method for the purposes of the non-consolidated presentation; this presentation is not in accordance with IFRS. The carrying value of the investments in Lifeco, IGM and GBL, accounted for using the equity method, increased to \$21,581 million at March 31, 2021, compared with \$21,520 million at December 31, 2020:

	Lifeco	IGM	GBL ^[1]	Total
Carrying value, at the beginning of the year	14,451	2,853	4,216	21,520
Share of adjusted net earnings	493	88	74	655
Share of adjustments	(32)	(98)	-	(130)
Share of other comprehensive income (loss)	48	45	(201)	(108)
Dividends	(272)	(83)	-	(355)
Other	(3)	2	-	(1)
Carrying value, at March 31, 2021	14,685	2,807	4,089	21,581

[1] Indirectly held through Parjointco.

ALTERNATIVE AND OTHER INVESTMENTS

Alternative and other investments are comprised of the following investments:

	March 31, 2021	December 31, 2020
Carrying value, as at		
Sagard Holdings		
Asset management companies	112	163
Investments ^[1]	803	825
Power Sustainable		
Asset management companies	15	8
Power Pacific	956	1,134
Power Sustainable Energy	220	427
Other		
Standalone businesses	567	563
Other ^[2]	255	247
	2,928	3,367

[1] Includes Power Financial's investments in Portage I, Portage II, Wealthsimple and Koho.

[2] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. At March 31, 2021, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of \$32 million.

INVESTMENT IN CHINA AMC

The carrying value of Power Corporation's investment in China AMC was \$690 million at March 31, 2021, compared with \$715 million at December 31, 2020.

Carrying value, at the beginning of the year	715
Dividends	(27)
Share of net earnings	13
Share of other comprehensive income	(11)
Carrying value, at March 31, 2021	690

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,461 billion (C\$285 billion) at December 31, 2020, compared with RMB¥1,248 billion (C\$240 billion) at June 30, 2020.

EQUITY**Non-participating shares**

Non-participating (preferred) shares of the Corporation consist of six series of First Preferred Shares with an aggregate stated capital of \$955 million at March 31, 2021 (\$956 million at December 31, 2020), of which \$950 million are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 to the Corporation's 2020 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was \$21,095 million at March 31, 2021, compared with \$21,251 million at December 31, 2020:

Three months ended March 31	2021	2020
Participating shareholders' equity, at the beginning of the year	21,251	13,214
Changes in participating shares		
Issuance of subordinate voting shares in acquisition of non-controlling interests of Power Financial	-	8,687
Issuance of participating preferred shares	-	206
Purchase for cancellation of subordinate voting shares under NCIB	(17)	(110)
Issuance of subordinate voting shares (617,765 shares in 2021 and 500,311 shares in 2020) under the Corporation's Executive Stock Option Plan	19	17
	2	8,800
Changes in retained earnings		
Net earnings before dividends on non-participating shares	569	213
Dividends declared	(316)	(316)
Acquisition of non-controlling interests in Power Financial	-	(2,847)
Transaction costs on acquisition of non-controlling interests in Power Financial	-	(46)
Purchase for cancellation of subordinate voting shares under NCIB	(19)	(83)
Effects of changes in capital and ownership of subsidiaries, and other	(42)	1
	192	(3,078)
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(207)	540
Investment revaluation and cash flow hedges	(365)	(232)
Actuarial gains (losses) on defined benefit plans	452	274
Share of Parjointco and other jointly controlled corporations and associates	(221)	(470)
Reattribution on acquisition of non-controlling interests of Power Financial	-	647
Share-based compensation, including the effect of subsidiaries	(9)	53
	(350)	812
Participating shareholders' equity, at March 31	21,095	19,748

The book value per participating share of the Corporation was \$31.17 at March 31, 2021, compared with \$31.38 at the end of 2020.

Outstanding number of participating shares

At the date of this MD&A, there were 54,860,866 participating preferred shares of the Corporation outstanding (same as at December 31, 2020), and 622,063,854 subordinate voting shares of the Corporation outstanding, compared with 622,388,232 at December 31, 2020.

At the date of this MD&A, options were outstanding to purchase up to an aggregate of 30,534,070 subordinate voting shares of the Corporation, which includes 12,075,672 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Reorganization

On February 13, 2020, the Corporation and Power Financial successfully completed the Reorganization, pursuant to which each common share of Power Financial held by PFC Minority Shareholders, being holders of common shares of Power Financial other than the Corporation and its wholly owned subsidiaries, were exchanged for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 in cash.

On February 12, 2020, in connection with the Reorganization, and in accordance with the pre-emptive right (Pre-emptive Right), in favour of holders of participating preferred shares included in the Corporation's Articles, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of \$34.27 per Participating Preferred Share, representing a cash consideration of \$206 million. The Pre-emptive Right entitled holders of Participating Preferred Shares to acquire from the Corporation, pro rata to their respective holdings in Participating Preferred Shares an aggregate number of Participating Preferred Shares that is equal to 12.0% of the number of subordinate voting shares issued pursuant to the Reorganization.

Also, on February 13, 2020, the Corporation acquired 238,693,580 Power Financial Common Shares, in exchange for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 per share in cash. The Corporation issued 250,628,173 Subordinate Voting Shares at a price of \$34.66 per Subordinate Voting Share and paid \$2 million in cash for a total consideration of \$8.7 billion.

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under Power Financial's Employee Stock Option Plan were exchanged for 13,733,786 options to acquire Subordinate Voting Shares of the Corporation (Replacement Options). The Replacement Options each entitle the option holders to receive 1.05 Subordinate Voting Shares of the Corporation.

Normal Course Issuer Bids

The Corporation's Normal Course Issuer Bid (NCIB) that commenced on February 20, 2020 expired on February 19, 2021. The Corporation did not make any purchases under this NCIB in the first quarter of 2021. The Corporation commenced a new NCIB on February 25, 2021 which is effective until the earlier of February 24, 2022 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

The Corporation commenced share buybacks at the end of February 2021 to offset dilution from the exercise of employee stock options. During the first quarter of 2021, the Corporation purchased for cancellation 1,160,000 (7,352,500 at March 31, 2020) Subordinate Voting Shares pursuant to its NCIB at a price of \$36 million (\$193 million at March 31, 2020). The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was \$19 million (\$83 million in 2020) and was recognized as a reduction to retained earnings.

Net Asset Value

Net asset value is presented for Power Corporation. Net asset value represents management's estimate of the fair value of the participating shareholders' equity of the Corporation. Net asset value is the fair value of the assets of the combined Power Financial and Power Corporation non-consolidated balance sheet less their net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries, jointly controlled corporations and associates are adjusted to fair value as follows:

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;
- Investments in private entities are valued at fair value based on management's estimate using consistently applied valuation models either based on a valuation multiple or discounted cash flows. Certain valuations are prepared by external valuers or subject to review by external valuers. Market-comparable transactions are generally used to corroborate the estimated fair value. The value of investments in private entities is presented net of any management incentives;
- Investments in investment funds are valued at the fair value reported by the fund which is net of carried interest or other incentives.

The presentation of the investments in subsidiaries, jointly controlled corporations and associates at fair value is not in accordance with IFRS; net asset value is a non-IFRS financial measure.

The Corporation's net asset value per share is presented on a look-through basis. The combined non-consolidated balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and GBL), and the net debt and preferred shares of Power Financial. The net asset value per share was \$45.94 at March 31, 2021, compared with \$41.27 at December 31, 2020, representing an increase of 11.3%.

	March 31, 2021			December 31, 2020		
	Combined non-consolidated balance sheet	Fair value adjustment	Net asset value	Combined non-consolidated balance sheet	Fair value adjustment	Net asset value
Assets						
Investments						
Power Financial						
Lifeco	14,685	6,056	20,741	14,451	4,374	18,825
IGM	2,807	2,859	5,666	2,853	2,252	5,105
GBL	4,089	(1,182)	2,907	4,216	(1,346)	2,870
Alternative and other investments						
Sagard Holdings						
Asset management companies ^[1]	112	-	112	163	-	163
Investments ^[2]	803	1,043	1,846	825	310	1,135
Power Sustainable						
Asset management companies ^[1]	15	-	15	8	-	8
Power Pacific	956	-	956	1,134	-	1,134
Power Sustainable Energy	220	390	610	427	303	730
Other						
Standalone businesses ^[3]	567	802	1,369	563	788	1,351
Other	255	24	279	247	19	266
China AMC ^[4]	690	-	690	715	-	715
Cash and cash equivalents	1,315	-	1,315	1,226	-	1,226
Other assets	339	-	339	282	-	282
Total assets	26,853	9,992	36,845	27,110	6,700	33,810
Liabilities and non-participating shares						
Debentures and other debt instruments	982	-	982	1,006	-	1,006
Other liabilities ^[5]	991	-	991	1,067	-	1,067
Non-participating shares and perpetual preferred shares	3,785	-	3,785	3,786	-	3,786
Total liabilities and non-participating shares	5,758	-	5,758	5,859	-	5,859
Net value						
Participating shareholders' equity / Net asset value	21,095	9,992	31,087	21,251	6,700	27,951
Per share	31.17		45.94	31.38		41.27

[1] The management companies of the investment funds are presented at their carrying value in accordance with IFRS and are primarily composed of cash and net carried interest receivable.

[2] Includes the Corporation's investments in Portage I, Portage II, Wealthsimple and Koho, held by Power Financial.

[3] At March 31, 2021, the investment in Lion was valued based on the subscription price of US\$10.00 per share for the private placement of common shares announced as part of the merger transaction with Northern Genesis Acquisition Corp. Subsequent to the completion of the merger on May 6, 2021, the investment in Lion increased to \$1.2 billion, valued based on the market value of Lion at May 12, 2021, and including \$150 million related to the fair value of its call rights, representing an increase of \$0.52 per share.

[4] Valued at carrying value in accordance with IFRS.

[5] In accordance with IAS 12, *Income Taxes*, no deferred tax liability is recognized with respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. If the Corporation were to dispose of an investment in a subsidiary or a jointly controlled corporation, income taxes payable on such disposition would be minimized through careful and prudent tax planning and structuring, as well as with the use of available tax attributes not otherwise recognized on the balance sheet, including tax losses, tax basis, safe income and foreign tax surplus associated with the subsidiary or jointly controlled corporation.

Investments measured at market value and cash represent 87.0% of the total assets at fair value at March 31, 2021 (87.3% at December 31, 2020). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's net asset value of \$3,020 million or \$4.46 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco, IGM and the Corporation's investment platforms, as well as Power Corporation's and Power Financial's non-consolidated cash flows on a combined basis, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the three-month period ended March 31, 2021.

	Lifeco	IGM	Investment Platforms and Other ^[1]	Corporate	Effect of consolidation	Power Corporation Consolidated	
						2021	2020
Three months ended March 31							
Cash flows from:							
Operating activities	1,793	52	(19)	267	(348)	1,745	1,929
Financing activities	(529)	(468)	144	(391)	499	(745)	(185)
Investing activities	(3,531)	302	68	213	(73)	(3,021)	(708)
Effect of changes in exchange rates on cash and cash equivalents	(63)	-	(9)	-	-	(72)	285
Increase (decrease) in cash and cash equivalents	(2,330)	(114)	184	89	78	(2,093)	1,321
Cash and cash equivalents, at the beginning of the year	7,946	772	640	1,226	(544)	10,040	6,805
Cash and cash equivalents, at March 31	5,616	658	824	1,315	(466)	7,947	8,126

[1] Includes consolidated investment funds, Wealthsimple and standalone businesses.

Consolidated cash and cash equivalents decreased by \$2,093 million in the three-month period ended March 31, 2021, compared with an increase of \$1,321 million in the corresponding period in 2020.

Operating activities produced a net inflow of \$1,745 million in the three-month period ended March 31, 2021, compared with a net inflow of \$1,929 million in the corresponding period in 2020.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, the repurchase of participating shares, issuance of common shares and limited-life fund and redeemable units by subsidiaries, dividends paid on the participating and non-participating shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests, represented a net outflow of \$745 million in the three-month period ended March 31, 2021, compared with a net outflow of \$185 million in the corresponding period in 2020.

Cash flows from investing activities resulted in a net outflow of \$3,021 million in the three-month period ended March 31, 2021, compared with a net outflow of \$708 million in the corresponding period in 2020.

The Corporation decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of \$80 million in the three-month period ended March 31, 2021, compared with a net inflow of \$31 million in the corresponding period in 2020.

Parts B and C of this MD&A include a discussion of the cash flows of Lifeco and IGM, respectively.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Corporation is a holding company, corporate cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes, and non-participating and participating share dividends.

The following combined non-consolidated statements of cash flows of Power Corporation and Power Financial, which are not presented in accordance with IFRS, have been prepared to assist the reader as they isolate the cash flows of the corporate operations.

Three months ended March 31	2021	2020
Operating activities		
Dividends		
Lifeco	272	272
IGM	83	83
Corporate operations, net of non-cash items ^[1]	(88)	(57)
	267	298
Financing activities		
Dividends paid on:		
Non-participating shares	(13)	(13)
Participating shares	(303)	(173)
Perpetual preferred shares	(34)	(35)
Common shares	-	(108)
Issuance of participating preferred shares	-	206
Issuance of subordinate voting shares	17	15
Repurchase of subordinate voting shares	(36)	(193)
Repurchase of non-participating shares	(1)	(1)
Changes in other debt instruments	(19)	80
Other	(2)	(2)
	(391)	(224)
Investing activities		
Distributions and proceeds from disposal of investments	312	134
Purchase of investments	(93)	(193)
Acquisition of Power Financial non-controlling interests including transaction costs paid	-	(42)
Other	(6)	(2)
	213	(103)
Increase (decrease) in cash and cash equivalents	89	(29)
Cash and cash equivalents, at the beginning of the year	1,226	1,392
Cash and cash equivalents, at March 31	1,315	1,363

[1] Includes changes in short-term receivables from, and payables to, investment platforms.

On a non-consolidated basis, cash and cash equivalents of the Corporation and Power Financial increased by \$89 million in the three-month period ended March 31, 2021, compared with a decrease of \$29 million in the corresponding period in 2020.

Operating activities resulted in a net inflow of \$267 million in the three-month period ended March 31, 2021, compared with a net inflow of \$298 million in the corresponding period in 2020. Dividends paid by the publicly traded operating companies include:

Three months ended	March 31, 2021		March 31, 2020	
	Dividend per share	Total dividend received	Dividend per share	Total dividend received
(In millions of Canadian dollars, except as otherwise noted)				
Lifeco	0.4380	272	0.4380	272
IGM	0.5625	83	0.5625	83

The Corporation's financing activities during the three-month period ended March 31, 2021 were a net outflow of \$391 million, compared with a net outflow of \$224 million in the corresponding period in 2020, and included:

- Dividends paid on non-participating and participating shares by the Corporation of \$316 million, compared with \$186 million in the corresponding period in 2020. In the three-month period ended March 31, 2021, dividends paid on the Corporation's participating shares were \$0.4475 per share, compared with \$0.4050 per share in the corresponding period in 2020.
- Dividends paid on preferred and common shares by Power Financial, net of those received by the Corporation, of \$34 million, compared with \$143 million in the corresponding period in 2020.
- No issuance of participating preferred shares, compared with issuance for an amount of \$206 million as part of the Reorganization in the corresponding period in 2020.
- Repurchase of \$36 million of subordinate voting shares, as part of the NCIB in the first quarter of 2021, compared with repurchase for an amount of \$193 million in the corresponding period in 2020.
- Decrease in other debt instruments of \$19 million, compared with an increase of \$80 million in the corresponding period in 2020.
- Issuance of subordinate voting shares of the Corporation for \$17 million pursuant to the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan, compared with issuance for an amount of \$15 million in the corresponding period in 2020.

The Corporation's investing activities during the three-month period ended March 31, 2021 were a net inflow of \$213 million, compared with a net outflow of \$103 million in the corresponding period in 2020.

Proceeds from disposal of investments and purchase of investments are comprised of investment activities of the Corporation and in its investment platforms.

Capital Management

As a holding company, Power Corporation's objectives in managing its capital are to:

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities present;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital; and
- maintain an appropriate credit rating to ensure stable access to the capital markets.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Parjointco and GBL, oversee and have the responsibility for their respective company's capital management.

With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of: debentures, non-participating shares, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital.

The Corporation's consolidated capitalization includes the debentures, preferred shares and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 73% of consolidated capitalization at March 31, 2021.

	March 31, 2021	December 31, 2020
Debentures and other debt instruments		
Power Corporation	732	756
Power Financial	250	250
Lifeco	9,465	9,693
IGM	2,100	2,100
Other ^[1]	1,500	1,344
Effect of consolidation	(88)	(88)
	13,227	13,299
	13,959	14,055
Non-participating shares		
Power Corporation	955	956
Power Financial	2,830	2,830
Lifeco	2,714	2,714
	5,544	5,544
	6,499	6,500
Equity		
Participating shareholders' equity	21,095	21,251
Non-controlling interests ^[2]	11,102	10,982
	32,197	32,233
	52,655	52,788

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of \$121 million (\$28 million in 2020) of debt under revolving credit facilities held by the investment funds, \$1,232 million (\$1,176 million in 2020) of project-related debt held within the Power Sustainable Energy Infrastructure platform, and \$148 million (\$140 million in 2020) of other debt held by standalone businesses. The other debt instruments are secured by the assets of the controlled investments which are non-recourse to the Corporation. See Note 9(B) to the Interim Consolidated Financial Statements for more information.

[2] Represents the non-controlling equity interests of the Corporation's subsidiaries excluding Power Financial and Lifeco's preferred shares, which are shown in this table as non-participating shares.

Power Corporation

- The Corporation filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of \$5 billion of First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.
- The Corporation commenced a NCIB on February 25, 2021 which is effective until the earlier of February 24, 2022 and the date on which the Corporation has purchased the maximum permitted number of subordinate voting shares. Refer to the section “Participating Shareholders’ Equity” for more information.

Power Financial

- Power Financial filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, Power Financial may issue up to an aggregate of \$3 billion of First Preferred Shares and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis through Power Financial.

The Corporation itself is not subject to externally imposed regulatory capital requirements; however, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements. Parts B and C of this MD&A further describe the capital management activities of Lifeco and IGM, respectively. See Note 21 to the Corporation's 2020 Consolidated Financial Statements for additional information.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is “A+” with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is “A” with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of a corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The “A+” rating assigned to the Corporation's debentures by S&P is the fifth highest of the 22 ratings used for long-term debt. A long-term debenture rated “A+” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The “A” rating assigned to the Corporation's debentures by DBRS is the sixth highest of the 26 ratings used for long-term debt. A long-term debenture rated “A” implies that the capacity for repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable.

The current rating by S&P of Power Financial's debentures is “A+” with a stable outlook. DBRS' current rating on Power Financial's debentures is “A (High)” with a stable trend.

Parts B and C of this MD&A provide information on the ratings of the debentures of Lifeco and IGM, respectively.

Risk Management

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses including a portfolio of alternative asset investment platforms. The Corporation, through Power Financial, holds a controlling interest in Lifeco and IGM and also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. The respective boards of directors of Lifeco, IGM and GBL are responsible for the risk oversight function at their respective companies. The risk committees of the boards of directors of Lifeco and IGM are responsible for their risk oversight. Certain officers of the Corporation are members of these boards and committees of these boards, including the risk committees, and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies. Parts B and C of this MD&A further describe risks related to Lifeco and IGM, respectively.

RISK OVERSIGHT

The Corporation believes that a prudent approach to risk is achieved through a governance model that focuses on the active oversight of its investments. The Board of Directors and executive officers of the Corporation have overall oversight and responsibility for risk management associated with the investment activities and operations of the holding company and maintain a comprehensive and appropriate set of policies and controls.

The Board of Directors provides oversight and carries out its risk management mandate and addresses operational risks primarily through the following committees:

- The Audit Committee addresses risks related to financial reporting and cybersecurity.
- The Human Resources Committee considers risks associated with the Corporation's compensation policies and practices.
- The Governance and Nominating Committee oversees the Corporation's approach to appropriately address potential risks related to governance matters.
- The Related Party and Conduct Review Committee reviews and considers for approval transactions with related parties of the Corporation.

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, which investors should carefully consider before investing in securities of the Corporation. The 2020 Annual MD&A reviews certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

During the first quarter of 2021, there were no changes to the Corporation's risk oversight approach, and the identification and management of the specific risks, including the risks related to the COVID-19 pandemic, as described in the 2020 Annual MD&A.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At March 31, 2021, there have been changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value since December 31, 2020. These changes did not have a material impact on the financial condition of the Corporation and its subsidiaries. See Note 18 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market makers in such derivatives.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the Corporation and by senior management of its subsidiaries. The Corporation and its subsidiaries have each established operating policies, guidelines and procedures relating to the use of derivative financial instruments, which in particular focus on:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships; and
- monitoring the hedging relationships.

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the three-month period ended March 31, 2021. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	March 31, 2021			December 31, 2020		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	21	4	4	21	1	1
Power Financial	23	7	7	23	3	3
Lifeco	28,033	669	(567)	30,121	829	(392)
IGM	2,496	38	10	2,273	38	3
Other subsidiaries	552	102	90	260	102	88
	31,104	816	(460)	32,677	972	(298)
	31,125	820	(456)	32,698	973	(297)

During the three-month period ended March 31, 2021, there was a decrease of \$1.6 billion in the notional amount of derivatives outstanding, primarily due to a decrease in forward-settling mortgage-backed security transactions ("to-be-announced securities"). The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) decreased to \$820 million at March 31, 2021 from \$973 million at December 31, 2020. The decrease was primarily driven by the impact of increases to market interest rates on interest rate swaps that receive fixed and pay floating rates.

Parts B and C of this MD&A provide information on the types of derivative financial instruments used by Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2020 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. See also Note 32 to the Corporation's 2020 Consolidated Financial Statements.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See also Part B of this MD&A and Note 32 to the Corporation's 2020 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Parts B and C of this MD&A and Note 31 to the Corporation's 2020 Consolidated Financial Statements.

Commitments and Contractual Obligations

At March 31, 2021, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2020 Annual MD&A, except for:

In the first quarter of 2021, Potentia has entered into turbine purchase contracts related to the Alberta wind projects under development of \$508 million.

Income Taxes (Non-Consolidated Basis)

The Corporation, together with Power Financial, had at March 31, 2021, non-capital losses of \$859 million, for which the benefits have not been recognized, available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2041.

The Corporation, together with Power Financial, had at March 31, 2021, capital losses of \$227 million, for which the benefits have not been recognized, that can be used indefinitely to offset capital gains.

Transactions with Related Parties

Power Corporation has a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and independent of the Corporation's controlling shareholder. The mandate of this Committee is to review proposed transactions with related parties of the Corporation, including its controlling shareholder, and to approve only those transactions that it deems appropriate and that are done at market terms and conditions.

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions which include capital commitments to investment funds, performance and base management fees paid to subsidiaries of the group and loans to employees. Such transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In the normal course of business, Canada Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and subadvisory services, respectively, to other companies within the Power Corporation group of companies. Such transactions are at market terms and conditions. These transactions are reviewed by the appropriate related party and conduct review committee.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

ICM enters into transactions with subsidiaries of Lifeco. These transactions are in the normal course of operations and include (i) providing certain administrative services, (ii) distributing insurance products and (iii) the sale of residential mortgages to Canada Life. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

During the first quarter, management of Sagard Holdings acquired an interest in SHMI, a newly formed entity, a subsidiary of Sagard Holdings. This transaction was at market terms and conditions and was reviewed by the Related Party and Conduct Review Committee. Refer to the Sagard Holdings section of "Alternative Asset Investment Platforms".

See Note 30 to the Corporation's 2020 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the Corporation's 2020 Annual MD&A and the notes to the Corporation's 2020 Consolidated Financial Statements.

IMPACT OF COVID-19 ON SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Corporation and its subsidiaries operate. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange, as well as, with respect to Lifeco, prevailing health and mortality experience market conditions.

The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, Lifeco's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating. Given rapid market changes, third-party credit rating changes may lag developments in the current environment.

The fair value of investments (Note 18 of the Interim Consolidated Financial Statements), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of the Corporation's Interim Financial Statements.

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies from those reported at December 31, 2020, except for:

The Corporation adopted the *Interest Rate Benchmark Reform - Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Corporation's consolidated financial statements.

The Corporation actively monitors changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) for potential impact on the Corporation.

Future Accounting Changes

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. The following sets out standards released and updates to the Corporation and subsidiaries' analysis since December 31, 2020:

Standard	Summary of future changes
IAS 1 – Presentation of Financial Statements	<p>In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.</p>
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	<p>In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.</p>

Internal Control over Financial Reporting

The Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As a management and holding company, the Corporation's business activities are carried out through its investments in businesses, each of which has its own management team. Accordingly, the Corporation's management relies on the certifications filed by management of Lifeco and IGM pursuant to National Instrument 52-109 – *52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*, as well as a sub-certification process by management at its other significant subsidiaries and investees in order to make determinations regarding the Corporation's disclosure controls and procedures and internal control over financial reporting.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended March 31, 2021 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LIMITATION ON DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

As permitted by securities legislation, for the period ended March 31, 2021, Lifeco's management has limited the scope of its design of Lifeco's disclosure controls and procedures and Lifeco's internal control over financial reporting to exclude controls, policies and procedures of MassMutual, which Lifeco acquired on December 31, 2020.

During the three-month period ended March 31, 2021, the acquired MassMutual business had adjusted net earnings of \$48 million and integration costs of \$8 million post-tax. At December 31, 2020, the estimated total assets, goodwill and intangibles acquired was \$115,169 million. Total estimated liabilities were \$112,232 million with the final valuation of the assets acquired and liabilities assumed expected to occur during 2021.

Power Financial Corporation

Power Financial relies on certain of the continuous disclosure documents filed by Power Corporation of Canada pursuant to an exemption from the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102) pursuant to Section 13.1 of NI 51-102 and as provided in the decision of the Autorité des marchés financiers and the Ontario Securities Commission, dated January 19, 2021, regarding Power Financial and Power Corporation. The following disclosure is provided further to the requirements of such decision:

At March 31, 2021	Lifeco	IGM	Corporate and other ^[1]	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	592,759	16,866	25,254	(20,550)	614,329	621,466
Total liabilities	565,374	10,880	2,916	208	579,378	582,770

For the three-months ending March 31, 2021	Power Financial	Power Corporation
Cash flows from operations	1,851	1,745

[1] Includes Power Financial's investment activities including its investment in Portage I, Portage II, and Wealthsimple.

Summary of Quarterly Results

	2021				2020				2019				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues ^[1]	13,393	17,954	14,682	20,631	11,349	11,729	15,422	3,824	17,866				
Assets under management [in billions]	1,144	1,142	990	942	879	941	916	907	904				
Assets under administration [in billions]	2,310	2,195	1,860	1,855	1,699	1,823	1,781	1,751	1,731				
Net earnings (attributable to participating shareholders)	556	623	505	666	200	179	359	278	292				
per share - basic ^[2]	0.82	0.92	0.75	0.99	0.36	0.42	0.84	0.64	0.63				
per share - diluted ^[2]	0.82	0.92	0.75	0.99	0.36	0.42	0.84	0.64	0.63				
Adjusted net earnings (attributable to participating shareholders) ^[3]	786	627	483	533	345	357	308	359	251				
per share - basic ^[2, 3]	1.16	0.93	0.72	0.79	0.62	0.84	0.72	0.83	0.54				
Adjustments ^[3, 4]	(230)	(4)	22	133	(145)	(178)	51	(81)	41				
per share - basic ^[5]	(0.34)	(0.01)	0.03	0.20	(0.26)	(0.42)	0.12	(0.19)	0.09				

[1] The decrease in revenues in the second quarter of 2019 is due to the impact of Lifeco's sale, via indemnity reinsurance, of its U.S. individual life insurance and annuity business to Protective Life.

[2] In the second quarter of 2019, pursuant to the Power Corporation Substantial Issuer Bid, Power Corporation repurchased approximately 9.8% of its issued and outstanding subordinate voting shares.

[3] Adjusted net earnings and adjusted net earnings per share attributable to participating shareholders, and adjustments and adjustments per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures and Presentation" in this MD&A. In the first quarter of 2021, the charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value was presented as an Adjustment as these rights will be extinguished and thereafter will not have future fair value changes. The related amounts in the comparative periods have been reclassified as an Adjustment to reflect this presentation. In the first quarter of 2020, the definition of Adjustments was changed; refer to the definition included in the section "Non-IFRS Financial Measures and Presentation" in this MD&A. The comparative amounts have been adjusted to reflect this change.

[4] The Corporation's share of Lifeco, IGM and GBL's Adjustments, including the effect of consolidation, and Adjustments of the Corporation are as follows:

	2021				2020				2019				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lifeco	(32)	7	97	105	(139)	(136)	23	(73)	39				
IGM	(98)	(3)	(51)	4	(5)	(5)	1	(3)	2				
GBL ^[1]	-	-	(2)	(3)	(1)	(15)	(4)	(5)	-				
Alternative and other investments	(100)	-	(22)	27	-	(16)	-	-	-				
Corporate operations	-	(8)	-	-	-	(6)	31	-	-				
	(230)	(4)	22	133	(145)	(178)	51	(81)	41				

[1] As previously reported by Pargesa.

Great-West Lifeco Inc.

PART B

Management's Discussion and Analysis

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Financial Statements and Notes

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Please note that the bottom of each page in Part B contains two different page numbers. A page number with the prefix "B" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by Great-West Lifeco Inc.

The attached documents concerning Great-West Lifeco Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Cautionary Note Regarding Forward-Looking Information. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2021
DATED: MAY 5, 2021**

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2021 and includes a comparison to the corresponding periods in 2020, to the three months ended December 31, 2020, and to the Company's financial condition as at December 31, 2020. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

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BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2021. Also refer to the 2020 Annual MD&A and audited consolidated financial statements in the Company's 2020 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost (including deferred consideration), benefits, timing of integration activities and revenue and expense synergies of acquisitions and divestitures, including the recent acquisitions of Personal Capital Corporation (Personal Capital) and the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), expected capital management

activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities), the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the novel coronavirus ("COVID-19") and related economic and market impacts on the Company's business operations, financial results and financial condition.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the severity, magnitude and impact of the novel coronavirus (COVID-19) pandemic (including the effects of the COVID-19 pandemic and the effects of governments' and other businesses' responses to the COVID-19 pandemic on the economy and the Company's financial results, financial condition and operations), the duration of COVID-19 impacts and the availability and adoption of vaccines, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate the acquisitions of Personal Capital and the retirement services business of MassMutual, the ability to leverage Empower Retirement's, Personal Capital's and MassMutual's retirement services businesses and achieve anticipated synergies, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2020 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 10, 2021 under "Risk Factors", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "base earnings (loss)", "base earnings (loss) (US\$)", "base earnings per common share", "return on equity", "base return on equity", "core net earnings (loss)", "constant currency basis", "impact of currency movement", "premiums and deposits", "sales", "net cash flows and net asset flows", "assets under management" and "assets under administration". Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the "Non-IFRS Financial Measures" section in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian \$ millions, except for per share amounts)

	As at or for the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Earnings			
Base earnings ⁽¹⁾	\$ 739	\$ 741	\$ 543
Net earnings - common shareholders	707	912	342
Per common share			
Basic:			
Base earnings ⁽¹⁾	0.796	0.799	0.585
Net earnings	0.762	0.983	0.369
Diluted net earnings	0.761	0.983	0.369
Dividends paid	0.438	0.438	0.438
Book value	23.36	22.97	22.34
Base return on equity⁽¹⁾	13.6 %	12.8 %	13.5 %
Return on equity⁽¹⁾	15.7 %	14.1 %	10.3 %
Total premiums and deposits⁽¹⁾⁽²⁾	\$ 46,272	\$ 40,831	\$ 46,477
Fee and other income	1,751	1,569	1,441
Net policyholder benefits, dividends and experience refunds	13,143	9,916	9,429
Total assets per financial statements	\$ 592,759	\$ 600,490	\$ 436,903
Proprietary mutual funds and institutional net assets ⁽¹⁾	350,882	350,943	288,309
Total assets under management⁽¹⁾	943,641	951,433	725,212
Other assets under administration ⁽¹⁾	1,134,222	1,024,414	798,847
Total assets under administration⁽¹⁾	\$2,077,863	\$1,975,847	\$1,524,059
Total equity	\$ 27,385	\$ 27,015	\$ 26,441
The Canada Life Assurance Company consolidated LICAT Ratio⁽³⁾	123 %	129 %	133 %

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Comparative figures have been reclassified to reflect presentation adjustments.

⁽³⁾ The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section of this document for additional details.

COVID-19 PANDEMIC IMPACTS

The COVID-19 pandemic continues to cause material disruption to businesses globally, resulting in continued economic pressures. While several vaccines for COVID-19 have been approved, the availability and uncertainty around the effectiveness of vaccines and the emergence of COVID-19 variants that could be more contagious have created further economic uncertainty. Governments in some regions in which the Company operates have instituted tighter lockdown restrictions that have caused further economic uncertainty. However, governments and central banks continue to provide significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company's financial outlook for the remainder of 2021 will depend in part on the duration and intensity of the COVID-19 pandemic impacts and the availability and adoption of vaccines. The impact of the pandemic on mortality, longevity, disability and other claims experience in future periods remains uncertain, however, net impacts have not been material. The Company continues to manage risks of changes to mortality and longevity rates by

issuing a diversified range of insurance and annuity products along with using reinsurance and capital market solutions.

The Company's well-diversified businesses, combined with business strength, resilience and experience, puts the Company in a strong position to manage the current environment and leverage opportunities for the future. Lifeco's strategies are equally resilient and flexible, positioning the Company to manage through the recovery and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in a new environment.

NET EARNINGS

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of Canada Life and its operating subsidiaries, GWL&A and Putnam, together with Lifeco's corporate operating results.

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings⁽¹⁾ and Net earnings - common shareholders			
Base earnings (loss)⁽¹⁾			
Canada	\$ 298	\$ 348	\$ 273
United States	104	90	17
Europe	201	195	132
Capital and Risk Solutions	145	124	119
Lifeco Corporate	(9)	(16)	2
Lifeco base earnings⁽¹⁾	\$ 739	\$ 741	\$ 543
Items excluded from base earnings ⁽¹⁾			
Actuarial assumption changes and other management actions ⁽¹⁾	\$ 5	\$ (23)	\$ (52)
Market-related impacts on liabilities ⁽¹⁾	(24)	(31)	(149)
Net gain/charge on business dispositions ⁽¹⁾	—	143	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual ⁽¹⁾⁽²⁾	(1)	(47)	—
Revaluation of a deferred tax asset ⁽¹⁾	—	196	—
Restructuring and integration costs ⁽¹⁾	(12)	(67)	—
Items excluded from Lifeco base earnings⁽¹⁾	\$ (32)	\$ 171	\$ (201)
Net earnings (loss) - common shareholders			
Canada	\$ 287	\$ 300	\$ 151
United States	89	208	5
Europe	195	253	91
Capital and Risk Solutions	145	167	93
Lifeco Corporate	(9)	(16)	2
Lifeco net earnings - common shareholders	\$ 707	\$ 912	\$ 342

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ The transaction costs incurred to date relate to the acquisitions of Personal Capital and the retirement services business of MassMutual and are included in the U.S. Corporate business unit.

The information in the table above is a summary of results of the Company's base earnings and net earnings. Additional commentary is included in the "Segmented Operating Results" section.

Base earnings

Base earnings for the first quarter of 2021 of \$739 million (\$0.796 per common share) increased by \$196 million from \$543 million (\$0.585 per common share) a year ago. The increase was primarily due to MassMutual business related base earnings of \$48 million (US\$38 million), business growth in the Capital and Risk Solutions segment as well as the impact of higher equity market levels in most jurisdictions. The Company also had favourable morbidity experience in the Europe and Canada segments as well as annuitant experience in Europe. The Company acquired the retirement services business of MassMutual on December 31, 2020.

Net earnings

Lifeco's net earnings for the three month period ended March 31, 2021 of \$707 million (\$0.762 per common share) increased by \$365 million compared to \$342 million (\$0.369 per common share) a year ago. The increase was primarily due to an increase in base earnings as well as the impact of more favourable market conditions which resulted in favourable contributions from actuarial assumption changes and other management actions and lower unfavourable market-related impacts on liabilities. Net earnings in the first quarter of 2020 reflected the impacts of significant market declines and volatility driven by the onset of the COVID-19 pandemic.

Lifeco's net earnings for the three month period ended March 31, 2021 of \$707 million (\$0.762 per common share) decreased by \$205 million or 22% compared to \$912 million (0.983 per common share) in the previous quarter. The decrease in net earnings was primarily due to the fourth quarter of 2020 including the positive impact of the revaluation of a deferred tax asset of \$196 million in the U.S. segment and a net gain of \$143 million related to the sale of GLC Asset Management Group Ltd. (GLC). These items were partially offset by lower restructuring and transaction costs and higher contributions from actuarial assumption changes.

Actuarial Assumption Changes and Other Management Actions

For the three months ended March 31, 2021, actuarial assumption changes and other management actions excluding transaction costs related to the acquisition of MassMutual's retirement services business, resulted in a positive net earnings impact of \$5 million. This compares to a negative impact of \$52 million for the same quarter last year.

In Europe, net earnings were positively impacted by \$18 million, primarily due to updated economic assumptions. In Canada, net earnings were negatively impacted by \$13 million, primarily due to valuation model refinements.

Market-Related Impacts

In the regions where the Company operates, average equity market levels for the three months ended March 31, 2021 were higher in the U.S., Canada and broader Europe and lower in the U.K. compared to the same period in 2020. Markets ended the quarter at higher levels compared to December 31, 2020.

Comparing the first quarter of 2021 to the first quarter of 2020, average equity market levels were up by 26% in the U.S. (as measured by S&P 500), up 13% in Canada (as measured by S&P TSX), up 8% in broader Europe (as measured by EURO STOXX 50) and down 3% in the U.K. (as measured by FTSE 100). The major equity indices finished the first quarter of 2021 up by 7% in Canada, 6% in the U.S., 4% in the U.K. and 10% in broader Europe compared to December 31, 2020.

In countries where the Company operates, interest rates increased while credit spreads remained consistent during the quarter.

Market-related impacts on liabilities negatively impacted net earnings by \$24 million in the first quarter of 2021 (negative impact of \$149 million in the first quarter of 2020). The negative impact of \$24 million in the first quarter of 2021 primarily reflects updated cash flow projections for real estate which support insurance contract liabilities. In the first quarter of 2020, negative market-related impacts were \$149 million reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period, driven by the COVID-19 pandemic, which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate.

In addition, base earnings were negatively impacted by \$5 million during the first quarter of 2021 (negative \$24 million in the first quarter of 2020) primarily due to a net decline in the market value of seed capital investments held in the U.S. Asset Management business unit.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, including the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss which was mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosure as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2021.

Foreign Currency

The average currency translation rate for the first quarter of 2021 decreased for the U.S. dollar and increased for the euro and the British pound compared to the first quarter of 2020. The overall impact of currency movement on the Company's net earnings for the three months ended March 31, 2021 was nil compared to translation rates a year ago.

From December 31, 2020 to March 31, 2021, the market rates at the end of the reporting period used to translate U.S. dollar, euro and British pound assets and liabilities to the Canadian dollar decreased. The movements in end-of-period exchange rates resulted in post-tax unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of \$278 million in-quarter recorded in other comprehensive income.

Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis" and "impact of currency movement". These non-IFRS measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. These non-IFRS measures provide useful information as they facilitate the comparability of results between periods. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

Effective income tax rate

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings - Common shareholders ⁽¹⁾	9.8 %	13.3 %	13.8 %
Net earnings - Common shareholders	9.5 %	(20.4)%	(0.6)%
Base earnings - Total Lifeco ⁽¹⁾	7.4 %	11.0 %	12.0 %
Net earnings - Total Lifeco	6.9 %	(24.4)%	(3.5)%

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

In the first quarter of 2021, the Company had an effective income tax rate on base earnings of 7.4%, which was down from 12.0% in the first quarter of 2020 primarily due to changes in certain tax estimates.

In the first quarter of 2021, the Company had an overall effective income tax rate on net earnings of 6.9%, up from negative 3.5% in the first quarter of 2020, primarily due to a favourable tax item in the first quarter of 2020 in the U.K., driven by market movements, which contributed a 9.4 point decrease but had a negligible impact in the first quarter of 2021.

Refer to note 14 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2021 for further details.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits⁽¹⁾

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada ⁽²⁾	\$ 7,675	\$ 7,017	\$ 7,000
United States	22,697	20,582	24,411
Europe	8,434	7,896	10,460
Capital and Risk Solutions ⁽³⁾	7,466	5,336	4,606
Total premiums and deposits⁽¹⁾⁽²⁾	\$ 46,272	\$ 40,831	\$ 46,477

Sales⁽¹⁾⁽³⁾

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada	\$ 4,733	\$ 3,729	\$ 3,632
United States	98,939	27,439	53,231
Europe	7,226	6,874	9,668
Total sales⁽¹⁾⁽³⁾	\$ 110,898	\$ 38,042	\$ 66,531

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Comparative figures have been reclassified to reflect presentation adjustments.

⁽³⁾ Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

The information in the table above is a summary of results for the Company's total premiums and deposits and sales. Additional commentary regarding premiums and deposits and sales is included, as applicable, in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Investment income earned (net of investment properties expenses)	\$ 1,573	\$ 1,380	\$ 1,318
Net allowances for credit losses on loans and receivables	(6)	(6)	(9)
Net realized gains	30	220	48
Regular investment income	1,597	1,594	1,357
Investment expenses	(41)	(34)	(43)
Regular net investment income	1,556	1,560	1,314
Changes in fair value through profit or loss	(5,551)	1,984	(3,388)
Net investment income	\$ (3,995)	\$ 3,544	\$ (2,074)

Net investment income in the first quarter of 2021, which includes changes in fair value through profit or loss, decreased by \$1,921 million compared to the same quarter last year. The changes in fair value in the first quarter of 2021 were a decrease of \$5,551 million compared to \$3,388 million for the first quarter of 2020. In the first quarter of 2021, the net decrease to fair values was primarily due to an increase in corporate and government bond yields across all geographies. In the first quarter of 2020, the net decrease to fair values was primarily due to an increase in corporate bond yields across all geographies and a decline in Canadian equity markets.

Regular net investment income in the first quarter of 2021 of \$1,556 million, which excludes changes in fair value through profit or loss, increased by \$242 million compared to the same quarter last year. The increase was primarily due to income earned on bonds and mortgages acquired through the MassMutual transaction in the fourth quarter of 2020. Net realized gains include gains on available-for-sale securities of \$10 million for the first quarter of 2021 compared to \$39 million for the same quarter last year.

Credit Markets

As a result of the COVID-19 pandemic, many areas of the credit markets exhibited extreme volatility in March of 2020 with spreads widening in investment grade and high yield markets. However, since March 2020, credit spreads narrowed significantly. Some downgrades have been seen across industries from the rating agencies, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced a lower impact from downgrades during the first quarter of 2021 compared to the first quarter of 2020. Depending on the length of the shutdowns and recovery of the economy there could be a larger impact from downgrades in future periods.

In the first quarter of 2021, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by \$1 million (\$2 million net negative impact in the first quarter of 2020). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable. Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by \$8 million (\$19 million net negative impact in the first quarter of 2020), primarily due to downgrades of various corporate bond holdings.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada			
Segregated funds, mutual funds and other ASO contracts	\$ 416	\$ 407	\$ 390
	53	54	50
	469	461	440
United States			
Segregated funds, mutual funds and other	927	754	665
Europe			
Segregated funds, mutual funds and other	353	351	333
Capital and Risk Solutions			
Reinsurance and other	2	3	3
Total fee and other income	\$ 1,751	\$ 1,569	\$ 1,441

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included, as applicable, in the "Segmented Operating Results" section.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada	\$ 2,633	\$ 2,556	\$ 2,232
United States	3,376	1,072	1,523
Europe	936	1,003	855
Capital and Risk Solutions	6,198	5,285	4,819
Total	\$ 13,143	\$ 9,916	\$ 9,429

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended March 31, 2021, net policyholder benefits, dividends and experience refunds were \$13.1 billion, an increase of \$3.7 billion from the same quarter last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements and volume changes relating to existing business in the Capital and Risk Solutions segment as well as higher surrender benefits in the Canada and U.S. segments. The higher surrender benefits in the U.S. segment were primarily driven by the MassMutual retirement services business, which was acquired, via indemnity reinsurance, on December 31, 2020.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration⁽¹⁾

	March 31, 2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 85,912	\$ 52,498	\$ 48,384	\$ 7,222	\$ 194,016
Goodwill and intangible assets	5,634	5,676	2,995	—	14,305
Other assets	3,676	29,092	9,707	8,387	50,862
Investments on account of segregated fund policyholders	92,462	116,710	124,404	—	333,576
Total assets	187,684	203,976	185,490	15,609	592,759
Proprietary mutual funds and institutional net assets ⁽¹⁾	6,437	284,847	59,598	—	350,882
Total assets under management⁽¹⁾	194,121	488,823	245,088	15,609	943,641
Other assets under administration ⁽¹⁾	19,412	1,104,495	10,315	—	1,134,222
Total assets under administration⁽¹⁾	\$ 213,533	\$ 1,593,318	\$ 255,403	\$ 15,609	\$ 2,077,863
	December 31, 2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 87,732	\$ 54,522	\$ 50,793	\$ 5,951	\$ 198,998
Goodwill and intangible assets	5,625	5,729	3,037	—	14,391
Other assets	3,661	30,347	10,151	8,910	53,069
Investments on account of segregated fund policyholders	90,680	117,982	125,370	—	334,032
Total assets	187,698	208,580	189,351	14,861	600,490
Proprietary mutual funds and institutional net assets ⁽¹⁾	7,311	284,251	59,381	—	350,943
Total assets under management⁽¹⁾	195,009	492,831	248,732	14,861	951,433
Other assets under administration ⁽¹⁾	18,554	994,989	10,871	—	1,024,414
Total assets under administration⁽¹⁾	\$ 213,563	\$ 1,487,820	\$ 259,603	\$ 14,861	\$ 1,975,847

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Total assets under administration at March 31, 2021 increased by \$102 billion to \$2.1 trillion compared to December 31, 2020, primarily due to the impact of equity market movement and new business growth, partially offset by the impact of currency movement.

Total assets at March 31, 2021 reflect management's current best estimate of the purchase price allocation related to the MassMutual transaction, including estimates for goodwill and intangible assets. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2021.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was \$134.1 billion or 69% of invested assets at March 31, 2021 compared to \$137.6 billion or 69% at December 31, 2020. The decrease in the bond portfolio was primarily due to a decline in fair values resulting from an increase in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 74% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to March 31, 2021. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality

	March 31, 2021		December 31, 2020	
AAA	\$ 19,503	15 %	\$ 21,820	16 %
AA	33,981	25	35,530	26
A	45,861	34	45,673	33
BBB	33,529	25	33,382	24
BB or lower	1,181	1	1,187	1
Total	\$ 134,055	100 %	\$ 137,592	100 %

At March 31, 2021, non-investment grade bonds were \$1.2 billion or 0.9% of the bond portfolio, which is comparable to December 31, 2020.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in both the Canada and Europe segments. Equity release mortgages are loans provided to people who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio	March 31, 2021				December 31, 2020	
	Insured	Non-insured	Total		Total	
Mortgage loans by type						
Single family residential	\$ 513	\$ 1,522	\$ 2,035	7 %	\$ 2,063	7 %
Multi-family residential	3,211	4,104	7,315	27	7,353	27
Equity release	—	2,034	2,034	7	2,020	7
Commercial	232	15,999	16,231	59	16,367	59
Total	\$ 3,956	\$ 23,659	\$ 27,615	100 %	\$ 27,803	100 %

The total mortgage portfolio was \$27.6 billion or 14% of invested assets at March 31, 2021, compared to \$27.8 billion or 14% of invested assets at December 31, 2020. Total insured loans were \$4.0 billion or 14% of the mortgage portfolio.

The current market environment has led to a small number of mortgage deferral requests during the quarter. Management is closely monitoring and evaluating these requests which are currently not expected to have a material impact on the Company's performance.

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation. The provisions reflect the current credit ratings and potential future rating migration. No provision is held for government or government related debt rated A+ or higher where the issuer is monetarily sovereign.

At March 31, 2021, the total actuarial provision for future credit losses in insurance contract liabilities was \$3,138 million compared to \$3,368 million at December 31, 2020, a decrease of \$230 million. The decrease was primarily due to interest rate movements, assumption updates and the impact of currency movement.

The aggregate of impairment provisions of \$61 million (\$62 million at December 31, 2020) and actuarial provision for future credit losses in insurance contract liabilities of \$3,138 million (\$3,368 million at December 31, 2020) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2021 (1.9% at December 31, 2020).

DERIVATIVE FINANCIAL INSTRUMENTS

During the first quarter of 2021, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At March 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$172 million (\$211 million at December 31, 2020) and pledged on derivative liabilities was \$667 million (\$560 million at December 31, 2020). Collateral received on derivatives assets decreased and collateral pledged on derivatives liabilities increased, primarily driven by the impact of increases to market interest rates on interest rate swaps that receive fixed and pay floating rates.

During the three month period ended March 31, 2021, the outstanding notional amount of derivative contracts decreased by \$2.1 billion to \$28.0 billion, primarily due to a decrease in forward settling mortgage backed security transactions ("to-be-announced-securities").

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to \$669 million at March 31, 2021 from \$829 million at December 31, 2020. The decrease is primarily driven by the impact of increases to market interest rates on interest rate swaps that receive fixed and pay floating rates. There were no changes to derivative counterparty ratings during the first quarter of 2021 and all had investment grade ratings as of March 31, 2021.

LIABILITIES

Total liabilities

	March 31 2021	December 31 2020
Insurance and investment contract liabilities	\$ 210,834	\$ 218,047
Other general fund liabilities	20,964	21,396
Investment and insurance contracts on account of segregated fund policyholders	333,576	334,032
Total	\$ 565,374	\$ 573,475

Total liabilities decreased by \$8.1 billion to \$565.4 billion at March 31, 2021 from December 31, 2020.

Insurance and investment contract liabilities decreased by \$7.2 billion, primarily due to fair value adjustments, normal business movements and the impact of currency movement. These items were partially offset by the impact of new business. Investment and insurance contracts on account of segregated fund policyholders decreased by \$0.5 billion, primarily due to the negative impact of currency movement of \$5.8 billion and net withdrawals of \$3.0 billion, partially offset by the impact of net market value gains and investment income of \$8.2 billion. Other general fund liabilities decreased by \$0.4 billion, primarily due to a decrease of \$0.2 billion in debentures and other debt instruments as well as a decrease of \$0.1 billion in accounts payable.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of the 2020 Annual MD&A for further details.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company in the U.S. and Germany, and previously offered in Canada and Ireland, provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage a portion of the market and interest rate risk associated with options embedded in its GMWB products. At March 31, 2021, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were \$3,293 million (\$3,375 million at December 31, 2020).

Segregated fund and variable annuity guarantee exposure

	Market Value	March 31, 2021 Investment deficiency by benefit type			
		Income	Maturity	Death	Total ⁽¹⁾
Canada	\$ 33,890	\$ 1	\$ 12	\$ 34	\$ 34
United States	20,405	1	—	20	21
Europe	10,736	4	—	770	770
Capital and Risk Solutions ⁽²⁾	878	232	—	—	232
Total	\$ 65,909	\$ 238	\$ 12	\$ 824	\$ 1,057

⁽¹⁾ A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2021.

⁽²⁾ Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at March 31, 2021 of \$1,057 million decreased by \$260 million compared to December 31, 2020, primarily due to an increase in market values. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2021 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were \$3 million in-quarter (\$8 million for the first quarter of 2020) with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

DEBENTURES AND OTHER DEBT INSTRUMENTS

At March 31, 2021, debentures and other debt instruments decreased by \$228 million to \$9,465 million compared to December 31, 2020 primarily due to the impact of currency movement.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2021 was \$8,383 million, which comprises \$5,669 million of common shares and \$2,714 million of preferred shares. Preferred shares included \$2,464 million of non-cumulative First Preferred Shares and \$250 million of 5-year rate reset First Preferred Shares.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2021 for one year to purchase and cancel up to but no more than 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the three months ended March 31, 2021, the Company did not purchase any common shares under the current NCIB (nil for the three months ended March 31, 2020). The Company does not currently intend to engage

in share repurchases that reduce its outstanding shares while the Office of the Superintendent of Financial Institutions (OSFI) maintains its expectation that the institutions it regulates suspend share buybacks due to ongoing impacts of the COVID-19 pandemic.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2021, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of \$7.6 billion (\$11.2 billion at December 31, 2020) and other liquid assets and marketable securities of \$98.2 billion (\$100.2 billion at December 31, 2020). Included in the cash, cash equivalents and short-term bonds at March 31, 2021 was \$1.0 billion (\$0.9 billion at December 31, 2020) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. Cash, cash equivalents and short-term bonds decreased at March 31, 2021 compared to December 31, 2020 as a result of the reinvestment of cash acquired through the acquisition of the retirement services business of MassMutual at the end of 2020. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company. Regulators in Canada and the U.K., where some of the Company's regulated subsidiaries operate, have maintained the guidance they provided in 2020 on the payment of dividends and other shareholder distributions during the ongoing pandemic. In Ireland, the Central Bank of Ireland (CBI) updated its previous guidance to cap dividends by significant insurance firms during the first three quarters of 2021. Irish Life Assurance plc is a significant insurance firm for this purpose but the Company's other regulated operating Irish subsidiaries are not.

CASH FLOWS

Cash flows	For the three months ended March 31	
	2021	2020
Cash flows relating to the following activities:		
Operations	\$ 1,793	\$ 1,930
Financing	(529)	(467)
Investment	(3,531)	(711)
	(2,267)	752
Effects of changes in exchange rates on cash and cash equivalents	(63)	255
Increase (decrease) in cash and cash equivalents in the period	(2,330)	1,007
Cash and cash equivalents, beginning of period	7,946	4,628
Cash and cash equivalents, end of period	\$ 5,616	\$ 5,635

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the first quarter of 2021, cash and cash equivalents decreased by \$2,330 million from December 31, 2020. Cash flows provided by operations during the first quarter of 2021 were \$1,793 million, a decrease of \$137 million compared to the first quarter of 2020. Cash flows used by financing of \$529 million were primarily used for the payments of dividends to common and preferred shareholders of \$439 million and a decrease in the line of credit of a subsidiary of \$108 million. For the three months ended March 31, 2021, cash flows were used by the Company to acquire an additional \$3,531 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2020.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT).

The LICAT Ratio compares the regulatory capital resources of a company to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT Ratio for Lifeco's major Canadian operating subsidiary is 110% to 120% (on a consolidated basis).

Canada Life's consolidated LICAT Ratio at March 31, 2021 was 123% (129% at December 31, 2020). The LICAT Ratio does not take into account any impact from \$1.0 billion of liquidity at the Lifeco holding company level at March 31, 2021 (\$0.9 billion at December 31, 2020). The six point decrease in the LICAT Ratio from December 31, 2020 is primarily due to the rising risk free interest rates in the quarter. The continued phasing in of the impact of the LICAT interest rate scenario shift in North America during 2020 contributed a one point decrease to the ratio this quarter. The growth in capital requirements from new business and investment activities was partly offset by in-period net earnings.

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio	March 31 2021	Dec. 31 2020
Tier 1 Capital	\$ 11,750	\$ 11,593
Tier 2 Capital	4,174	4,568
Total Available Capital	15,924	16,161
Surplus Allowance & Eligible Deposits	13,378	14,226
Total Capital Resources	\$ 29,302	\$ 30,387
Required Capital	\$ 23,909	\$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%)⁽¹⁾	123 %	129 %

⁽¹⁾ Total Ratio (%) = (Total Capital Resources / Required Capital)

LICAT Sensitivities

Caution Related to Sensitivities

This section includes estimates of sensitivities for certain risks. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- Actual experience differing from the assumptions;
- Changes in business mix, effective income tax rates and other market factors;
- Interactions among these factors and assumptions when more than one changes; and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at March 31, 2021. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	March 31, 2021			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	1 point	1 point	0 points	0 points

Interest Rates

Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. Canada Life's consolidated LICAT Ratio will generally increase in an environment of declining interest rates and vice-versa. Lower interest rates will increase the value of the Company's surplus assets and other regulatory capital resources. These sensitivity estimates are illustrative. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards.

Immediate parallel shift in yield curve	March 31, 2021	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(2 points)	3 points

LICAT sensitivities are rounded to the nearest point. Impact of a LICAT interest rate risk scenario shift is not included in the sensitivity estimates.

LICAT Interest Rate Scenario Shift

The LICAT interest rate requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A change in the level and term structure of interest rates used can cause a shift in the interest rate scenario applied in the LICAT calculation. This results in a discontinuity where capital requirements can change materially. OSFI prescribes a smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility.

During the third quarter of 2020, the Company experienced a shift to a different most adverse interest rate scenario in North America. The Company previously communicated that a shift to a different adverse scenario was estimated to decrease the Company's consolidated LICAT Ratio by approximately 5.5 points. This impact is spread over a six quarter period resulting in less than a 1 point decrease in the current quarter ratio with the remaining decrease of approximately 3 points being reflected over the next 3 quarters, if the Company remains on the current scenario.

OSFI Regulatory Capital Initiatives

OSFI issued an Advisory effective for January 1, 2021, which confirmed the interest rate risk smoothing calculation on participating insurance, and provided clarification of available capital for certain participating insurance blocks. The available capital clarification impacted the March 31, 2021 LICAT Ratio by less than 1 point. The Advisory will remain in effect until January 1, 2023, when it will be subsequently incorporated into the LICAT guideline.

The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Refer to the "Accounting Policies - International Financial Reporting Standards" section of the Company's 2020 Annual MD&A for further details.

RETURN ON EQUITY (ROE)⁽¹⁾

	March 31 2021	Dec. 31 2020	March 31 2020
Base Return on Equity⁽¹⁾			
Canada	18.7 %	18.5 %	17.2 %
U.S. Financial Services	6.7 %	8.6 %	9.9 %
U.S. Asset Management (Putnam)	2.7 %	0.7 %	(0.5)%
Europe	12.9 %	11.8 %	12.1 %
Capital and Risk Solutions	39.4 %	38.8 %	36.9 %
Total Lifeco Base Earnings Basis⁽¹⁾	13.6 %	12.8 %	13.5 %
Return on Equity⁽¹⁾			
Canada	18.3 %	16.4 %	13.2 %
U.S. Financial Services	4.7 %	5.6 %	3.4 %
U.S. Asset Management (Putnam)	13.3 %	11.6 %	(12.0)%
Europe	17.3 %	15.7 %	14.2 %
Capital and Risk Solutions	46.7 %	44.4 %	31.0 %
Total Lifeco Net Earnings Basis	15.7 %	14.1 %	10.3 %

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

The Company reported base return on equity of 13.6% at March 31, 2021, compared to 12.8% at December 31, 2020 and 13.5% at March 31, 2020. The Company reported return on equity of 15.7% at March 31, 2021, compared to 14.1% at December 31, 2020 and 10.3% at March 31, 2020.

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian, European and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the first quarter of 2021, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and strong capitalization. These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in first quarter of 2021.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	GWL&A
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		NR
	Financial Strength		AA		
	Senior Debt	A (high)			
Fitch Ratings	Subordinated Debt		AA (low)		AA
	Insurer Financial Strength		AA	AA	
	Senior Debt	A			
Moody's Investors Service	Subordinated Debt		A+		Aa3
	Insurance Financial Strength		Aa3		
S&P Global Ratings	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt		AA-		

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life and its operating subsidiaries; GWL&A (Financial Services) and Putnam (Asset Management); together with Lifeco's corporate results.

TRANSLATION OF FOREIGN CURRENCY

For the United States, Europe and Capital and Risk Solutions segments, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

DEVELOPMENTS

- Subsequent to the first quarter of 2021, on April 19, 2021, Canada Life fully lifted the suspension on redemptions and transfers out of its Canadian real estate investment funds which had been temporarily suspended on March 20, 2020, as economic conditions caused by the COVID-19 situation resulted in valuation uncertainty in the real estate industry. This follows the partial lifting of the suspension, on January 11, 2021, of contributions and transfers into the Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.
- During the first quarter of 2021, the Company launched new products and services to improve customer experience and help customers meet their financial and wellness objectives:
 - Canada Life announced that My Term, a new customizable product that allows the Company's customers to choose the coverage option that works best for them, would be launching in April 2021. With term length options between five and 50 years, a yearly renewable term structure and conversion options, Canada Life My Term is among the most adaptable in the industry.
 - Canada Life began providing HumanisRx's MedCheckUp program to Canada Life customers who are receiving disability benefits and have complex or unique medication needs. Canada Life is the first national insurer to offer medication reviews for disability.
- On April 26, 2021, the Company introduced an advisor platform named Advisor Solutions. In doing so, Canada Life is evolving the way the Company partners with advisors who do business with the Company directly. Through this platform, Canada Life will offer support based on the needs and characteristics of advisors' individual practices.

SELECTED FINANCIAL INFORMATION - CANADA

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)⁽¹⁾			
Individual Customer	\$ 138	\$ 132	\$ 138
Group Customer	154	205	143
Canada Corporate	6	11	(8)
Base earnings (loss)⁽¹⁾	\$ 298	\$ 348	\$ 273
Items excluded from base earnings⁽¹⁾			
Actuarial assumption changes and other management actions ⁽¹⁾	\$ (13)	\$ (147)	\$ (94)
Market-related impacts on liabilities ⁽¹⁾	2	(10)	(28)
Net gain/charge on business dispositions ⁽¹⁾⁽²⁾	—	143	—
Restructuring costs ⁽¹⁾⁽²⁾	—	(34)	—
Net earnings (loss) - common shareholders	\$ 287	\$ 300	\$ 151
Premiums and deposits⁽¹⁾⁽³⁾			
Individual Customer	\$ 2,977	\$ 3,049	\$ 2,784
Group Customer	4,698	3,968	4,216
Premiums and deposits⁽¹⁾⁽³⁾	\$ 7,675	\$ 7,017	\$ 7,000
Sales⁽¹⁾			
Individual Insurance	\$ 109	\$ 116	\$ 118
Individual Wealth	3,243	2,818	2,784
Group Insurance	276	111	119
Group Wealth	1,105	684	611
Sales⁽¹⁾	\$ 4,733	\$ 3,729	\$ 3,632
Wealth management net cash flows⁽¹⁾			
Individual Customer	\$ 323	\$ 75	\$ 95
Group Customer	(304)	(76)	(98)
Wealth management net cash flows⁽¹⁾	\$ 19	\$ (1)	\$ (3)
Fee and other income			
Individual Customer	\$ 266	\$ 251	\$ 246
Group Customer	188	195	179
Canada Corporate	15	15	15
Fee and other income	\$ 469	\$ 461	\$ 440
Total assets	\$ 187,684	\$ 187,698	\$ 167,271
Proprietary mutual funds and institutional net assets ⁽¹⁾	6,437	7,311	6,184
Total assets under management ⁽¹⁾	194,121	195,009	173,455
Other assets under administration ⁽¹⁾	19,412	18,554	16,379
Total assets under administration⁽¹⁾	\$ 213,533	\$ 213,563	\$ 189,834

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

(2) The net gain on the sale of GLC and restructuring costs are included in the Canada Corporate business unit.

(3) Comparative figures have been reclassified to reflect presentation adjustments.

Base and net earnings

In the first quarter of 2021, the Canada segment's net earnings of \$287 million increased by \$136 million compared to the same quarter last year. Base earnings of \$298 million increased by \$25 million compared to the same quarter last year, primarily due to favourable morbidity experience in Group Customer and favourable impact of new business in Individual Customer, partially offset by lower contributions from investment experience in Individual Customer.

Items excluded from base earnings were negative \$11 million compared to negative \$122 million for the same quarter last year. Actuarial assumption changes and management actions were negative \$13 million compared to \$94 million for the same quarter last year, which reflected the impacts of significant equity market declines in the first quarter of 2020. Positive market-related impacts were \$2 million in the first quarter of 2021 compared to negative market-related impacts of \$28 million in the same quarter last year. Negative market-related impacts in the first quarter of 2020 resulted from in-quarter equity market declines and volatility on segregated fund guarantees and their related hedging ineffectiveness.

For the first quarter of 2021, net earnings attributable to the participating account were \$26 million compared to \$11 million for the same quarter last year, primarily due to more favourable impact of new business.

Sales

Sales for the first quarter of 2021 of \$4.7 billion increased by \$1.1 billion compared to the same quarter last year, primarily due to higher large case group wealth and insurance sales as well as higher individual wealth mutual fund sales.

In the first quarter of 2021, wealth management net cash inflows were \$19 million compared to net cash outflows of \$3 million for the same quarter last year. Net cash inflows for the first quarter of 2021 were primarily due to positive Individual Customer and Group Customer plan member flows, partially offset by the loss of an institutional mandate.

Fee and other income

Fee and other income for the first quarter of 2021 of \$469 million increased by \$29 million compared to the same quarter last year. The increase was primarily due to higher fee income in Individual Customer and Group Customer as a result of higher average assets under administration driven by higher average equity market levels as markets declined significantly in the first quarter of 2020 due to the onset of the COVID-19 pandemic.

UNITED STATES

The United States segment operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower Retirement'), Putnam Investments (Putnam) and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. This includes the retirement services business of MassMutual, acquired on December 31, 2020. The Financial Services business unit also includes the results of Personal Capital, a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020. In addition, a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance are also included in the Financial Services business unit.

Through its Asset Management business unit, and specifically Putnam, the Company provides investment management, certain administrative functions, distribution and related services, through a broad range of investment products.

DEVELOPMENTS

Financial Services Developments

- As a result of the acquisition of Personal Capital in the third quarter of 2020, Empower Retirement expects to incur total integration expenses of US\$57 million pre-tax, of which US\$7 million pre-tax (US\$5 million post-tax) have been incurred as of March 31, 2021 (US\$4 million pre-tax and US\$3 million post-tax were recognized in the first quarter of 2021) related to the integration of Personal Capital. The integration remains on track to be completed in the first quarter of 2022.
- As of March 31, 2021, US\$40 million of pre-tax run rate cost synergies have been achieved related to the Company's acquisition of MassMutual's retirement services business on December 31, 2020. The Company remains on track to achieve run rate cost synergies of US\$160 million pre-tax at the end of integration in 2022. The Company also remains on track to achieve revenue synergies of US\$30 million in 2022 and continue to grow beyond 2022.

Empower Retirement expects to incur integration and restructuring expenses of US\$125 million pre-tax related to the MassMutual transaction, of which US\$37 million pre-tax (US\$29 million post-tax) have been incurred as of March 31, 2021 (US\$8 million pre-tax and US\$6 million post-tax were recognized in the first quarter of 2021). Empower Retirement incurred transaction expenses of US\$1 million pre-tax (US\$1 million post-tax) in the first quarter of 2021 related to the MassMutual transaction, which are included in the U.S. Corporate business unit. The integration is expected to be completed in the second half of 2022.

- Empower Retirement led the defined contribution plan recordkeeper industry in growth by both participants and assets, based on a survey published by Pensions & Investments in April 2021. The Company solidified its position as the second largest defined contribution recordkeeper in the country, improving its market share to 12% by participants and 11% by assets.
- Empower Retirement assets under administration were US\$1.1 trillion at March 31, 2021, up from US\$958 billion at December 31, 2020. Empower Retirement participant accounts have grown to 12.6 million at March 31, 2021, up from 11.9 million at December 31, 2020. The increases in assets under administration and participants since December 31, 2020 were primarily driven by the completion of a large plan sale with approximately 316,000 participants and US\$49 billion in assets under administration.
- In the first quarter of 2021, the Company completed its acquisition of the retirement services business of Truist Bank, a former private-label recordkeeping client. This acquisition brings approximately 300 retirement plans consisting of more than 73,000 plan participants.

Asset Management Developments

- Putnam's average assets under management (AUM) for the three months ended March 31, 2021 were US\$193.9 billion, an increase of US\$21.5 billion compared to the same quarter last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2021, approximately 79% and 92% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 66% and 68% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 24 funds currently rated 4-5 stars by Morningstar.
- In the first quarter of 2021, Putnam International Value Fund received a 2021 Refinitiv Lipper Fund Award for Best International Large-Cap Value Fund in the five-year and ten-year performance categories, recognizing the fund's superior risk-adjusted long-term investment results compared to its peers.
- On February 18, 2021, Putnam announced that it will be launching active exchange-traded funds (ETFs), with the first of the products expected to be available in the second quarter of 2021. The investment strategies for the four initial ETF products will be similar to existing mutual funds with well-established track records, both in the environmental, social, and corporate governance (ESG) and large-cap equity areas, and will include: Putnam Sustainable Leaders ETF, Putnam Sustainable Future ETF, Putnam Focused Large Cap Growth ETF and Putnam Focused Large Cap Value ETF.

SELECTED FINANCIAL INFORMATION - UNITED STATES

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss) (US\$)⁽¹⁾			
Financial Services (US\$)	\$ 84	\$ 49	\$ 42
Asset Management (Putnam) Core (US\$) ⁽¹⁾	5	37	(24)
Asset Management (Putnam) Non-core (US\$) ⁽¹⁾	(8)	(11)	(7)
Total Asset Management (Putnam) (US\$)	(3)	26	(31)
U.S. Corporate (US\$)	—	(7)	2
Base earnings (loss) (US\$)⁽¹⁾	\$ 81	\$ 68	\$ 13
Items excluded from base earnings (loss) (US\$)⁽¹⁾			
Actuarial assumption changes and other management actions (US\$) ⁽¹⁾	\$ —	\$ 2	\$ —
Market-related impact on liabilities (US\$) ⁽¹⁾	(1)	(1)	(9)
Transaction costs related to the acquisitions of Personal Capital and MassMutual (US\$) ⁽¹⁾⁽²⁾	(1)	(36)	—
Revaluation of a deferred tax asset (US\$) ⁽¹⁾	—	151	—
Restructuring and integration costs (US\$) ⁽¹⁾	(9)	(25)	—
Net earnings (loss) - common shareholders (US\$)	\$ 70	\$ 159	\$ 4
Net earnings (loss) - common shareholders (C\$)	\$ 89	\$ 208	\$ 5
Sales (US\$)⁽¹⁾			
Financial Services (US\$)	\$ 65,231	\$ 8,151	\$ 25,060
Asset Management (Putnam) (US\$)	12,674	12,957	14,664
Sales (US\$)⁽¹⁾	\$ 77,905	\$ 21,108	\$ 39,724
Sales (C\$)⁽¹⁾	\$ 98,939	\$ 27,439	\$ 53,231
Fee and other income (US\$)			
Financial Services (US\$)	\$ 493	\$ 329	\$ 279
Asset Management (Putnam) (US\$)			
Investment management fees (US\$)	163	157	149
Performance fees (US\$)	1	25	(2)
Service fees (US\$)	29	28	28
Underwriting & distribution fees (US\$)	44	42	43
Total Asset Management (Putnam) Fees (US\$)	\$ 237	\$ 252	\$ 218
Fee and other income (US\$)	\$ 730	\$ 581	\$ 497
Fee and other income (C\$)	\$ 927	\$ 754	\$ 665
Total assets (US\$)	\$ 161,886	\$ 164,236	\$ 63,141
Proprietary mutual funds and institutional net assets (US\$) ⁽¹⁾	226,069	223,820	162,899
Total assets under management (US\$) ⁽¹⁾	387,955	388,056	226,040
Other assets under administration (US\$) ⁽¹⁾	876,583	783,456	523,128
Total assets under administration (US\$)⁽¹⁾	\$ 1,264,538	\$ 1,171,512	\$ 749,168
Total assets under administration (C\$)⁽¹⁾	\$ 1,593,318	\$ 1,487,820	\$ 1,048,835

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ The transaction costs incurred to date relate to the acquisitions of Personal Capital and the retirement services business of MassMutual and are included in the U.S. Corporate business unit.

Base and net earnings

In the first quarter of 2021, the U.S. segment's net earnings of US\$70 million increased by US\$66 million compared to the same quarter last year. Base earnings of US\$81 million increased by US\$68 million compared to the same quarter last year, primarily due to an increase of US\$42 million in Financial Services and an improvement of US\$28 million at Putnam. The increase in Financial Services was primarily due to MassMutual related base earnings of US\$38 million, net business growth driven by higher average equity markets and an increase in participants, and higher contributions from investment experience. These items were partially offset by a Personal Capital related net base loss of US\$11 million. The improvement in Putnam's results was primarily due to lower unrealized losses on seed capital and higher fee revenue, partially offset by higher compensation related expenses. Putnam performance fees, which are seasonally higher in the fourth quarter, were comparable to the prior year, reflecting continued strong investment performance.

Items excluded from base earnings for the first quarter of 2021 were negative US\$11 million compared to negative US\$9 million for the same quarter last year. The first quarter of 2021 included restructuring and integration costs related to the MassMutual and Personal Capital acquisitions of US\$9 million. Market-related impact on liabilities for the first quarter of 2021 were negative US\$1 million compared to negative US\$9 million for the same quarter last year, primarily driven by lower hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits caused by market volatility.

Sales

Sales in the first quarter of 2021 of US\$77.9 billion increased by US\$38.2 billion compared to the same quarter last year. The increase was primarily due to an increase in Empower Retirement large plan sales and Personal Capital related sales, partially offset by lower Putnam mutual funds sales. Empower Retirement large plan sales for the first quarter of 2021 included one new client with approximately 316,000 participants. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

Fee and other income

Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services, investment advisory services, investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Performance fee income for the Asset Management business varies based on seasonality.

Fee and other income for the first quarter of 2021 of US\$730 million increased by US\$233 million compared to the same quarter last year. The increase was primarily due to MassMutual related fee income of US\$147 million and Personal Capital related fee income of US\$31 million. In addition, Empower Retirement fee income and Putnam investment management fees increased compared to the same period last year driven by higher average equity markets.

ASSETS UNDER MANAGEMENT - PUTNAM (US\$)⁽¹⁾

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Beginning assets	\$ 191,554	\$ 179,018	\$ 181,724
Sales - Mutual funds ⁽¹⁾	6,869	6,389	9,211
Redemptions - Mutual funds	(7,114)	(7,155)	(14,091)
Net asset flows - Mutual funds ⁽¹⁾	(245)	(766)	(4,880)
Sales - Institutional ⁽¹⁾	5,805	6,568	5,453
Redemptions - Institutional	(7,536)	(6,791)	(11,707)
Net asset flows - Institutional ⁽¹⁾	(1,731)	(223)	(6,254)
Net asset flows - Total ⁽¹⁾	(1,976)	(989)	(11,134)
Impact of market/performance	3,892	13,525	(21,678)
Ending assets	\$ 193,470	\$ 191,554	\$ 148,912
<u>Average assets under management⁽¹⁾</u>			
Mutual funds	94,342	90,164	86,356
Institutional assets	99,595	95,261	86,047
Total average assets under management⁽¹⁾	\$ 193,937	\$ 185,425	\$ 172,403

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Putnam's average AUM for the three months ended March 31, 2021 were US\$193.9 billion, an increase of US\$21.5 billion compared to the same quarter last year, primarily due to strong equity markets and cumulative net inflows over the period. Net asset outflows for the first quarter of 2021 were US\$2.0 billion compared to net asset outflows of US\$11.1 billion in the same quarter last year. Mutual fund outflows in the first quarter of 2021 continue to be driven by the Ultra Short Duration Income Fund as yields are down, driving investors to seek higher yielding options. Putnam's fundamental institutional business had increased outflows from maturing investment grade credit trades, but the pipeline remains strong. Overall, Putnam had net inflows from equity products during the first quarter of 2021.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany, together with an allocation of a portion of Lifeco's corporate results, and offers protection and wealth management products, including payout annuity products. The U.K. and German business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand.

The core products offered in the U.K. business unit are bulk and individual payout annuities, equity release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. These products are distributed through independent financial advisors and employee benefit consultants in the U.K. and Isle of Man.

The core products offered by Irish Life Group Limited (Irish Life) in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. Irish Life Investment Managers (ILIM) is one of the Company's fund management operations in Ireland. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional and retail clients, occupational defined benefit and defined contribution pension schemes, large multinational corporations, charities and domestic companies.

The German business unit focuses on Company and Individual pension, and individual protection products that are distributed through independent brokers and multi-tied agents.

DEVELOPMENTS

- On April 16, 2021, subsequent to the first quarter of 2021, Irish Life removed the deferral period for redemptions and transfers from Irish Life's pensions Irish property fund, following the removal of third party appraisal uncertainty clauses in the Irish property market. Redemptions and transfers had been temporarily suspended in March 2020 due to valuation uncertainty in the real estate industry caused by the COVID-19 pandemic. The deferral period remains in place for Irish Life's smaller Irish property fund focused on individual clients. Processes remain in place to facilitate hardship, death claims and certain other withdrawals as required for this fund.
- The recent Group Protection industry survey 'Group Watch 2021' from Swiss Re confirmed Canada Life U.K. as the leading provider by in-force premium, policies and lives insured. The survey highlights Canada Life's growth in the U.K. in 2020, during the pandemic supported by the extension of digital services for customers. On March 1, 2021, access to Canada Life U.K.'s 'WeCare' was extended to cover Group Income Protection customers as well as for smaller employers via the CLASS portal. 'WeCare' provides an extensive range of virtual services to support the improvement of the physical, mental and financial well-being of employees.
- In the first quarter of 2021, Canada Life U.K.'s Retirement Account product received a 5 (out of 5) star rating from Defaqto, an independent service that evaluates the features and benefits of financial products for consumers.

SELECTED FINANCIAL INFORMATION - EUROPE

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)⁽¹⁾			
United Kingdom	\$ 120	\$ 96	\$ 72
Ireland	43	62	27
Germany	40	41	36
Europe Corporate	(2)	(4)	(3)
Base earnings (loss)⁽¹⁾	\$ 201	\$ 195	\$ 132
Items excluded from base earnings⁽¹⁾			
Actuarial assumption changes and other management actions ⁽¹⁾	\$ 18	\$ 78	\$ 38
Market-related impact on liabilities ⁽¹⁾	(24)	(20)	(79)
Net earnings - common shareholders	\$ 195	\$ 253	\$ 91
Sales⁽¹⁾			
Insurance	\$ 597	\$ 1,078	\$ 517
Wealth management	6,629	5,796	9,151
Sales⁽¹⁾	\$ 7,226	\$ 6,874	\$ 9,668
Wealth and investment only net cash flows⁽¹⁾			
United Kingdom	\$ 25	\$ (108)	\$ 281
Ireland	503	(1,282)	2,441
Germany	214	232	189
Wealth and investment only net cash flows⁽¹⁾	\$ 742	\$ (1,158)	\$ 2,911
Fee and other income			
United Kingdom	\$ 46	\$ 43	\$ 39
Ireland	191	189	189
Germany	116	119	105
Fee and other income	\$ 353	\$ 351	\$ 333
Total assets	\$ 185,490	\$ 189,351	\$ 165,903
Proprietary mutual funds and institutional net assets ⁽¹⁾	59,598	59,381	54,067
Total assets under management⁽¹⁾	245,088	248,732	219,970
Other assets under administration ⁽¹⁾⁽²⁾	10,315	10,871	50,089
Total assets under administration⁽¹⁾⁽²⁾	\$ 255,403	\$ 259,603	\$ 270,059

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ At March 31, 2021, total assets under administration excludes \$7.3 billion of assets managed for other business units within the Lifeco group of companies (\$7.4 billion at December 31, 2020 and \$7.1 billion at March 31, 2020).

Base and net earnings

In the first quarter of 2021, the Europe segment's net earnings of \$195 million increased by \$104 million compared to the same quarter last year. Base earnings of \$201 million increased by \$69 million compared to the same quarter last year, primarily due to annuitant experience in the U.K. and favourable morbidity experience in the U.K. and Ireland. The increase was partially offset by unfavourable mortality experience in the U.K. and Ireland.

Items excluded from base earnings were negative \$6 million compared to negative \$41 million for the same period last year, primarily due to less unfavourable market-related impacts on liabilities, partially offset by lower contributions from actuarial assumption changes. In the first quarter of 2021, negative market-related impact on liabilities were \$24 million, primarily due to updated cash flow projections for real estate which support insurance contract liabilities. In the first quarter of 2020, negative market-related impacts on liabilities of \$79 million were primarily due to movements in the valuation of U.K. real estate assets as well as unhedged market movements in Ireland and Germany, partially offset by the impact of changes to certain tax estimates driven by equity markets in the U.K.

Sales

Sales for the first quarter of 2021 decreased by \$2.4 billion to \$7.2 billion compared to the same period last year, primarily due to lower fund management sales and lower pension sales in Ireland, partially offset by the impact of currency movement.

In the first quarter of 2021, wealth and investment only net cash inflows were \$742 million compared to \$2,911 million for the same quarter last year. The decrease was primarily due to lower fund management sales in Ireland during the first quarter of 2021.

Fee and other income

Fee and other income for the first quarter of 2021 increased by \$20 million to \$353 million compared to the same quarter last year, primarily due to higher management fees on segregated fund assets across all business units and the impact of currency movement. These items were partially offset by lower fee income from Irish Progressive Services International Limited which was sold in the third quarter of 2020.

CAPITAL AND RISK SOLUTIONS

The Capital and Risk Solutions segment of Lifeco includes the operating results of the Reinsurance business unit which operates primarily in the U.S., Barbados, Bermuda and Ireland, together with an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions Corporate consists of items not associated directly with or allocated to the Reinsurance business unit as well as the results for the legacy international businesses.

DEVELOPMENTS

- The Company offers property catastrophe coverage to reinsurance companies. Current preliminary estimates of industry losses arising from catastrophe events in Texas and other southern U.S. states in the first quarter of 2021 are still developing. As a retrocessionaire, any precautionary claim notifications are unlikely to be received for some period of time and, as a result, no provision was recorded in the first quarter of 2021. The Company will continue to monitor events and update any estimates as required, however, material losses are not expected.
- On March 18, 2021, the Company announced it had entered into a longevity reinsurance agreement with an insurance company in the Netherlands. The agreement covers approximately €4.7 billion of pension liabilities and approximately 104,500 in-payment and deferred policies. In exchange for ongoing premium payments, Canada Life will pay the actual benefit obligations incurred by the insurance company.
- In the first quarter of 2021, the Company entered into a long-term reinsurance agreement with a life insurance company in Japan. The agreement covers a block of in-force whole life policies. In exchange for a single up-front premium payment, Canada Life will pay the actual benefit obligations incurred by the insurance company.

SELECTED FINANCIAL INFORMATION - CAPITAL AND RISK SOLUTIONS

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)⁽¹⁾			
Reinsurance	\$ 146	\$ 124	\$ 120
Capital and Risk Solutions Corporate	(1)	—	(1)
Base earnings⁽¹⁾	\$ 145	\$ 124	\$ 119
Items excluded from base earnings⁽¹⁾			
Actuarial assumption changes and other management actions ⁽¹⁾	\$ —	\$ 43	\$ 4
Market-related impact on liabilities ⁽¹⁾	—	—	(30)
Net earnings - common shareholder	\$ 145	\$ 167	\$ 93
Premiums and deposits⁽¹⁾			
Reinsurance	\$ 7,462	\$ 5,330	\$ 4,601
Capital and Risk Solutions Corporate	4	6	5
Premiums and deposits⁽¹⁾	\$ 7,466	\$ 5,336	\$ 4,606
Total assets⁽²⁾	\$ 15,609	\$ 14,861	\$ 15,331

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

(2) The Capital and Risk Solutions segment does not have assets under management or other assets under administration.

Base and net earnings

In the first quarter of 2021, the Capital and Risk Solutions segment's net earnings of \$145 million increased by \$52 million compared to the same quarter last year. Base earnings of \$145 million increased by \$26 million compared to the same quarter last year, primarily due to higher business volumes and favourable claims experience in the longevity business, partially offset by less favourable claims experience in the life business. Items excluded from base earnings were nil compared to negative \$26 million for the same quarter last year. The first quarter of 2020 included negative market-related impact on liabilities driven by an increase in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting negative market-related experience during the quarter, partially offset by positive contributions from insurance contract liability basis changes.

Premiums and deposits

Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Premiums and deposits for the first quarter of 2021 of \$7.5 billion increased by \$2.9 billion compared to the same quarter last year, primarily due to new reinsurance agreements and higher volumes relating to existing business. The reinsurance agreement entered into in Japan contributed \$1.4 billion to the increase.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company's Risk Function is responsible for establishing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the first quarter of 2021, there were no significant changes to the Company's risk management and control practices, including the risks (financial, operational, regulatory and other risks) related to the COVID-19 pandemic. Refer to the Company's 2020 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were IFRS changes in 2021 which did not have a significant impact on the Company. As well, due to the evolving nature of IFRS, there are changes to standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

In February 2021, the IASB published *Definition of Accounting Estimates*, amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's annual consolidated financial statements for the period ended December 31, 2020.

There have been no other significant changes to the future accounting policies that could impact the Company, in addition to the disclosure in the December 31, 2020 Annual MD&A.

OTHER INFORMATION

NON-IFRS FINANCIAL MEASURES

The Company uses several non-IFRS measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures presented by other issuers.

Base earnings and base earnings per common share

Base earnings (loss) and financial measures based on base earnings (loss), including base earnings per common share and base return on equity, are non-IFRS financial measures. Base earnings reflect management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings. Base earnings (loss) exclude:

- The impact of actuarial assumption changes and other management actions;
- The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
 - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
 - the impact on segregated fund guarantee liabilities not hedged;
 - the impact on general fund equity and investment properties supporting insurance contract liabilities;
 - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements; and
- Certain items that management believes are not indicative of the Company's underlying business results including restructuring costs, integration costs related to business acquisitions, material legal settlements, material impairment charges related to goodwill and intangible assets, impact of substantially enacted income tax rate changes and other tax impairments and net gains, losses or costs related to the disposition or acquisition of a business.

Base earnings

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings	\$ 739	\$ 741	\$ 543
Items excluded from Lifeco base earnings:			
Actuarial assumption changes and other management actions	5	(23)	(52)
Market-related impact on liabilities	(24)	(31)	(149)
Net/gain charge on business dispositions ⁽¹⁾	—	143	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(1)	(47)	—
Revaluation of a deferred tax asset	—	196	—
Restructuring and integration costs	(12)	(67)	—
Net earnings - common shareholders	\$ 707	\$ 912	\$ 342
Base earnings per common share - basic	\$ 0.796	\$ 0.799	\$ 0.585
Items excluded from Lifeco base earnings:			
Actuarial assumption changes and other management actions	0.006	(0.025)	(0.056)
Market-related impact on liabilities	(0.026)	(0.033)	(0.160)
Net gain/charge on business dispositions ⁽¹⁾	—	0.154	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(0.001)	(0.051)	—
Revaluation of a deferred tax asset	—	0.211	—
Restructuring and integration costs	(0.013)	(0.072)	—
Net earnings per common share - basic	\$ 0.762	\$ 0.983	\$ 0.369

⁽¹⁾ For the three months ended December 31, 2020, net gain/charge on business dispositions includes a net gain of \$143 million on the sale of GLC Asset Management Group Ltd. included in the Canada Corporate business unit.

Return on equity (ROE)

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian, European and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine ROE and base ROE, respectively, net earnings (loss) and base earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.

Premiums and deposits

Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Premiums and deposits⁽¹⁾

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Amounts reported in the financial statements			
Net premium income (Life insurance, guaranteed annuities and insured health products)	\$ 14,361	\$ 11,747	\$ 10,906
Policyholder deposits (segregated funds):			
Individual products	4,152	3,962	4,338
Group products	3,801	1,679	2,068
Premiums and deposits reported in the financial statements	\$ 22,314	\$ 17,388	\$ 17,312
Self-funded premium equivalents (ASO contracts) and other	1,703	1,687	812
Proprietary mutual funds and institutional deposits	22,255	21,756	28,353
Total premiums and deposits	\$ 46,272	\$ 40,831	\$ 46,477

⁽¹⁾ Comparative figures have been reclassified to reflect presentation adjustments.

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-IFRS measures that provide an indicator of the size and volume of the Company's overall business.

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.

Other assets under administration includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services.

Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional net assets and other assets under administration.

Assets under administration

	March 31 2021	Dec. 31 2020	March 31 2020
Total assets per financial statements	\$ 592,759	\$ 600,490	\$ 436,903
Proprietary mutual funds and institutional net assets	350,882	350,943	288,309
Total assets under management	943,641	951,433	725,212
Other assets under administration	1,134,222	1,024,414	798,847
Total assets under administration	\$ 2,077,863	\$ 1,975,847	\$ 1,524,059

Sales

Sales is a non-IFRS measure for which there is no comparable measure in IFRS and is an indicator of new business growth. Sales are measured according to product type:

- For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
- Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
- For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
- For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

Net cash flows and net asset flows

Net cash flows and net asset flows are non-IFRS measures presented by the Company for which there is no comparable measure in IFRS and is an indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:

- Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and third party mutual funds.
- Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, proprietary mutual funds and institutional net assets as well as other assets under administration.
- Putnam net asset flows include the mutual fund and institutional sales and redemptions.

Impact of currency movement

Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. For items impacting the Company's Consolidated Balance Sheets, such as assets and liabilities, period end rates are used for currency translation purposes.

Throughout this document a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis" and "impact of currency movement". These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS and non-IFRS results and have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. These measures facilitate the comparability of results between periods.

Core net earnings (loss)

For its Asset Management business unit in the U.S segment, the Company discloses core net earnings (loss), which is a measure of the business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

Core net earnings⁽¹⁾

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Core net earnings (loss)	\$ 7	\$ 49	\$ (32)
Less: non-core net earnings (loss)	(10)	(14)	(10)
Net earnings (loss)	\$ (3)	\$ 35	\$ (42)
Core net earnings (loss) (US\$)	\$ 5	\$ 37	\$ (24)
Less: non-core net earnings (loss) (US\$)	(8)	(11)	(7)
Net earnings (loss) (US\$)	\$ (3)	\$ 26	\$ (31)

⁽¹⁾ For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes during the three month period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation on Disclosure Controls and Procedures & Internal Control Over Financial Reporting

As permitted by securities legislation, for the period ended March 31, 2021, the Company's management has limited the scope of its design of the Company's disclosure controls and procedures and the Company's internal control over financial reporting to exclude controls, policies and procedures of the MassMutual retirement services business, which the Company acquired on December 31, 2020.

During the first quarter of 2021, the acquired MassMutual business had revenue of \$1,675 million pre-tax and net earnings of \$40 million post-tax (base earnings of \$48 million post-tax excluding integration costs of \$8 million post-tax). At December 31, 2020, the estimated total assets, goodwill and intangibles acquired were \$115,169 million. Total estimated liabilities were \$112,232 million with the final valuation of the assets acquired and liabilities assumed expected to occur during 2021.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2020.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information

(in Canadian \$ millions, except per share amounts)

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue⁽¹⁾	\$ 12,117	\$ 16,860	\$ 13,740	\$ 19,710	\$ 10,273	\$ 10,689	\$ 14,374	\$ 2,746
Common shareholders								
Base earnings⁽²⁾								
Total	\$ 739	\$ 741	\$ 679	\$ 706	\$ 543	\$ 831	\$ 677	\$ 627
Basic - per share	0.796	0.799	0.732	0.761	0.585	0.895	0.729	0.668
Diluted - per share	0.796	0.799	0.732	0.761	0.585	0.894	0.728	0.667
Net earnings								
Total	\$ 707	\$ 912	\$ 826	\$ 863	\$ 342	\$ 513	\$ 730	\$ 459
Basic - per share	0.762	0.983	0.891	0.930	0.369	0.552	0.786	0.489
Diluted - per share	0.761	0.983	0.891	0.930	0.369	0.552	0.785	0.489

(1) Total revenue in the second quarter of 2019 includes the initial ceded premium of \$13,889 million related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

(2) Base earnings attributable to common shareholders and base earnings per common share are non-IFRS measures of earnings performance. The following items were excluded from base earnings in each quarter:

Items excluded from base earnings	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Actuarial assumption changes and other management actions	\$ 5	\$ (23)	\$ 66	\$ 122	\$ (52)	\$ (78)	\$ 81	\$ 38
Market-related impact on liabilities	(24)	(31)	18	35	(149)	(13)	(28)	(7)
Net gain/charge on business dispositions	—	143	94	—	—	8	—	(199)
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(1)	(47)	(31)	—	—	—	—	—
Revaluation of a deferred tax asset	—	196	—	—	—	(199)	—	—
Restructuring and integration costs	(12)	(67)	—	—	—	(36)	—	—
Total	\$ (32)	\$ 171	\$ 147	\$ 157	\$ (201)	\$ (318)	\$ 53	\$ (168)

Lifeco's consolidated net earnings attributable to common shareholders were \$707 million for the first quarter of 2021 compared to \$342 million reported a year ago. On a per share basis, this represents \$0.762 per common share (\$0.761 diluted) for the first quarter of 2021 compared to \$0.369 per common share (\$0.369 diluted) a year ago.

Total revenue for the first quarter of 2021 was \$12,117 million and comprises premium income of \$14,361 million, regular net investment income of \$1,556 million, a negative change in fair value through profit or loss on investment assets of \$5,551 million and fee and other income of \$1,751 million.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, U.S. dollar, British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency					
Period ended	Mar. 31 2021	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020
United States dollar					
Balance sheet	\$ 1.26	\$ 1.27	\$ 1.33	\$ 1.36	\$ 1.40
Income and expenses	\$ 1.27	\$ 1.30	\$ 1.33	\$ 1.39	\$ 1.34
British pound					
Balance sheet	\$ 1.73	\$ 1.74	\$ 1.72	\$ 1.68	\$ 1.74
Income and expenses	\$ 1.75	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Euro					
Balance sheet	\$ 1.47	\$ 1.55	\$ 1.56	\$ 1.52	\$ 1.55
Income and expenses	\$ 1.53	\$ 1.55	\$ 1.56	\$ 1.53	\$ 1.48

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.

CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

(in Canadian \$ millions except per share amounts)

	For the three months ended	
	March 31 2021	March 31 2020
Income		
Premium income		
Gross premiums written	\$ 15,600	\$ 12,165
Ceded premiums	(1,239)	(1,259)
Total net premiums	<u>14,361</u>	<u>10,906</u>
Net investment income (note 5)		
Regular net investment income	1,556	1,314
Changes in fair value through profit or loss	(5,551)	(3,388)
Total net investment income (loss)	<u>(3,995)</u>	<u>(2,074)</u>
Fee and other income	1,751	1,441
	<u>12,117</u>	<u>10,273</u>
Benefits and expenses		
Policyholder benefits		
Gross	13,841	10,035
Ceded	(1,039)	(977)
Total net policyholder benefits	<u>12,802</u>	<u>9,058</u>
Changes in insurance and investment contract liabilities		
Gross	(5,746)	(2,634)
Ceded	1,398	910
Total net changes in insurance and investment contract liabilities	<u>(4,348)</u>	<u>(1,724)</u>
Policyholder dividends and experience refunds	341	371
Total paid or credited to policyholders	<u>8,795</u>	<u>7,705</u>
Commissions	661	625
Operating and administrative expenses	1,533	1,335
Premium taxes	123	116
Financing charges	79	65
Amortization of finite life intangible assets	79	56
Restructuring and integration expenses (note 4)	16	—
Earnings before income taxes	<u>831</u>	<u>371</u>
Income taxes (note 14)	57	(13)
Net earnings before non-controlling interests	<u>774</u>	<u>384</u>
Attributable to non-controlling interests	34	9
Net earnings	<u>740</u>	<u>375</u>
Preferred share dividends (note 11)	33	33
Net earnings - common shareholders	<u>\$ 707</u>	<u>\$ 342</u>
Earnings per common share (note 11)		
Basic	<u>\$ 0.762</u>	<u>\$ 0.369</u>
Diluted	<u>\$ 0.761</u>	<u>\$ 0.369</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian \$ millions)

	For the three months ended	
	March 31	March 31
	2021	2020
Net earnings	\$ 740	\$ 375
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	(346)	783
Income tax (expense) benefit	(1)	—
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	80	(90)
Income tax (expense) benefit	(11)	12
Unrealized gains (losses) on available-for-sale assets	(202)	22
Income tax (expense) benefit	41	(4)
Realized (gains) losses on available-for-sale assets	(10)	(38)
Income tax expense (benefit)	2	3
Unrealized gains (losses) on cash flow hedges	19	5
Income tax (expense) benefit	(5)	(1)
Realized (gains) losses on cash flow hedges	(11)	—
Income tax expense (benefit)	3	—
Non-controlling interests	101	(77)
Income tax (expense) benefit	(24)	18
Total items that may be reclassified	(364)	633
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 13)	631	327
Income tax (expense) benefit	(158)	(84)
Non-controlling interests	(55)	(38)
Income tax (expense) benefit	15	9
Total items that will not be reclassified	433	214
Total other comprehensive income (loss)	69	847
Comprehensive income	\$ 809	\$ 1,222

CONSOLIDATED BALANCE SHEETS (unaudited)

(in Canadian \$ millions)

	March 31	December 31
	2021	2020
Assets		
Cash and cash equivalents	\$ 5,616	\$ 7,946
Bonds (note 5)	134,055	137,592
Mortgage loans (note 5)	27,615	27,803
Stocks (note 5)	11,823	11,000
Investment properties (note 5)	6,490	6,270
Loans to policyholders	8,417	8,387
	194,016	198,998
Funds held by ceding insurers	17,619	18,383
Reinsurance assets (note 8)	20,252	22,121
Goodwill	8,784	10,106
Intangible assets	5,521	4,285
Derivative financial instruments	669	829
Owner occupied properties	735	741
Fixed assets	419	426
Other assets	3,940	3,347
Premiums in course of collection, accounts and interest receivable	6,132	6,102
Current income taxes	171	145
Deferred tax assets	925	975
Investments on account of segregated fund policyholders (note 9)	333,576	334,032
	\$ 592,759	\$ 600,490
Liabilities		
Insurance contract liabilities (note 8)	\$ 202,010	\$ 208,902
Investment contract liabilities (note 8)	8,824	9,145
Debentures and other debt instruments	9,465	9,693
Funds held under reinsurance contracts	1,552	1,648
Derivative financial instruments	1,236	1,221
Accounts payable	2,571	2,698
Other liabilities	5,093	5,147
Current income taxes	345	343
Deferred tax liabilities	702	646
Investment and insurance contracts on account of segregated fund policyholders (note 9)	333,576	334,032
	565,374	573,475
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	2,868	2,871
Non-controlling interests in subsidiaries	112	116
Shareholders' equity		
Share capital		
Preferred shares	2,714	2,714
Common shares (note 10)	5,669	5,651
Accumulated surplus	15,290	14,990
Accumulated other comprehensive income	556	487
Contributed surplus	176	186
	27,385	27,015
Total equity		
Total liabilities and equity	\$ 592,759	\$ 600,490

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian \$ millions)

	March 31, 2021					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	\$ 8,365	\$ 186	\$ 14,990	\$ 487	\$ 2,987	\$ 27,015
Net earnings	—	—	740	—	34	774
Other comprehensive income (loss)	—	—	—	69	(37)	32
	8,365	186	15,730	556	2,984	27,821
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(33)	—	—	(33)
Common shareholders	—	—	(406)	—	—	(406)
Shares exercised and issued under share-based payment plans (note 10)	18	(32)	—	—	28	14
Share-based payment plans expense	—	20	—	—	—	20
Equity settlement of Putnam share-based plans	—	—	—	—	(15)	(15)
Shares cancelled under Putnam share-based plans	—	2	—	—	(18)	(16)
Dilution loss on non-controlling interests	—	—	(1)	—	1	—
Balance, end of period	\$ 8,383	\$ 176	\$ 15,290	\$ 556	\$ 2,980	\$ 27,385

	March 31, 2020					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	\$ 8,347	\$ 175	\$ 13,660	\$ 495	\$ 2,866	\$ 25,543
Net earnings	—	—	375	—	9	384
Other comprehensive income	—	—	—	847	88	935
	8,347	175	14,035	1,342	2,963	26,862
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(33)	—	—	(33)
Common shareholders	—	—	(407)	—	—	(407)
Shares exercised and issued under share-based payment plans (note 10)	13	(49)	—	—	49	13
Share-based payment plans expense	—	21	—	—	—	21
Equity settlement of Putnam share-based plans	—	—	—	—	(15)	(15)
Shares cancelled under Putnam share-based plans	—	2	—	—	(2)	—
Dilution loss on non-controlling interests	—	—	(4)	—	4	—
Balance, end of period	\$ 8,360	\$ 149	\$ 13,591	\$ 1,342	\$ 2,999	\$ 26,441

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in Canadian \$ millions)

	For the three months ended March 31	
	2021	2020
Operations		
Earnings before income taxes	\$ 831	\$ 371
Income taxes paid, net of refunds received	(92)	(114)
Adjustments:		
Change in insurance and investment contract liabilities	(5,752)	(2,663)
Change in funds held by ceding insurers	388	163
Change in funds held under reinsurance contracts	(88)	(55)
Change in reinsurance assets	1,530	1,066
Changes in fair value through profit or loss	5,551	3,388
Other	(575)	(226)
	1,793	1,930
Financing Activities		
Issue of common shares (note 10)	18	13
Decrease in credit line of subsidiary	(108)	(39)
Increase (decrease) in debentures and other debt instruments	—	(1)
Dividends paid on common shares	(406)	(407)
Dividends paid on preferred shares	(33)	(33)
	(529)	(467)
Investment Activities		
Bond sales and maturities	6,544	4,923
Mortgage loan repayments	866	537
Stock sales	1,317	960
Investment property sales	9	1
Change in loans to policyholders	(73)	(151)
Business acquisitions, net of cash and cash equivalents acquired	—	(29)
Investment in bonds	(9,636)	(4,028)
Investment in mortgage loans	(909)	(1,011)
Investment in stocks	(1,469)	(1,900)
Investment in investment properties	(180)	(13)
	(3,531)	(711)
Effect of changes in exchange rates on cash and cash equivalents	(63)	255
Increase (decrease) in cash and cash equivalents	(2,330)	1,007
Cash and cash equivalents, beginning of period	7,946	4,628
Cash and cash equivalents, end of period	\$ 5,616	\$ 5,635
Supplementary cash flow information		
Interest income received	\$ 1,192	\$ 1,123
Interest paid	65	45
Dividend income received	72	74

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

(in Canadian \$ millions except per share amounts)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months ended March 31, 2021 were approved by the Board of Directors on May 5, 2021.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2020 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2021 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2020 except as described below.

Changes in Accounting Policies

The Company adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

2. *Basis of Presentation and Summary of Accounting Policies (cont'd)*

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2020:

Standard	Summary of Future Changes
IAS 1 – <i>Presentation of Financial Statements</i>	<p>In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.</p>
IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p>In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.</p>

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2020 consolidated annual audited financial statements and notes thereto.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Company operates. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange, as well as prevailing health and mortality experience.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, the Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third party credit rating. Given rapid market changes, third party credit rating changes may lag developments in the current environment.

The fair value of portfolio investments (note 5), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities (note 8) and the recoverability of deferred tax asset carrying values reflect management's judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

3. Business Acquisition

Acquisition of MassMutual Retirement Services Business

On December 31, 2020, GWL&A completed the purchase, via indemnity reinsurance, of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual) and assumed the economics and risks associated with the reinsured business. The acquisition strengthens the Company's position as a leader in the U.S. retirement market. The Company anticipates realizing cost synergies through the migration of MassMutual's retirement services business onto the Company's recordkeeping platform.

The Company paid a ceding commission of \$2,937 (U.S. \$2,312) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and \$1,973 (U.S. \$1,500) in long-term debt issued on September 17, 2020. The assets acquired, liabilities assumed and ceding commission paid at the closing of this transaction are subject to future adjustments.

The initial amounts assigned to the assets acquired, goodwill, intangible assets and liabilities assumed on December 31, 2020, and updated and reported as at March 31, 2021 are as follows:

Assets acquired and goodwill

Cash and cash equivalents	\$ 2,594
Bonds	12,006
Mortgage Loans	2,326
Funds held by ceding insurers	9,928
Goodwill	1,557
Intangible assets	1,270
Other assets	231
Premiums in the course of collection, accounts and interest receivable	172
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
Total assets acquired and goodwill	\$ 115,169

Liabilities assumed

Insurance contract liabilities	\$ 22,316
Investment contract liabilities	4,984
Accounts payable	31
Other liabilities	116
Investment and insurance contracts on account of segregated fund policyholders	84,785
Total liabilities assumed	\$ 112,232

As at March 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at March 31, 2021 reflect management's current best estimate of the purchase price allocation. The Company has identified and allocated provisional amounts for intangible assets within the purchase price allocation, net of \$19 of amortization. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2021.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$1,557 (U.S. \$1,226) as of March 31, 2021, will be adjusted in future periods.

3. *Business Acquisition (cont'd)*

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

4. **Restructuring and Integration Expenses**

(a) **Canada Restructuring**

At March 31, 2021, the Company has a restructuring provision of \$76 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

	March 31 2021	December 31 2020
Balance, beginning of year	\$ 86	\$ —
Restructuring expenses	—	92
Amounts used	(10)	(6)
Balance, end of period	\$ 76	\$ 86

The Company expects to pay out substantially all of these amounts by December 31, 2022.

(b) **GWL&A Restructuring**

The Company recorded integration expenses of \$16 in the Consolidated Statement of Earnings during the three months ended March 31, 2021. At March 31, 2021, the Company has a restructuring provision of \$11 remaining in other liabilities. The change in the restructuring provision for the GWL&A restructuring is set out below:

	March 31 2021	December 31 2020
Balance, beginning of year	\$ 37	\$ —
Restructuring expenses	—	37
Amounts used	(25)	—
Changes in foreign exchange rates	(1)	—
Balance, end of period	\$ 11	\$ 37

The Company expects to pay out a significant portion of these amounts during the year. The Company expects to incur further restructuring and integration expenses associated with the acquisition of MassMutual (note 3) during the year.

5. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss ⁽¹⁾	\$ 97,492	\$ 97,492	\$ 100,839	\$ 100,839
Classified fair value through profit or loss ⁽¹⁾	1,793	1,793	2,053	2,053
Available-for-sale	11,419	11,419	11,352	11,352
Loans and receivables	23,351	25,245	23,348	26,545
	134,055	135,949	137,592	140,789
Mortgage loans				
Residential				
Designated fair value through profit or loss ⁽¹⁾	2,034	2,034	2,020	2,020
Loans and receivables	9,350	9,703	9,416	10,024
	11,384	11,737	11,436	12,044
Commercial	16,231	16,876	16,367	17,589
	27,615	28,613	27,803	29,633
Stocks				
Designated fair value through profit or loss ⁽¹⁾	11,154	11,154	10,335	10,335
Available-for-sale	28	28	20	20
Available-for-sale, at cost ⁽²⁾	162	162	163	163
Equity method	479	474	482	445
	11,823	11,818	11,000	10,963
Investment properties	6,490	6,490	6,270	6,270
Total	\$ 179,983	\$ 182,870	\$ 182,665	\$ 187,655

⁽¹⁾ A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

⁽²⁾ Fair value cannot be reliably measured, therefore the investments are held at cost.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2021	December 31 2020
Impaired amounts by classification		
Fair value through profit or loss	\$ 19	\$ 20
Available-for-sale	18	17
Loans and receivables	35	23
Total	\$ 72	\$ 60

The carrying amount of impaired investments includes \$33 bonds, \$35 mortgage loans and \$4 stocks at March 31, 2021 (\$35 bonds, \$23 mortgage loans and \$2 stocks at December 31, 2020). The above carrying values for loans and receivables are net of allowances of \$56 at March 31, 2021 and \$57 at December 31, 2020.

(c) Net investment income comprises the following:

For the three months ended March 31, 2021	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,022	\$ 228	\$ 77	\$ 103	\$ 178	\$ 1,608
Net realized gains						
Available-for-sale	10	—	—	—	—	10
Other classifications	5	11	—	—	4	20
Net allowances for credit losses on loans and receivables	—	(6)	—	—	—	(6)
Other income (expenses)	—	—	—	(35)	(41)	(76)
	1,037	233	77	68	141	1,556
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	(48)	—	—	—	—	(48)
Designated fair value through profit or loss	(5,643)	(134)	622	—	(417)	(5,572)
Recorded at fair value through profit or loss	—	—	—	69	—	69
	(5,691)	(134)	622	69	(417)	(5,551)
Total	\$ (4,654)	\$ 99	\$ 699	\$ 137	\$ (276)	\$ (3,995)

5. Portfolio Investments (cont'd)

For the three months ended March 31, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 904	\$ 219	\$ 79	\$ 105	\$ 42	\$ 1,349
Net realized gains						
Available-for-sale	38	—	1	—	—	39
Other classifications	2	7	—	—	—	9
Net allowances for credit losses on loans and receivables						
	—	(9)	—	—	—	(9)
Other income (expenses)	—	—	—	(31)	(43)	(74)
	944	217	80	74	(1)	1,314
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss						
	14	—	—	—	—	14
Designated fair value through profit or loss						
	(1,568)	(99)	(1,813)	—	188	(3,292)
Recorded at fair value through profit or loss						
	—	—	—	(110)	—	(110)
	(1,554)	(99)	(1,813)	(110)	188	(3,388)
Total	\$ (610)	\$ 118	\$ (1,733)	\$ (36)	\$ 187	\$ (2,074)

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2020 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2020 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2020.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,

6. *Financial Instruments Risk Management (cont'd)*

- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) **Currency Risk**

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change in net earnings.

The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

(ii) **Interest Rate Risk**

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk.

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries prescribed scenarios:

- At March 31, 2021 and December 31, 2020, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

6. Financial Instruments Risk Management (cont'd)

- At March 31, 2021 and December 31, 2020, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions.

If sustained however, the parallel shift could impact the Company's range of scenarios covered. The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions. For some products, interest rate risk is modelled stochastically in determining the insurance contract liabilities, and for those products, the sensitivities reflect the estimated impact of an immediate 1% increase and 1% decrease in interest rates on the liability.

The sensitivities in the table include the impact of a parallel shift in ultimate interest rates outlined in actuarial standards.

	March 31, 2021		December 31, 2020	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (304)	\$ 786	\$ (289)	\$ 1,185
Increase (decrease) in net earnings	\$ 235	\$ (598)	\$ 224	\$ (920)

As at March 31, 2021, the accounting for the acquisition of MassMutual is not finalized pending completion of a comprehensive valuation of the net assets acquired (note 3). As such, the impact of the acquired business included in the sensitivities above reflects management's current best estimate of the sensitivities.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

6. Financial Instruments Risk Management (cont'd)

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	March 31, 2021				December 31, 2020			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (34)	\$ (18)	\$ 32	\$ 173	\$ (34)	\$ (18)	\$ 62	\$ 264
Increase (decrease) in net earnings	\$ 28	\$ 15	\$ (28)	\$ (141)	\$ 28	\$ 15	\$ (51)	\$ (208)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	March 31, 2021				December 31, 2020			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (46)	\$ (13)	\$ 60	\$ 159	\$ (41)	\$ (8)	\$ 88	\$ 138
Increase (decrease) in net earnings	\$ 39	\$ 11	\$ (48)	\$ (123)	\$ 34	\$ 6	\$ (69)	\$ (108)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

6. *Financial Instruments Risk Management (cont'd)*

	March 31, 2021		December 31, 2020	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	\$ (667)	\$ 844	\$ (691)	\$ 861
Increase (decrease) in net earnings	\$ 531	\$ (662)	\$ 556	\$ (682)

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. The Company hedges its exposure to the equity risk associated with its Performance Share Unit Plan through the use of total return swaps.

7. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

7. Fair Value Measurement (cont'd)

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

Assets measured at fair value	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,616	\$ —	\$ —	\$ 5,616
Financial assets at fair value through profit or loss				
Bonds	—	99,209	76	99,285
Mortgage loans	—	—	2,034	2,034
Stocks	9,432	141	1,581	11,154
Total financial assets at fair value through profit or loss	9,432	99,350	3,691	112,473
Available-for-sale financial assets				
Bonds	—	11,419	—	11,419
Stocks	4	1	23	28
Total available-for-sale financial assets	4	11,420	23	11,447
Investment properties	—	—	6,490	6,490
Funds held by ceding insurers	489	15,068	—	15,557
Derivatives ⁽¹⁾	—	669	—	669
Reinsurance assets	—	110	—	110
Other assets:				
Trading account assets	245	315	53	613
Other ⁽²⁾	52	62	—	114
Total assets measured at fair value	\$ 15,838	\$ 126,994	\$ 10,257	\$ 153,089
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 3	\$ 1,233	\$ —	\$ 1,236
Investment contract liabilities	—	8,824	—	8,824
Other liabilities	52	62	—	114
Total liabilities measured at fair value	\$ 55	\$ 10,119	\$ —	\$ 10,174

⁽¹⁾ Excludes collateral received from counterparties of \$172.

⁽²⁾ Includes collateral received under securities lending agreements.

⁽³⁾ Excludes collateral pledged to counterparties of \$551.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7,946	\$ —	\$ —	\$ 7,946
Financial assets at fair value through profit or loss				
Bonds	—	102,819	73	102,892
Mortgage loans	—	—	2,020	2,020
Stocks	8,773	188	1,374	10,335
Total financial assets at fair value through profit or loss	8,773	103,007	3,467	115,247
Available-for-sale financial assets				
Bonds	—	11,352	—	11,352
Stocks	3	1	16	20
Total available-for-sale financial assets	3	11,353	16	11,372
Investment properties	—	—	6,270	6,270
Funds held by ceding insurers	245	15,943	—	16,188
Derivatives ⁽¹⁾	1	828	—	829
Reinsurance assets	—	130	—	130
Other assets:				
Trading account assets	302	353	58	713
Other ⁽²⁾	79	188	—	267
Total assets measured at fair value	\$ 17,349	\$ 131,802	\$ 9,811	\$ 158,962
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 5	\$ 1,216	\$ —	\$ 1,221
Investment contract liabilities	—	9,145	—	9,145
Other liabilities	79	188	—	267
Total liabilities measured at fair value	\$ 84	\$ 10,549	\$ —	\$ 10,633

⁽¹⁾ Excludes collateral received from counterparties of \$210.

⁽²⁾ Includes collateral received under securities lending arrangements.

⁽³⁾ Excludes collateral pledged to counterparties of \$442.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis which the Company classifies as Level 3 in the fair value hierarchy:

	March 31, 2021						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁽³⁾	Available- for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	\$ 73	\$ 2,020	\$ 1,374	\$ 16	\$ 6,270	\$ 58	\$ 9,811
Total gains (losses)							
Included in net earnings	1	(135)	9	—	69	(5)	(61)
Included in other comprehensive income ⁽¹⁾	(4)	(7)	—	—	(20)	—	(31)
Purchases	6	—	210	7	180	—	403
Issues	—	192	—	—	—	—	192
Sales	—	—	(12)	—	(9)	—	(21)
Settlements	—	(36)	—	—	—	—	(36)
Transfers into Level 3 ⁽²⁾	—	—	—	—	—	—	—
Transfers out of Level 3 ⁽²⁾	—	—	—	—	—	—	—
Balance, end of period	\$ 76	\$ 2,034	\$ 1,581	\$ 23	\$ 6,490	\$ 53	\$ 10,257
Total gains (losses) for the period included in net investment income	\$ 1	\$ (135)	\$ 9	\$ —	\$ 69	\$ (5)	\$ (61)
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2021	\$ 1	\$ (135)	\$ 9	\$ —	\$ 69	\$ (5)	\$ (61)

- (1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.
- (2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.
- (3) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

	December 31, 2020						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁽⁴⁾	Available- for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	\$ 67	\$ 1,314	\$ 678	\$ 4	\$ 5,887	\$ —	\$ 7,950
Total gains (losses)							
Included in net earnings	2	156	16	—	(74)	—	100
Included in other comprehensive income ⁽¹⁾	4	15	—	1	21	—	41
Purchases	—	—	406	11	481	—	898
Issues	—	622	—	—	—	—	622
Sales	—	—	(83)	—	(73)	—	(156)
Settlements	—	(87)	—	—	—	—	(87)
Transferred from owner occupied properties ⁽²⁾	—	—	—	—	28	—	28
Transfers into Level 3 ⁽³⁾	—	—	357	—	—	58	415
Transfers out of Level 3 ⁽³⁾	—	—	—	—	—	—	—
Balance, end of year	<u>\$ 73</u>	<u>\$ 2,020</u>	<u>\$ 1,374</u>	<u>\$ 16</u>	<u>\$ 6,270</u>	<u>\$ 58</u>	<u>\$ 9,811</u>
Total gains (losses) for the year included in net investment income	<u>\$ 2</u>	<u>\$ 156</u>	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ (74)</u>	<u>\$ —</u>	<u>\$ 100</u>
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2020	<u>\$ 2</u>	<u>\$ 145</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ (73)</u>	<u>\$ —</u>	<u>\$ 91</u>

- (1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.
- (2) As a result of the sale of Irish Progressive Services International Limited, a property with a fair value of \$28 was reclassified from owner occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of \$11 and income tax expense of \$(1) in the Consolidated Statements of Comprehensive Income.
- (3) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.
- (4) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 pandemic impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, the Company's investment in these funds with a fair value of \$357 was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life partially lifted the temporary suspension, allowing contributions and transfers into its Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.

Subsequent event

On April 19, 2021, Canada Life fully lifted the temporary suspension on redemptions and transfers out of its Canadian real estate investment funds. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of \$457 was transferred on April 19, 2021 from Level 3 to Level 1.

7. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.5% - 12.6%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 3.5% - 7.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.9%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 3.6% - 4.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	March 31, 2021		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 202,010	\$ 20,142	\$ 181,868
Investment contract liabilities	8,824	110	8,714
Total	\$ 210,834	\$ 20,252	\$ 190,582
	December 31, 2020		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 208,902	\$ 21,991	\$ 186,911
Investment contract liabilities	9,145	130	9,015
Total	\$ 218,047	\$ 22,121	\$ 195,926

9. Segregated Funds

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	March 31 2021	December 31 2020
Cash and cash equivalents	\$ 13,356	\$ 15,558
Bonds	62,471	65,338
Mortgage loans	2,590	2,686
Stocks and units in unit trusts	118,863	112,675
Mutual funds	128,212	127,577
Investment properties	12,271	12,430
	<u>337,763</u>	<u>336,264</u>
Accrued income	491	463
Other liabilities	(6,339)	(4,185)
Non-controlling mutual funds interest	1,661	1,490
Total ⁽¹⁾	<u><u>\$ 333,576</u></u>	<u><u>\$ 334,032</u></u>

⁽¹⁾ At March 31, 2021, \$83,720 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis (\$84,785 at December 31, 2020) (note 3). Included in this amount are \$1,098 of cash and cash equivalents, \$14,559 of bonds, \$23 of stocks and units in unit trusts, \$69,103 of mutual funds, \$82 of accrued income and \$(1,145) of other liabilities.

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the three months ended March 31	
	2021	2020
Balance, beginning of year	\$ 334,032	\$ 231,022
Additions (deductions):		
Policyholder deposits	7,953	6,294
Net investment income	411	733
Net realized capital gains on investments	4,184	744
Net unrealized capital gains (losses) on investments	3,619	(26,785)
Unrealized gains (losses) due to changes in foreign exchange rates	(5,763)	7,003
Policyholder withdrawals	(10,985)	(6,553)
Change in Segregated Fund investment in General Fund	(50)	88
Change in General Fund investment in Segregated Fund	(8)	234
Net transfer from General Fund	12	4
Non-controlling mutual funds interest	171	(207)
Total	<u>(456)</u>	<u>(18,445)</u>
Balance, end of period	<u><u>\$ 333,576</u></u>	<u><u>\$ 212,577</u></u>

9. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 7)

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	\$ 233,062	\$ 92,047	\$ 13,327	\$ 338,436

⁽¹⁾ Excludes other liabilities, net of other assets, of \$4,860.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	\$ 224,831	\$ 98,424	\$ 13,556	\$ 336,811

⁽¹⁾ Excludes other liabilities, net of other assets, of \$2,779.

During the first three months of 2021, certain foreign stock holdings valued at \$4,713 have been transferred from Level 2 to Level 1 (\$3,190 were transferred from Level 1 to Level 2 at December 31, 2020) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	March 31 2021	December 31 2020
Balance, beginning of year	\$ 13,556	\$ 13,988
Total gains (losses) included in segregated fund investment income	(222)	78
Purchases	65	167
Sales	(73)	(712)
Transfers into Level 3	1	35
Transfers out of Level 3	—	—
Balance, end of period	\$ 13,327	\$ 13,556

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

10. Share Capital

Common Shares

	For the three months ended March 31			
	2021		2020	
	Number	Carrying value	Number	Carrying value
Common shares				
Balance, beginning of year	927,853,106	\$ 5,651	927,281,186	\$ 5,633
Exercised and issued under stock option plan	576,540	18	398,720	13
Balance, end of period	928,429,646	\$ 5,669	927,679,906	\$ 5,646

During the three months ended March 31, 2021, 576,540 common shares were exercised under the Company's stock plan with a carrying value of \$18, including \$2 from contributed surplus transferred upon exercise (398,720 with a carrying value of \$13, including \$2 from contributed surplus transferred upon exercise during the three months ended March 31, 2020).

On January 25, 2021, the Company announced the renewal of its normal course issuer bid (NCIB) commencing January 27, 2021 and terminating January 26, 2022 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices. The Company does not currently intend to engage in share repurchases that reduce its outstanding shares while the Office of the Superintendent of Financial Institutions (OSFI) maintains its expectation that the institutions it regulates suspend share buybacks due to ongoing impacts of the COVID-19 pandemic.

During the three months ended March 31, 2021, the Company did not purchase any common shares under the current normal course issuer bid (nil during the three months ended March 31, 2020 under the previous normal course issuer bid).

11. Earnings per Common Share

	For the three months ended March 31	
	2021	2020
Earnings		
Net earnings	\$ 740	\$ 375
Preferred share dividends	(33)	(33)
Net earnings - common shareholders	\$ 707	\$ 342
Number of common shares		
Average number of common shares outstanding	928,134,473	927,540,109
Add: Potential exercise of outstanding stock options	421,066	455,585
Average number of common shares outstanding - diluted basis	928,555,539	927,995,694
Basic earnings per common share	\$ 0.762	\$ 0.369
Diluted earnings per common share	\$ 0.761	\$ 0.369
Dividends per common share	\$ 0.4380	\$ 0.4380

12. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

12. Capital Management (cont'd)

(b) Regulatory Capital

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

The following provides a summary of the LICAT information and ratios for Canada Life:

	March 31	December 31
	2021	2020
Tier 1 Capital	\$ 11,750	\$ 11,593
Tier 2 Capital	4,174	4,568
Total Available Capital	15,924	16,161
Surplus Allowance & Eligible Deposits	13,378	14,226
Total Capital Resources	\$ 29,302	\$ 30,387
Required Capital	\$ 23,909	\$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%) ⁽¹⁾	123 %	129 %

⁽¹⁾ Total Ratio (%) = (Total Capital Resources / Required Capital)

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

13. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended March 31	
	2021	2020
Pension plans		
Service costs	\$ 71	\$ 60
Net interest costs	6	6
Curtailment	1	(1)
	78	65
Other post-employment benefits		
Service costs	1	1
Net interest costs	2	3
	3	4
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	81	69
Pension plans - re-measurements (gain) loss		
Actuarial gain	(688)	(960)
Return on assets less than assumed	81	600
Administrative expenses less than assumed	—	(1)
Change in the asset ceiling	12	69
Pension plans re-measurement gain	(595)	(292)
Other post-employment benefits - re-measurements		
Actuarial gain	(36)	(35)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	(631)	(327)
Total pension plans and other post-employment benefits (income) expense including re-measurements	\$ (550)	\$ (258)

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	March 31		December 31	
	2021	2020	2020	2019
Weighted average discount rate	2.8 %	3.3 %	2.2 %	2.6 %

14. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31	
	2021	2020
Current income taxes	\$ 96	\$ 43
Deferred income taxes	(39)	(56)
Total income tax expense	\$ 57	\$ (13)

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2021 was 6.9% compared to negative 3.5% for the three months ended March 31, 2020. The effective income tax rate for the three months ended March 31, 2021 is higher than the effective income tax rate for the three months ended March 31, 2020 primarily due to a favourable tax item in the first quarter of 2020 in the United Kingdom, driven by market movements, which contributed a 9.4 point decrease but had a negligible impact in the first quarter of 2021.

The effective income tax rate for the shareholder account for the three months ended March 31, 2021 was 9.5% compared to negative 0.6% for the three months ended March 31, 2020.

15. Segmented Information

(a) Consolidated Net Earnings

For the three months ended March 31, 2021

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,196	\$ 2,755	\$ 944	\$ 7,466	\$ —	\$ 14,361
Net investment income						
Regular net investment income	713	483	299	65	(4)	1,556
Changes in fair value through profit or loss	(2,248)	(1,224)	(1,694)	(387)	2	(5,551)
Total net investment income (loss)	(1,535)	(741)	(1,395)	(322)	(2)	(3,995)
Fee and other income	469	927	353	2	—	1,751
	2,130	2,941	(98)	7,146	(2)	12,117
Benefits and expenses						
Paid or credited to policyholders	805	1,848	(790)	6,932	—	8,795
Other ⁽¹⁾	922	887	444	59	5	2,317
Financing charges	33	37	6	2	1	79
Amortization of finite life intangible assets	23	43	13	—	—	79
Restructuring and integration expenses	—	16	—	—	—	16
Earnings (loss) before income taxes	347	110	229	153	(8)	831
Income taxes	33	14	11	1	(2)	57
Net earnings (loss) before non-controlling interests	314	96	218	152	(6)	774
Non-controlling interests	26	7	1	—	—	34
Net earnings (loss)	288	89	217	152	(6)	740
Preferred share dividends	29	—	4	—	—	33
Net earnings (loss) before capital allocation	259	89	213	152	(6)	707
Impact of capital allocation	28	—	(18)	(7)	(3)	—
Net earnings (loss) - common shareholders	\$ 287	\$ 89	\$ 195	\$ 145	\$ (9)	\$ 707

⁽¹⁾ Includes commissions, operating and administrative expenses, and premium taxes.

15. Segmented Information (cont'd)

For the three months ended March 31, 2020

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,247	\$ 2,262	\$ 791	\$ 4,606	\$ —	\$ 10,906
Net investment income						
Regular net investment income	616	312	293	84	9	1,314
Changes in fair value through profit or loss	(2,206)	(310)	(664)	(208)	—	(3,388)
Total net investment income (loss)	(1,590)	2	(371)	(124)	9	(2,074)
Fee and other income	440	665	333	3	—	1,441
	<u>2,097</u>	<u>2,929</u>	<u>753</u>	<u>4,485</u>	<u>9</u>	<u>10,273</u>
Benefits and expenses						
Paid or credited to policyholders	952	2,206	224	4,323	—	7,705
Other ⁽¹⁾	915	674	430	53	4	2,076
Financing charges	32	24	6	3	—	65
Amortization of finite life intangible assets	23	21	12	—	—	56
Earnings before income taxes						
Income taxes	175	4	81	106	5	371
	17	(2)	(36)	7	1	(13)
Net earnings before non-controlling interests						
Net earnings before non-controlling interests	158	6	117	99	4	384
Non-controlling interests	11	(2)	—	—	—	9
Net earnings						
Net earnings	147	8	117	99	4	375
Preferred share dividends	28	—	5	—	—	33
Net earnings before capital allocation						
Net earnings before capital allocation	119	8	112	99	4	342
Impact of capital allocation	32	(3)	(21)	(6)	(2)	—
Net earnings - common shareholders						
	<u>\$ 151</u>	<u>\$ 5</u>	<u>\$ 91</u>	<u>\$ 93</u>	<u>\$ 2</u>	<u>\$ 342</u>

⁽¹⁾ Includes commissions, operating and administrative expenses, and premium taxes.

The revenue by source currency for Capital and Risk Solutions:

	For the three months ended March 31	
	2021	2020
Revenue		
United States	\$ 5,012	\$ 4,002
United Kingdom	157	120
Other	1,977	363
Total revenue	<u>\$ 7,146</u>	<u>\$ 4,485</u>

15. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

	March 31, 2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 85,912	\$ 52,498	\$ 48,384	\$ 7,222	\$ 194,016
Goodwill and intangible assets	5,634	5,676	2,995	—	14,305
Other assets	3,676	29,092	9,707	8,387	50,862
Investments on account of segregated fund policyholders	92,462	116,710	124,404	—	333,576
Total	\$ 187,684	\$ 203,976	\$ 185,490	\$ 15,609	\$ 592,759
Liabilities					
Insurance and investment contract liabilities	\$ 79,463	\$ 73,579	\$ 45,705	\$ 12,087	\$ 210,834
Other liabilities	7,669	7,823	4,477	995	20,964
Investment and insurance contracts on account of segregated fund policyholders	92,462	116,710	124,404	—	333,576
Total	\$ 179,594	\$ 198,112	\$ 174,586	\$ 13,082	\$ 565,374

15. Segmented Information (cont'd)

	December 31, 2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 87,732	\$ 54,522	\$ 50,793	\$ 5,951	\$ 198,998
Goodwill and intangible assets	5,625	5,729	3,037	—	14,391
Other assets	3,661	30,347	10,151	8,910	53,069
Investments on account of segregated fund policyholders	90,680	117,982	125,370	—	334,032
Total	\$ 187,698	\$ 208,580	\$ 189,351	\$ 14,861	\$ 600,490
Liabilities					
Insurance and investment contract liabilities	\$ 81,556	\$ 76,793	\$ 48,243	\$ 11,455	\$ 218,047
Other liabilities	7,731	8,004	4,767	894	21,396
Investment and insurance contracts on account of segregated fund policyholders	90,680	117,982	125,370	—	334,032
Total	\$ 179,967	\$ 202,779	\$ 178,380	\$ 12,349	\$ 573,475

The assets by source currency for Capital and Risk Solutions:

	March 31 2021	December 31 2020
Assets		
United States	\$ 6,499	\$ 6,667
United Kingdom	7,098	7,572
Other	2,012	622
Total assets	\$ 15,609	\$ 14,861

IGM Financial Inc.

PART C

Management's Discussion and Analysis

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Financial Statements and Notes

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Please note that the bottom of each page in Part C contains two different page numbers. A page number with the prefix "C" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by IGM Financial Inc.

The attached documents concerning IGM Financial Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

management's discussion and analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three months ended March 31, 2021 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements), as well as the 2020 IGM Financial Inc. Annual Report filed on www.sedar.com. Commentary in the MD&A as at and for the three months ended March 31, 2021 is as of May 6, 2021.

Basis of Presentation and Summary of Accounting Policies

The Interim Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

Forward-looking Statements

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided to assist the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and

its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Non-IFRS Financial Measures and Additional IFRS Measures

Net earnings available to common shareholders, which is an additional measure in accordance with IFRS, may be subdivided into two components consisting of:

- Adjusted net earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Adjusted net earnings available to common shareholders", "adjusted diluted earnings per share" (EPS) and "adjusted return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT), "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, Adjusted EBIT, EBITDA before

sales commissions and EBITDA after sales commissions are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before income taxes" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1, 2 and 3.

Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. The Company also operates through wealth manager Investment Planning Counsel and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Group Ltd. (Northleaf) and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

In the third quarter of 2020, the Company realigned its financial reporting and related disclosures to reflect its current reportable segments of Wealth Management, Asset Management and Strategic Investments and Other. In the first quarter of 2021, the Company further expanded its reportable segment disclosures to report to Net Earnings. These segments are described later in this MD&A.

IGM Financial's assets under management and advisement were \$248.5 billion as at March 31, 2021, the highest level in the history of the Company, compared with \$168.4 billion at March 31, 2020 and \$240.0 billion at December 31, 2020, as detailed in Table 5. The increase of 47.6% from March 31, 2020 consisted of \$41.3 billion of client investment returns, \$8.5 billion of client net flows and \$30.3 billion of net business acquisitions in the fourth quarter of 2020. Average total assets under management and advisement for the first quarter of 2021 were \$243.9 billion compared to \$186.0 billion in the first quarter of 2020.

Total assets under management were \$221.6 billion at March 31, 2021, the highest level in the history of the Company, compared with \$147.5 billion at March 31, 2020 and \$214.0 billion at December 31, 2020, as detailed in Table 5. Average total assets under management for the first quarter of 2021 were \$217.6 billion compared to \$163.3 billion in the first quarter of 2020.

Net earnings available to common shareholders for the three months ended March 31, 2021 were \$202.2 million or 85 cents per share compared with net earnings available to common shareholders of \$160.9 million or 68 cents per share for the comparative period in 2020, an increase of 25.0% in earnings per share.

Shareholders' equity was \$5.2 billion as at March 31, 2021, compared to \$5.0 billion at December 31, 2020. Return on

average common equity based on net earnings for the three months ended March 31, 2021 was 14.8% compared with 14.1% for the comparative period in 2020. Excluding the impact of fair value through other comprehensive income investments net of tax, return on average common equity at March 31, 2021 is 16.9%. The quarterly dividend per common share declared in the first quarter of 2021 was 56.25 cents, unchanged from the fourth quarter of 2020.

WEALTHSIMPLE FINANCIAL CORP. (WEALTHSIMPLE)

Wealthsimple is an online investment manager that provides financial investment guidance.

On May 3, 2021, Wealthsimple announced a \$750 million equity fundraising done at a valuation which increases the value of IGM's investment in Wealthsimple by \$897 million to \$1.45 billion at March 31, 2021.

The transaction consists of a \$250 million primary offering, as well as a \$500 million secondary offering by the Power Corporation of Canada group. As a result of the secondary offering, IGM Financial will dispose of a portion of its investment for proceeds of approximately \$295 million (\$257 million after-tax), and will continue to hold a 23% interest valued at \$1.15 billion.

COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to global businesses. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Volatility in financial markets in 2020 was significant, with continued upward trend in the last four quarters:

- The S&P TSX Composite index increased by 7.3% in the first quarter of 2021. In 2020, there was an increase of 2.2%, recovering from a decline of 21.6% in the first quarter of 2020.
- U.S. equity markets, as measured by the S&P 500 index, increased by 5.8% in the first quarter of 2021. The annual return in 2020 was 16.3%, recovering from a decline of 20.0% in the first quarter of 2020.
- The FTSE TMX Canada Universe Bond index decreased by 5.7% in the first quarter of 2021 as long-term interest rates increased by approximately 0.50% in the quarter. In 2020,

there was an increase of 5.9%, including an increase of 0.9% in the first quarter of 2020.

- Our clients experienced an average investment return in the first quarter of 2021 of 2.7%. Client investment returns in 2020 were 6.5%, recovering from a decline of 11.7% in the first quarter of 2020.

IGM Financial's assets under management and advisement increased from \$240.0 billion at December 31, 2020 by 3.6% to \$248.5 billion at March 31, 2021, and increased by 47.6% from \$168.4 billion at March 31, 2020. The increase of 47.6% included \$30.3 billion in net business acquisitions in the fourth quarter of GLC and Greenchip and also reflected the recovery in global equity markets after the first quarter of 2020.

Even though progress has been made on the deployment of vaccines, the duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results

and condition of the Company and its operating subsidiaries in future periods.

COVID-19 has the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: liquidity risk; credit risk; business risk and risks related to assets under management and advisement; operational risk; governance, oversight and strategic risk; regulatory developments; and people risk. These risks are discussed in further detail in the Risk Management section of this MD&A.

REPORTING CHANGES

Effective the first quarter of 2021, the Company has expanded its reportable segment disclosures to report to Net earnings, whereas previously it went to Earnings before interest and taxes. These changes further build on the disclosure enhancements announced by the Company in the third quarter of 2020, which were introduced to improve transparency into key drivers of each business line and help stakeholders understand and assess

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

THREE MONTHS ENDED (\$ millions)	2021 MARCH 31		2020 DECEMBER 31		2020 MARCH 31	
	EARNINGS	EPS ⁽¹⁾	EARNINGS	EPS ⁽¹⁾	EARNINGS	EPS ⁽¹⁾
Adjusted net earnings available to common shareholders – Non-IFRS measure	\$ 202.2	\$ 0.85	\$ 204.3	\$ 0.86	\$ 160.9	\$ 0.68
Gain on sale of Quadrus Group of Funds net of acquisition costs, net of tax	-	-	21.4	0.09	-	-
Proportionate share of associate's adjustments	-	-	3.4	0.01	-	-
Net earnings available to common shareholders – IFRS	\$ 202.2	\$ 0.85	\$ 229.1	\$ 0.96	\$ 160.9	\$ 0.68
EBITDA before sales commissions – Non-IFRS measure	\$ 333.2		\$ 326.4		\$ 271.7	
Sales-based commissions paid	(47.1)		(41.3)		(40.7)	
EBITDA after sales commissions – Non-IFRS measure	286.1		285.1		231.0	
Sales-based commissions paid subject to amortization	40.2		36.1		33.0	
Amortization of capitalized sales commissions	(12.1)		(10.6)		(7.7)	
Amortization of capital, intangible and other assets	(24.0)		(21.5)		(20.1)	
Adjusted earnings before interest and income taxes – Non-IFRS measure	290.2		289.1		236.2	
Interest expense ⁽²⁾	(28.1)		(27.9)		(27.3)	
Other items (gross)						
Gain on sale of QGOF net of acquisition costs (\$21.4 after-tax)	-		25.2		-	
Proportionate share of associate's adjustments	-		3.4		-	
Earnings before income taxes	262.1		289.8		208.9	
Income taxes	59.7		60.5		48.0	
Net earnings	202.4		229.3		160.9	
Non-controlling interest	0.2		0.2		-	
Net earnings available to common shareholders – IFRS	\$ 202.2		\$ 229.1		\$ 160.9	

(1) Diluted earnings per share.

(2) Interest expense includes interest on long-term debt and interest on leases.

components of value. The Company's reportable segments are Wealth Management, Asset Management and Strategic Investments & Other.

Prior period comparative information has been restated to reflect these changes.

These changes have no impact on the reported earnings of the Company.

These changes are intended to:

- Better reflect the business performance of underlying segments
- Reflect the capacity for financial leverage within the segments

- Encourage sum-of-parts approach to value assessment

To calculate segment Net earnings, debt and interest is allocated to each segment based on management's assessment of:

- capacity to service the debt, and
- where the debt is being serviced. Income tax expense is calculated based on revenue and expenses included in each segment.

REPORTABLE SEGMENTS

The segments as described below reflect the Company's internal financial reporting and performance measurement (Tables 2 and 3):

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2021 VS. Q1 2020

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31
Revenues										
Wealth management	\$ 608.0	\$ 566.8	\$ –	\$ –	\$ –	\$ –	\$ (4.5)	\$ (4.1)	\$ 603.5	\$ 562.7
Asset management	–	–	259.9	223.8	–	–	(26.9)	(25.3)	233.0	198.5
Dealer compensation expense	–	–	(85.3)	(75.5)	–	–	4.6	4.1	(80.7)	(71.4)
Net asset management	–	–	174.6	148.3	–	–	(22.3)	(21.2)	152.3	127.1
Net investment income and other	1.8	(1.2)	1.2	(2.2)	0.2	1.5	(0.1)	(0.1)	3.1	(2.0)
Proportionate share of associates' earnings	–	–	–	–	41.6	20.1	–	–	41.6	20.1
	609.8	565.6	175.8	146.1	41.8	21.6	(26.9)	(25.4)	800.5	707.9
Expenses										
Advisory and business development	263.7	239.3	20.3	19.9	–	–	–	(0.1)	284.0	259.1
Operations and support	122.0	119.6	83.5	74.7	1.1	0.9	(0.1)	(0.1)	206.5	195.1
Sub-advisory	45.0	40.2	1.7	2.5	–	–	(26.9)	(25.2)	19.8	17.5
	430.7	399.1	105.5	97.1	1.1	0.9	(27.0)	(25.4)	510.3	471.7
Adjusted earnings before interest and taxes	179.1	166.5	70.3	49.0	40.7	20.7	0.1	–	290.2	236.2
Interest expense ⁽¹⁾	22.3	22.2	5.8	5.1	–	–	–	–	28.1	27.3
Adjusted earnings before income taxes	156.8	144.3	64.5	43.9	40.7	20.7	0.1	–	262.1	208.9
Income taxes	42.0	38.7	16.5	11.6	1.1	(2.3)	0.1	–	59.7	48.0
Adjusted net earnings	114.8	105.6	48.0	32.3	39.6	23.0	–	–	202.4	160.9
Non-controlling interest	–	–	–	–	0.2	–	–	–	0.2	–
Adjusted net earnings available to common shareholders⁽²⁾	\$ 114.8	\$ 105.6	\$ 48.0	\$ 32.3	\$ 39.4	\$ 23.0	\$ –	\$ –	202.2	160.9
Other items, net of tax									–	–
Net earnings available to common shareholders									\$ 202.2	\$ 160.9

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

TABLE 3: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q1 2021 VS. Q4 2020

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	MAR. 31	DEC. 31	MAR. 31	DEC. 31	MAR. 31	DEC. 31	MAR. 31	DEC. 31	MAR. 31	DEC. 31
Revenues										
Wealth management	\$ 608.0	\$ 598.5	\$ –	\$ –	\$ –	\$ –	\$ (4.5)	\$ (4.3)	\$ 603.5	\$ 594.2
Asset management	–	–	259.9	242.1	–	–	(26.9)	(25.8)	233.0	216.3
Dealer compensation expense	–	–	(85.3)	(78.6)	–	–	4.6	4.3	(80.7)	(74.3)
Net asset management	–	–	174.6	163.5	–	–	(22.3)	(21.5)	152.3	142.0
Net investment income and other	1.8	1.0	1.2	1.0	0.2	1.1	(0.1)	0.1	3.1	3.2
Proportionate share of associates' earnings	–	–	–	–	41.6	40.1	–	–	41.6	40.1
	609.8	599.5	175.8	164.5	41.8	41.2	(26.9)	(25.7)	800.5	779.5
Expenses										
Advisory and business development	263.7	254.8	20.3	28.3	–	–	–	–	284.0	283.1
Operations and support	122.0	113.3	83.5	74.6	1.1	0.9	(0.1)	0.2	206.5	189.0
Sub-advisory	45.0	42.7	1.7	1.5	–	–	(26.9)	(25.9)	19.8	18.3
	430.7	410.8	105.5	104.4	1.1	0.9	(27.0)	(25.7)	510.3	490.4
Adjusted earnings before interest and taxes										
	179.1	188.7	70.3	60.1	40.7	40.3	0.1	–	290.2	289.1
Interest expense ⁽¹⁾	22.3	22.7	5.8	5.2	–	–	–	–	28.1	27.9
Adjusted earnings before income taxes										
	156.8	166.0	64.5	54.9	40.7	40.3	0.1	–	262.1	261.2
Income taxes	42.0	44.2	16.5	14.2	1.1	(1.7)	0.1	–	59.7	56.7
Adjusted net earnings										
	114.8	121.8	48.0	40.7	39.6	42.0	–	–	202.4	204.5
Non-controlling interest	–	–	–	–	0.2	0.2	–	–	0.2	0.2
Adjusted net earnings available to common shareholders⁽²⁾										
	\$ 114.8	\$ 121.8	\$ 48.0	\$ 40.7	\$ 39.4	\$ 41.8	\$ –	\$ –	202.2	204.3
Other items, net of tax										
Gain on sale of Quadrus Group of Funds net of acquisition costs									–	21.4
Proportionate share of associate's adjustments									–	3.4
Net earnings available to common shareholders									\$ 202.2	\$ 229.1

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This

segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.

- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

Assets under Management and Advisement (AUM&A)

represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM operating companies.

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

FINANCIAL PRESENTATION

The financial presentation includes revenues and expenses to align with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and net investment income and other revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.

- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses vary directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation and technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

Interest expense represents interest expense on long-term debt and interest expense on leases. Debt and interest expense is allocated to each segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

Income taxes are reported in each segment. IGM Financial consolidated changes in the effective tax rates are detailed in Table 4.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

Other items include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful. These items as reflected in Tables 2 and 3 are not allocated to segments:

TABLE 4: EFFECTIVE INCOME TAX RATE

THREE MONTHS ENDED	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31
Income taxes at Canadian federal and provincial statutory rates	26.64 %	26.60 %	26.65 %
Effect of:			
Proportionate share of associates' earnings	(3.77)	(3.29)	(2.34)
Tax loss consolidation ⁽¹⁾	-	(0.96)	(1.30)
Other items	(0.10)	(0.19)	(0.02)
Effective income tax rate – adjusted net earnings	22.77	22.16	22.99
Disposition of assets net of acquisition costs	-	(0.98)	-
Proportionate share of associate's one-time charges	-	(0.31)	-
Effective income tax rate – net earnings	22.77 %	20.87 %	22.99 %

(1) See Note 26 – Related Party Transactions of the Consolidated Financial Statements included in the 2020 IGM Financial Inc. Annual Report (Annual Financial Statements). The benefits from the tax loss consolidation arrangements ended at December 31, 2020.

- 2020 Gain on sale of the Quadrus Group of Funds net of acquisition costs – \$25.2 million (\$21.4 million after-tax), recorded in the fourth quarter.
- 2020 Proportionate share of associate's adjustments – \$3.4 million which represented the Company's proportionate share in Great-West Lifeco Inc.'s after-tax adjustments, recorded in the fourth quarter, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs.

\$30.3 billion in net business acquisitions from the fourth quarter of 2020 of GLC Asset Management Group Ltd. (GLC) and Greenchip Financial Corp. (Greenchip).

Changes in assets under management for the Wealth Management and Asset Management segments are discussed further in each of their respective Review of the Business sections in the MD&A.

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement were \$248.5 billion at March 31, 2021 compared to \$168.4 billion at March 31, 2020, an increase of 47.6%. Total assets under management were \$221.6 billion at March 31, 2021 compared to \$147.5 billion at March 31, 2020, an increase of 50.2%. Changes in assets under management and advisement are detailed in Table 5. The increase in assets under management and advisement included

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 6 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 6, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

TABLE 5: ASSETS UNDER MANAGEMENT AND ADVISEMENT

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT				ASSET MANAGEMENT		INTERCOMPANY ELIMINATIONS ⁽¹⁾		CONSOLIDATED	
	IG WEALTH MANAGEMENT		INVESTMENT PLANNING COUNSEL		MACKENZIE INVESTMENTS		2021	2020	2021	2020
	2021 MAR. 31	2020 MAR. 31	2021 MAR. 31	2020 MAR. 31	2021 MAR. 31	2020 MAR. 31	MAR. 31	MAR. 31	MAR. 31	MAR. 31
Gross flows										
Mutual fund gross sales ⁽²⁾⁽³⁾	\$ 3,351	\$ 2,686	\$ 230	\$ 193	\$ 4,512	\$ 3,656	\$ -	\$ -	\$ 8,093	\$ 6,535
Dealer gross inflows	3,636	3,006	1,599	1,318	-	-	-	-	5,235	4,324
Net flows										
Mutual fund net sales ⁽²⁾⁽³⁾	501	(50)	(109)	(81)	1,461	355	-	-	1,853	224
ETF net creations	-	-	-	-	405	82	-	-	405	82
Investment fund net sales	501	(50)	(109)	(81)	1,866	437	-	-	2,258	306
Institutional SMA net sales	-	-	-	-	(414)	(86)	-	-	(414)	(86)
Mackenzie net sales through Wealth Management	212	14	68	14	-	-	(280)	(28)	-	-
Managed asset net sales	713	(36)	(41)	(67)	1,452	351	(280)	(28)	1,844	220
Other dealer net flows	302	417	32	183	-	-	1	1	335	601
Total net flows	1,015	381	(9)	116	1,452	351	(279)	(27)	2,179	821
Assets under Management and Advice										
Wealth Management										
AUM	\$100,745	\$ 81,901	\$ 5,308	\$ 4,698			\$ -	\$ -	\$106,053	\$ 86,599
Mackenzie assets sold through Wealth Management	659	168	3,267	2,573			-	-	3,926	2,741
Other AUA	5,591	3,765	21,316	17,101			(10)	(7)	26,897	20,859
AUA	106,995	85,834	29,891	24,372			(10)	(7)	136,876	110,199
Asset Management										
Mutual funds					\$ 58,137	\$ 54,288			58,137	54,288
ETFs					4,174	2,335			4,174	2,335
Investment funds					62,311	56,623			62,311	56,623
Institutional SMA					53,213	4,275			53,213	4,275
Total ex sub-advisory to Wealth Management					115,524	60,898			115,524	60,898
Sub-advisory to Wealth Management					76,041	64,068			76,041	64,068
Total AUM					191,565	124,966			191,565	124,966
ETFs										
Distributed to third parties					4,174	2,335			4,174	2,335
Held within IGM managed products					5,359	2,920	(5,359)	(2,920)	-	-
Total ETFs					9,533	5,255	(5,359)	(2,920)	4,174	2,335
Consolidated										
AUM	100,745	81,901	5,308	4,698	191,565	124,966	(76,041)	(64,068)	221,577	147,497
Mackenzie assets sold through Wealth Management	659	168	3,267	2,573	-	-	(3,926)	(2,741)	-	-
Other AUA	5,591	3,765	21,316	17,101	-	-	(10)	(7)	26,897	20,859
AUM&A	106,995	85,834	29,891	24,372	191,565	124,966	(79,977)	(66,816)	248,474	168,356

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.

(2) IG Wealth Management and Investment Planning Counsel AUM and net sales include separately managed accounts.

(3) During the first quarter, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in:
2021 - sales of \$367 million and net redemptions of \$411 million.
2020 - sales of \$373 million and net sales of \$181 million.

TABLE 6: SUMMARY OF QUARTERLY RESULTS

	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Consolidated statements of earnings (\$ millions)								
Revenues								
Wealth management	\$ 603.5	\$ 594.2	\$ 571.6	\$ 531.1	\$ 562.7	\$ 587.1	\$ 581.1	\$ 577.5
Asset management	233.0	216.3	207.4	190.7	198.5	203.4	201.2	198.5
Dealer compensation expense	(80.7)	(74.3)	(71.3)	(66.1)	(71.4)	(69.8)	(68.9)	(69.6)
Net asset management	152.3	142.0	136.1	124.6	127.1	133.6	132.3	128.9
Net investment income and other	3.1	3.2	2.2	7.6	(2.0)	6.7	2.0	4.9
Proportionate share of associates' earnings	41.6	40.1	43.5	43.3	20.1	32.6	28.9	28.2
	800.5	779.5	753.4	706.6	707.9	760.0	744.3	739.5
Expenses								
Advisory and business development	284.0	283.1	252.6	245.4	259.1	270.9	257.1	267.7
Operations and support	206.5	189.0	181.9	185.4	195.1	182.6	180.3	178.5
Sub-advisory	19.8	18.3	18.5	16.9	17.5	18.1	17.4	17.0
Interest ⁽¹⁾	28.1	27.9	27.9	27.5	27.3	27.8	27.8	27.6
	538.4	518.3	480.9	475.2	499.0	499.4	482.6	490.8
Earnings before undernoted	262.1	261.2	272.5	231.4	208.9	260.6	261.7	248.7
Gain on sale of Personal Capital	-	-	37.2	-	-	-	-	-
Gain on sale of Quadrus Group of Funds	-	-	-	-	-	-	-	-
net of acquisition costs	-	25.2	-	-	-	-	-	-
Proportionate share of associate's adjustments	-	3.4	-	-	-	-	-	-
Restructuring and other	-	-	(74.5)	-	-	-	-	-
Proportionate share of associate's one-time charges	-	-	-	-	-	(9.2)	-	(8.0)
Earnings before income taxes	262.1	289.8	235.2	231.4	208.9	251.4	261.7	240.7
Income taxes	59.7	60.5	44.3	47.9	48.0	59.8	59.2	55.6
Net earnings	202.4	229.3	190.9	183.5	160.9	191.6	202.5	185.1
Non-controlling interest	0.2	0.2	-	-	-	-	-	-
Net earnings available to common shareholders	\$ 202.2	\$ 229.1	\$ 190.9	\$ 183.5	\$ 160.9	\$ 191.6	\$ 202.5	\$ 185.1
Reconciliation of Non-IFRS financial measures⁽²⁾ (\$ millions)								
Adjusted net earnings available to common shareholders – non-IFRS measure	\$ 202.2	\$ 204.3	\$ 214.2	\$ 183.5	\$ 160.9	\$ 200.8	\$ 202.5	\$ 193.1
Other items:								
Gain on sale of Personal Capital, net of tax	-	-	31.4	-	-	-	-	-
Gain on sale of Quadrus Group of Funds	-	-	-	-	-	-	-	-
net of acquisition costs, net of tax	-	21.4	-	-	-	-	-	-
Proportionate share of associate's adjustments	-	3.4	-	-	-	-	-	-
Restructuring and other, net of tax	-	-	(54.7)	-	-	-	-	-
Proportionate share of associate's one-time charges	-	-	-	-	-	(9.2)	-	(8.0)
Net earnings available to common shareholders – IFRS	\$ 202.2	\$ 229.1	\$ 190.9	\$ 183.5	\$ 160.9	\$ 191.6	\$ 202.5	\$ 185.1
Earnings per Share (¢)								
Adjusted net earnings available to common shareholders ⁽¹⁾								
– Basic	85	86	90	77	68	84	85	81
– Diluted	85	86	90	77	68	84	85	81
Net earnings available to common shareholders								
– Basic	85	96	80	77	68	80	85	77
– Diluted	85	96	80	77	68	80	85	77
Average assets under management and advisement (\$ billions)								
Investment fund assets under management	\$ 165.5	\$ 169.8	\$ 163.7	\$ 152.6	\$ 158.5	\$ 159.5	\$ 156.8	\$ 155.7
Total assets under management	217.6	177.6	171.4	159.2	163.3	164.5	162.1	161.8
Assets under management and advisement	243.9	202.2	194.9	181.5	186.0	187.4	184.7	184.2
Ending assets under management and advisement (\$ billions)								
Investment fund assets under management	\$ 168.4	\$ 162.3	\$ 164.9	\$ 157.8	\$ 143.2	\$ 161.8	\$ 157.6	\$ 156.3
Total assets under management	221.6	214.0	172.6	165.4	147.5	166.8	162.5	162.3
Assets under management and advisement	248.5	240.0	196.4	188.3	168.4	190.0	185.1	184.9

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A in addition to the Summary of Consolidated Operating Results section included in the MD&A of the 2020 IGM Financial Inc. Annual Report for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

Wealth Management

The Wealth Management segment consists of both IG Wealth Management and Investment Planning Counsel, Inc. (IPC).

Wealth Management revenue consists of:

- **Advisory fees** are related to providing financial advice to clients including fees related to the distribution of products.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees.
- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.

Sub-advisory fees are paid between segments and to third parties for investment management services provided to our investment products. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Beginning the first quarter of 2021, each segment now reflects their results to adjusted net earnings. Debt and interest expense is allocated to segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of 3,323 Consultants. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 693 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management Consultants and IPC Advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 96% of adjusted net earnings of the total segment.

2020 DEVELOPMENTS

COVID-19 AND CLIENT OUTREACH

As a result of COVID-19 and the resulting impact to global financial markets, we have significantly increased communications to clients and Consultants. We have provided comprehensive information and ongoing market updates to our Consultants, so they have the tools they need to support our clients and their long-term financial planning needs. Our Consultants continue to actively reach out and communicate with our clients, continuing to reinforce the importance of long-term planning and a diversified investment portfolio.

IG WEALTH MANAGEMENT STRATEGY

IG Wealth Management's promise is to inspire financial confidence.

Our strategic mandate is to be Canada's financial partner of choice.

Canadians hold \$5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics, and we view these savings as IG Wealth's addressable market. 75% of these savings are held by households with over \$1 million, which are referred to as high net worth, and another 21% reside with households with between \$100,000 and \$1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

Our value proposition is to deliver better Gamma, better Beta and better Alpha.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.

- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- A high-performing and diverse culture.

DELIVERING GAMMA

THE VALUE OF ALL EFFORTS THAT SIT OUTSIDE OF INVESTMENT PORTFOLIO CONSTRUCTION. THIS INCLUDES THE VALUE THAT A FINANCIAL ADVISOR ADDS TO A CLIENT RELATIONSHIP, AND COMES FROM THE CREATION AND FOLLOW THROUGH OF A WELL-CONSTRUCTED FINANCIAL PLAN.

Entrepreneurial Advisors, Superior Advice

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors (called Consultants) in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

All IG Wealth Management Consultant practices hold a credentialed financial planning designation or are enrolled in a program. These designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at March 31, 2021:

- 1,808 Consultant practices (1,827 at March 31, 2020), which reflect Consultants with more than four years of experience. These practices may include Associates as described below. The level and productivity of Consultant practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.
- 441 New Consultants (501 at March 31, 2020), which are those Consultants with less than four years of experience.
- 1,074 Associates and Regional Directors (1,035 at March 31, 2020). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,323 (3,363 at March 31, 2020).

IG Wealth Management's recruiting standards increase the likelihood of success while also enhancing our culture and brand.

Our training curriculum is reviewed and refreshed each year to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers through a selection of focused educational programs.

We also support Consultants and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants or specialists.

Segmented Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan provides a single, integrated view of all aspects of a client's finances. It incorporates investments, tax and risk management strategies, for a truly personalized plan. In the fourth quarter of 2020, IG Wealth Management introduced Conquest Planning as the next generation of the IG Living Plan. This tool shows clients their entire financial picture, allows for "what if" scenarios in a simplified, accessible way and it empowers the use of artificial intelligence to determine planning strategies customized to individual clients.

The IG Living Plan leverages the expertise of IG Wealth Management's Consultants who serve approximately one million clients located in communities throughout Canada.

IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of different policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a comprehensive financial plan.

- Charitable Giving Program, a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

We have established a National Service Centre focused on clients with small account values, while our Consultant practices focus on those clients who have more complicated needs. These clients are largely supported by our National Service Centre which supports more than 200,000 clients.

IG Wealth Management Consultants are focused on the high net worth and mass affluent segments of the market, which we define as households with over \$1 million and between \$100k and \$1 million, respectively.

Assets under advisement for clients with household assets >\$1 million (defined as "high net worth") totalled \$34.2 billion at March 31, 2021, an increase of 66.4% from one year ago, and represented 32% of total assets under advisement.

Assets under advisement for clients with household assets between \$100 thousand and \$1 million (defined as "mass affluent") totalled \$63.0 billion at March 31, 2021, an increase of 15.7% from one year ago, and represented 59% of total assets under advisement.

Assets under advisement for clients with household assets less than \$100 thousand (defined as "mass market") totalled \$9.8 billion at March 31, 2021, a decrease of 9.7% from one year ago, and represented 9% of total assets under advisement.

Business Processes

IG Wealth Management continually seeks to enhance our systems and business processes so our Consultants can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.

The IG Wealth Management Advisor Portal is a customer relationship management platform based on Salesforce launched in 2020. It enables our Consultants to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base.

A High-Performing and Diverse Culture

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training

and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

DELIVERING BETA AND ALPHA

BETA – THE VALUE CREATED BY WELL-CONSTRUCTED INVESTMENT PORTFOLIOS – ACHIEVING EXPECTED INVESTMENT RETURNS FOR THE LOWEST POSSIBLE RISK.

ALPHA – THE VALUE OF ACTIVE MANAGEMENT – ACHIEVING RETURNS SUPERIOR TO PASSIVE BENCHMARKS WITH A SIMILAR COMPOSITION AND RISK PROFILE.

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality global sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, China AMC, Putnam and JP Morgan Asset Management.

Powerful Financial Solutions

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed portfolios that rebalance investments to ensure that a chosen mix of risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.
- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with unbundled pricing solutions. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.
- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification

and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios provide exposure similar to the investments of the iProfile Private Pools, and are available to households with investments held at IG Wealth Management in excess of \$100,000.

- *iProfile™ Private Portfolios* – iProfile Private Portfolios are model portfolios comprised of iProfile Private Pools, available for households with investments held at IG Wealth Management in excess of \$250,000. iProfile Private Portfolios have been designed to deliver strong risk-adjusted returns by diversifying across asset classes, management styles and geographic regions. Recent enhancements include the launch of new discretionary model portfolios and six new iProfile Private Pools to support the new models: three iProfile Active Allocation Private Pools, iProfile Alternatives Private Pool with mandates including long short, global macro and global equity hedge strategies, iProfile ETF Private Pool providing exposure to passive ETFs and iProfile Low Volatility Private Pool with Canadian, U.S., International and Emerging Market geographic coverage.

In addition, we have incorporated investments in private assets with the introduction of a Private Credit Mandate in the iProfile Fixed Income Private Pool, with commitments to three of Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe, as well as commitments to Sagard and PIMCO.

- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts) and fee-based brokerage accounts.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. We are in the process of migrating our clients to unbundled fee products, a significant change for IG Wealth Management and the Canadian mutual fund industry overall. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to offer competitive pricing, particularly for high net worth clients. This allows IG Wealth Management to differentiate pricing by client segment, ensuring that it is competitive and rewards client loyalty while encouraging consolidation of client wealth at IG and attracting new clients.

We have discontinued offering bundled purchase options for substantially all investment products.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar¹ fund ranking service is one of the rankings monitored when determining fund performance.

At March 31, 2021, 70.3% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar¹ fund ranking service and 31.8% had a rating of four or five stars. This compared to the Morningstar¹ universe of 84.8% for three stars or better and 51.7% for four and five star funds at March 31, 2021. Morningstar Ratings¹ are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were \$136.9 billion at March 31, 2021, an increase of 24.2% from March 31, 2020. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were \$106.1 billion, an increase of 22.5% from March 31, 2020. The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 7 and 8.

IG WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

The introduction of the IG Advisory Account means that fees are charged on eligible external assets under advisement. Assets under advisement are therefore a key performance indicator for IG Wealth Management. Revenues from the IG Advisory Account are earned on eligible external assets under advisement. Our Consultants' compensation is also based on assets contributed into the IG Advisory Account and other fee-based programs.

IG Wealth Management's assets under advisement were \$107.0 billion at March 31, 2021, an increase of 24.7% from March 31, 2020, and mutual fund assets under management were \$100.7 billion, an increase of 23.0%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 9 and 10.

For the quarter ended March 31, 2021, gross client inflows of IG Wealth Management assets under advisement were \$3.6 billion, an increase of 21.0% from \$3.0 billion in the comparable period in 2020. Net client inflows were \$1.0 billion in the first quarter, an improvement of \$634 million from net

TABLE 7: CHANGE IN ASSETS UNDER ADVISEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Gross client inflows	\$ 5,235	\$ 4,425	\$ 4,324	18.3 %	21.1 %
Gross client outflows	4,228	3,688	3,826	14.6	10.5
Net flows	1,007	737	498	36.6	102.2
Investment returns	3,286	6,831	(15,119)	(51.9)	N/M
Net change in assets	4,293	7,568	(14,621)	(43.3)	N/M
Beginning assets	132,583	125,015	124,820	6.1	6.2
Ending assets under advisement	\$ 136,876	\$ 132,583	\$ 110,199	3.2 %	24.2 %
IG Wealth Management	106,995	103,273	85,834	3.6	24.7
Investment Planning Counsel	29,891	29,318	24,372	2.0	22.6
Average assets under advisement	\$ 134,873	\$ 128,342	\$ 121,850	5.1 %	10.7 %
IG Wealth Management	105,491	100,295	94,923	5.2	11.1
Investment Planning Counsel	29,391	28,054	26,934	4.8	9.1

client inflows of \$381 million in the comparable period in 2020. During the first quarter, investment returns resulted in an increase of \$2.7 billion in assets under advisement compared to a decrease of \$11.6 billion in the first quarter of 2020.

Changes in mutual fund assets under management for the periods under review are reflected in Table 10.

In addition to net sales of \$501 million in the first quarter of 2021 to IG fund products, there were net sales to Mackenzie fund products of \$212 million for a total of \$713 million in net sales to IGM products. At March 31, 2021, \$58.8 billion, or 58% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee

structures, up 76.1% from \$33.4 billion at March 31, 2020 which represented 41% of assets under management.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – Q1 2021 VS. Q1 2020

IG Wealth Management's assets under advisement were \$107.0 billion at March 31, 2021, up 24.7% from \$85.8 billion at March 31, 2020. IG Wealth Management's mutual fund assets under management were \$100.7 billion at March 31, 2021, representing an increase of 23.0% from \$81.9 billion at March 31, 2020. Average daily mutual fund assets were \$99.6 billion in the first quarter of 2021, up 9.5% from \$90.9 billion in the first quarter of 2020.

TABLE 8: CHANGE IN ASSETS UNDER MANAGEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Sales	\$ 3,581	\$ 2,749	\$ 2,879	30.3 %	24.4 %
Redemptions	3,189	2,847	3,010	12.0	5.9
Net sales (redemptions)	392	(98)	(131)	N/M	N/M
Investment returns	2,628	5,118	(11,822)	(48.7)	N/M
Net change in assets	3,020	5,020	(11,953)	(39.8)	N/M
Beginning assets	103,033	98,013	98,552	5.1	4.5
Ending assets under management	\$ 106,053	\$ 103,033	\$ 86,599	2.9 %	22.5 %
IG Wealth Management	100,745	97,713	81,901	3.1	23.0
Investment Planning Counsel	5,308	5,320	4,698	(0.2)	13.0
Daily average mutual fund assets	\$ 104,899	\$ 100,419	\$ 96,145	4.5 %	9.1 %
IG Wealth Management	99,564	95,194	90,909	4.6	9.5
Investment Planning Counsel	5,335	5,225	5,236	2.1	1.9

TABLE 9: CHANGE IN ASSETS UNDER ADVISEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Gross client inflows	\$ 3,636	\$ 2,938	\$ 3,006	23.8 %	21.0 %
Gross client outflows	2,621	2,453	2,625	6.8	(0.2)
Net flows	1,015	485	381	109.3	166.4
Investment returns	2,707	5,250	(11,647)	(48.4)	N/M
Net change in assets	3,722	5,735	(11,266)	(35.1)	N/M
Beginning assets	103,273	97,538	97,100	5.9	6.4
Ending assets	\$ 106,995	\$ 103,273	\$ 85,834	3.6 %	24.7 %
Average assets under advisement	\$ 105,491	\$ 100,295	\$ 94,923	5.2 %	11.1 %

For the quarter ended March 31, 2021, sales of IG Wealth Management mutual funds through its Consultant network were \$3.4 billion, an increase of 24.8% from the comparable period in 2020. Mutual fund redemptions totalled \$2.9 billion, an increase of 4.2% from 2020. IG Wealth Management mutual fund net sales for the first quarter of 2021 were \$501 million compared with net redemptions of \$50 million in 2020. During the first quarter, investment returns resulted in an increase of \$2.5 billion in mutual fund assets compared to a decrease of \$11.2 billion in the first quarter of 2020.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 11.2% in the first quarter of 2021, compared to 11.7% in the first quarter of 2020. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.7% at March 31, 2021, compared to 10.7% at March 31, 2020, and remains well below the corresponding

average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.0% at March 31, 2021. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – Q1 2021 VS. Q4 2020

IG Wealth Management's assets under advisement were \$107.0 billion at March 31, 2021, an increase of 3.6% from \$103.3 billion at December 31, 2020. IG Wealth Management's mutual fund assets under management were \$100.7 billion at March 31, 2021, an increase of 3.1% from \$97.7 billion at December 31, 2020. Average daily mutual fund assets were \$99.6 billion in the first quarter of 2021 compared to \$95.2 billion in the fourth quarter of 2020, an increase of 4.6%.

TABLE 10: CHANGE IN ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Sales	\$ 3,351	\$ 2,572	\$ 2,686	30.3 %	24.8 %
Redemptions	2,850	2,581	2,736	10.4	4.2
Net sales (redemptions)	501	(9)	(50)	N/M	N/M
Investment returns	2,531	4,848	(11,210)	(47.8)	N/M
Net change in assets	3,032	4,839	(11,260)	(37.3)	N/M
Beginning assets	97,713	92,874	93,161	5.2	4.9
Ending assets	\$ 100,745	\$ 97,713	\$ 81,901	3.1 %	23.0 %
Daily average assets under management	\$ 99,564	\$ 95,194	\$ 90,909	4.6 %	9.5 %
Managed asset net sales					
Investment fund net sales	\$ 501	\$ (9)	\$ (50)	N/M %	N/M %
Mackenzie net sales through Wealth Management	212	130	14	63.1	N/M
	\$ 713	\$ 121	\$ (36)	N/M %	N/M %

For the quarter ended March 31, 2021, sales of IG Wealth Management mutual funds through its Consultant network were \$3.4 billion, an increase of 30.3% from the fourth quarter of 2020. Mutual fund redemptions, which totalled \$2.9 billion for the first quarter, increased 10.4% from the previous quarter and the annualized quarterly redemption rate was 11.2% in the first quarter compared to 10.3% in the fourth quarter of 2020. IG Wealth Management mutual fund net sales were \$501 million for the current quarter compared to net redemptions of \$9 million in the previous quarter.

IG WEALTH MANAGEMENT OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At March 31, 2021, total segregated fund assets were \$1.5 billion, compared to \$1.4 billion at March 31, 2020.

INSURANCE

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance.

The average number of policies sold by each insurance-licensed Consultant was 2.6 for the quarter ended March 31, 2021, compared to 2.1 in 2020. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management Consultants can refer clients

to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

MORTGAGE AND BANKING OPERATIONS

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their Consultants to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking[†], provided by National Bank of Canada under a long-term distribution agreement. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account, is also offered through Solutions Banking[†].

Mortgage fundings offered through IG Wealth Management and through Solutions Banking[†] for the first quarter ended March 31, 2021 were \$234 million compared to \$187 million in 2020, an increase of 25.0%. At March 31, 2021, mortgages offered through both sources totalled \$9.1 billion, compared to \$10.2 billion at March 31, 2020, a decrease of 10.2%.

Available credit associated with Solutions Banking[†] All-in-One accounts originated for the quarter ended March 31, 2021 were \$326 million, compared to \$209 million in 2020. At March 31, 2021, the balance outstanding of Solutions Banking[†] All-in-One products was \$3.5 billion, compared to \$3.0 billion one year ago, and represented approximately 51% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking[†] include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking[†], clients have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking[†] offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total outstanding lending products of IG Wealth Management clients in the Solutions Banking[†] offering, including Solutions Banking[†] mortgages totalled \$5.3 billion at March 31, 2021, compared to \$4.7 billion at March 31, 2020.

Review of Segment Operating Results

The Wealth Management segment's adjusted net earnings are presented in Table 11 and include the operations of IG Wealth Management and Investment Planning Counsel.

IG WEALTH MANAGEMENT

IG Wealth Management adjusted net earnings are presented in Table 12. Adjusted net earnings for the first quarter of 2021 were \$110.5 million, an increase of 8.4% from the first quarter in 2020 and a decrease of 5.9% from the prior quarter.

Adjusted earnings before interest and taxes for the first quarter of 2021 were \$173.0 million, an increase of 7.3% from the first quarter in 2020 and a decrease of 5.2% from the prior quarter.

Q1 2021 VS. Q1 2020

FEE INCOME

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were \$271.3 million in the first quarter of 2021, an increase of \$19.6 million or 7.8% from \$251.7 million in 2020.

The increase in advisory fees in the three months ending March 31, 2021 was primarily due to the increase in average assets under advisement of 11.1%, as shown in Table 9, offset by a decrease in the advisory fee rate. The average advisory fee rate for the first quarter was 104.3 basis points of average assets

TABLE 11: OPERATING RESULTS – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Revenues					
Wealth Management					
Advisory fees	\$ 333.0	\$ 325.5	\$ 308.5	2.3 %	7.9 %
Product and program fees	224.8	219.8	211.2	2.3	6.4
	557.8	545.3	519.7	2.3	7.3
Redemption fees	3.8	3.2	6.2	18.8	(38.7)
Other financial planning revenues	46.4	50.0	40.9	(7.2)	13.4
Total Wealth Management	608.0	598.5	566.8	1.6	7.3
Net investment income and other	1.8	1.0	(1.2)	80.0	N/M
	609.8	599.5	565.6	1.7	7.8
Expenses					
Advisory and business development					
Asset-based compensation	172.7	164.3	154.7	5.1	11.6
Sales-based compensation	12.1	10.6	7.7	14.2	57.1
Other					
Other product commissions	20.2	20.1	18.1	0.5	11.6
Business development	58.7	59.8	58.8	(1.8)	(0.2)
	78.9	79.9	76.9	(1.3)	2.6
Total advisory and business development	263.7	254.8	239.3	3.5	10.2
Operations and support	122.0	113.3	119.6	7.7	2.0
Sub-advisory	45.0	42.7	40.2	5.4	11.9
	430.7	410.8	399.1	4.8	7.9
Adjusted earnings before interest and taxes	179.1	188.7	166.5	(5.1)	7.6
Interest expense	22.3	22.7	22.2	(1.8)	0.5
Adjusted earnings before taxes	156.8	166.0	144.3	(5.5)	8.7
Income taxes	42.0	44.2	38.7	(5.0)	8.5
Adjusted net earnings	\$ 114.8	\$ 121.8	\$ 105.6	(5.7) %	8.7 %

TABLE 12: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Revenues					
Wealth Management					
Advisory fees	\$ 271.3	\$ 265.5	\$ 251.7	2.2 %	7.8 %
Product and program fees	210.9	205.8	196.7	2.5	7.2
	482.2	471.3	448.4	2.3	7.5
Redemption fees	3.7	3.0	6.1	23.3	(39.3)
Other financial planning revenues	41.5	45.3	35.9	(8.4)	15.6
Total Wealth Management	527.4	519.6	490.4	1.5	7.5
Net investment income and other	1.4	0.8	(1.7)	75.0	N/M
	528.8	520.4	488.7	1.6	8.2
Expenses					
Advisory and business development					
Asset-based compensation	124.4	116.8	109.6	6.5	13.5
Sales-based compensation	12.1	10.6	7.7	14.2	57.1
Other					
Other product commissions	17.1	17.3	15.2	(1.2)	12.5
Business development	50.9	52.3	50.7	(2.7)	0.4
	68.0	69.6	65.9	(2.3)	3.2
Total advisory and business development	204.5	197.0	183.2	3.8	11.6
Operations and support	109.9	101.8	107.7	8.0	2.0
Sub-advisory	41.4	39.2	36.6	5.6	13.1
	355.8	338.0	327.5	5.3	8.6
Adjusted earnings before interest and taxes	173.0	182.4	161.2	(5.2)	7.3
Interest expense	22.1	22.5	22.1	(1.8)	–
Adjusted earnings before taxes	150.9	159.9	139.1	(5.6)	8.5
Income taxes	40.4	42.5	37.2	(4.9)	8.6
Adjusted net earnings	\$ 110.5	\$ 117.4	\$ 101.9	(5.9) %	8.4 %

under advisement compared to 106.6 basis points in 2020, reflecting changes in product and client mix as we have more high net worth clients who are eligible for lower rates.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled \$210.9 million in the current quarter, up 7.2% from \$196.7 million a year ago.

The increase in product and program fees in the first quarter of 2021 was primarily due to the increase in average assets under management of 9.5%, as shown in Table 10. The average product and program fee rate for the first quarter was 85.9 basis points of average assets under management compared to 87.0 basis points in 2020, reflecting changes in price and product mix.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking[†]

Other financial planning revenues of \$41.5 million for the first quarter of 2021 increased by \$5.6 million from \$35.9 million in 2020. The increase in the three month period was primarily due to higher earnings from the mortgage banking operations and higher distribution fee income from insurance products.

A summary of mortgage banking operations for the quarter under review is presented in Table 13.

TABLE 13: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	\$ 40.6	\$ 44.1	\$ 47.9	(7.9) %	(15.2) %
Interest expense	31.2	33.5	39.8	(6.9)	(21.6)
Net interest income	9.4	10.6	8.1	(11.3)	16.0
Gains on sales ⁽¹⁾	2.3	3.7	1.8	(37.8)	27.8
Fair value adjustments	(0.9)	(1.0)	(2.7)	10.0	66.7
Other	1.3	1.8	2.5	(27.8)	(48.0)
	\$ 12.1	\$ 15.1	\$ 9.7	(19.9) %	24.7 %
Average mortgages serviced					
Securitized loans	\$ 5,795	\$ 6,126	\$ 6,729	(5.4) %	(13.9) %
Other	2,583	2,670	2,772	(3.3)	(6.8)
	\$ 8,378	\$ 8,796	\$ 9,501	(4.8) %	(11.8) %
Mortgage sales to:⁽²⁾					
Securitized loans	\$ 367	\$ 434	\$ 248	(15.4) %	48.0 %
Other ⁽¹⁾	234	246	226	(4.9)	3.5
	\$ 601	\$ 680	\$ 474	(11.6) %	26.8 %

(1) Represents sales to institutional investors through private placements, to Investors Mortgage and Short Term Income Fund, and to Investors Canadian Corporate Bond Fund as well as gains realized on those sales.

(2) Represents principal amounts sold.

NET INVESTMENT INCOME AND OTHER

Net investment income and other is primarily related to investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

EXPENSES

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our Consultants. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of consultants or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation, increased by \$14.8 million for the first quarter ended March 31, 2021 to \$124.4 million, compared to 2020. The increase was primarily due to increased average assets under advisement and Consultant performance.

IG Wealth Management Consultant sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements). All sales-based compensation payments are capitalized and amortized as they reflect incremental costs to obtain a client contract.

Sales-based compensation paid fluctuates with the level of new assets contributed to IG Wealth Management accounts. Sales-based compensation paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other sales-based compensation paid on investment product sales are expensed as incurred.

Sales-based compensation was \$12.1 million for the first quarter of 2021, an increase of \$4.4 million from \$7.7 million in 2020. The increase in expense is due to additional sales-based commission being capitalized and amortized throughout 2020 and 2021.

Other advisory and business development expenses were \$50.9 million in the first quarter of 2021, compared to \$50.7 million in 2020.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were \$109.9 million for the first quarter of 2021 compared to \$107.7 million in 2020, an increase of \$2.2 million or 2.0%.

Sub-advisory expenses were \$41.4 million for the first quarter of 2021 compared to \$36.6 million in 2020, an increase of \$4.8 million or 13.1%. The increase is primarily due to higher assets under management.

INTEREST EXPENSE

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$22.1 million in the first quarter of 2021 unchanged from the first quarter of 2020. Long-term debt interest expense is calculated based on a long-term debt allocation of \$1.7 billion to IG Wealth Management.

Q1 2021 VS. Q4 2020

FEE INCOME

Advisory fee income increased by \$5.8 million or 2.2% to \$271.3 million in the first quarter of 2021 compared with the fourth quarter of 2020. The increase in advisory fees in the first quarter was primarily due to the increase in average assets under advisement of 5.2% for the quarter, as shown in Table 9. The average advisory fee rate for the first quarter was 104.3 basis points of average assets under management compared to 105.3 basis points in the fourth quarter of 2020.

Product and program fees were \$210.9 million in the first quarter of 2021, an increase of \$5.1 million from \$205.8 in the fourth quarter of 2020. The increase in product and program fees was

due to higher assets under management. The average product and program fee rate was 85.9 basis points in both quarters.

Other financial planning revenues of \$41.5 million in the first quarter of 2021 decreased by \$3.8 million from \$45.3 million in the fourth quarter primarily due to a decrease in earnings from the mortgage banking operations as detailed in Table 13.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was \$1.4 million in the first quarter of 2021 compared to \$0.8 million in the previous quarter, an increase of \$0.6 million.

EXPENSES

Advisory and business development expenses in the current quarter were \$204.5 million compared with \$197.0 million in the previous quarter primarily due to higher asset based compensation.

Operations and support expenses were \$109.9 million for the first quarter of 2021 compared to \$101.8 million in the previous quarter, increased of \$8.1 million or 8.0% due to the seasonality of expenses.

INVESTMENT PLANNING COUNSEL

Q1 2021 VS. Q1 2020

Adjusted net earnings related to Investment Planning Counsel were \$0.6 million higher in the first quarter of 2021 compared to the first quarter of 2020.

Q1 2021 VS. Q4 2020

Adjusted net earnings related to Investment Planning Counsel were \$0.1 million lower in the first quarter of 2021 compared to the prior quarter.

Asset Management

The Asset Management segment includes Mackenzie Investments.

Asset Management revenue reflects:

- **Asset management fees** which includes fees received from our mutual funds, Wealth Management segment, and third parties for investment management services. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

- **Net asset management fees** which offset management fees with dealer compensation expenses.

Assets managed for IG Wealth Management are included in the Asset Management segment's assets under management.

Beginning the first quarter of 2021, each segment now reflects their results to adjusted net earnings. Debt and interest expense is allocated to segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees primarily from:

- Management fees earned from its investment funds, sub-advised accounts and institutional clients.
- Fees earned from its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

The largest component of Mackenzie's revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. Equity based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts.

2020 DEVELOPMENTS

COVID-19 AND COMMUNICATION

As a result of COVID-19 and the resulting impact to global financial markets, we significantly increased communications to support the independent financial advisors and our institutional clients. Our focus has been to provide capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the tools and resources they need to support their clients. Our multi-boutique approach ensures that investors can find the right solution in any market condition.

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, Mackenzie acquired GLC, a Canadian investment management firm with \$37 billion in assets under management, from Great-West Lifeco Inc. (Lifeco).

Separately, Lifeco's subsidiary, The Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF). Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

Benefits of the deal to Mackenzie include the following:

- The net addition of \$30.1 billion in assets under management resulting in Mackenzie becoming one of Canada's largest asset managers.
- Expands Mackenzie's distribution reach to the fast-growing group retirement business channel and establishes Mackenzie as one of the top three providers in Canada of investment solutions to defined contribution plans and other group retirement offerings.
- Enhances Mackenzie's investment capabilities with the addition of a new Canadian Equity boutique.

The acquisition also includes a distribution agreement with Canada Life, positioning Mackenzie as the core investment advisor to its individual and group product offerings and enhancing Canada Life's capabilities and competitiveness.

Greenchip Financial Corporation (Greenchip)

On December 22, 2020, Mackenzie acquired Greenchip, a leading Canadian firm focused exclusively on the environmental economy since 2007. The acquisition adds \$618 million in assets under management, of which \$435 million was sub-advisory mandates to the Mackenzie Global Environmental Equity Fund.

Mackenzie has been a leader in bringing sustainable investing to Canadians, with an evolving suite of funds focused on environmental leadership, gender diversity and sustainability. The acquisition of Greenchip is a natural evolution reflecting the success of Greenchip's sub-advisory relationship to the Mackenzie Global Environmental Equity Fund.

ASSET MANAGEMENT STRATEGY

Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This vision impacts our strategic priorities and drives future business growth. Our strategic mandate is two-fold: win in the Canadian retail space and build meaningful strategic relationships. We aim to achieve this mandate by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

To support this vision and strategic mandate our employees strive to:

- Deliver competitive and consistent risk-adjusted performance
- Offer innovative and high quality investment solutions
- Accelerate distribution
- Advance brand leadership
- Drive operational excellence and discipline
- Enable a high-performing and diverse culture

Mackenzie seeks to maximize returns on business investment by focusing our resources in areas that directly impact the success of our strategic mandate: investment management, distribution and client experience.

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong. In addition to our own investment teams, we supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial

advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. During the second quarter of 2020, Mackenzie partnered with Wealthsimple and launched two Socially Responsible ETFs. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel, given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie continues to be positioned to continue to build and enhance our distribution relationships given our team of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

ASSETS UNDER MANAGEMENT

The changes in total assets under management are summarized in Table 14 and the changes in investment fund assets under management are summarized in Table 15.

Assets managed for the Wealth Management segment are included in total assets under management. Prior to the third quarter of 2020, assets managed by Mackenzie for IG Wealth Management were excluded from the Mackenzie reportable segment. Comparative periods have been retroactively restated.

TABLE 14: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT⁽¹⁾

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Assets under management excluding sub-advisory to Wealth Management					
Net sales (redemptions)					
Mutual funds ⁽¹⁾	\$ 1,461	\$ 1,376	\$ 355	6.2 %	N/M %
ETF net creations	405	372	82	8.9	N/M
Investment funds ⁽²⁾	1,866	1,748	437	6.8	N/M
Sub-advisory, institutional and other accounts	(414)	(75)	(86)	N/M	N/M
Total net sales (redemptions)	1,452	1,673	351	(13.2)	N/M
Change due to GLC ⁽³⁾	–	30,300	–	(100.0)	–
Investment returns	3,134	4,365	(7,710)	(28.2)	N/M
Net change in assets	4,586	36,338	(7,359)	(87.4)	N/M
Beginning assets	110,938	74,600	68,257	48.7	62.5
Ending assets	\$ 115,524	\$ 110,938	\$ 60,898	4.1 %	89.7 %
Consolidated assets under management					
Mutual funds	\$ 58,137	\$ 55,462	\$ 54,288	4.8 %	7.1 %
ETFs	4,174	3,788	2,335	10.2	78.8
Investment funds ⁽²⁾	62,311	59,250	56,623	5.2	10.0
Sub-advisory, institutional and other accounts	53,213	51,688	4,275	3.0	N/M
	115,524	110,938	60,898	4.1	89.7
Sub-advisory to Wealth Management	76,041	74,210	64,068	2.5	18.7
Consolidated assets under management	\$ 191,565	\$ 185,148	\$ 124,966	3.5 %	53.3 %
Average total assets⁽⁴⁾					
Excluding sub-advisory to Wealth Management	\$ 112,718	\$ 77,186	\$ 67,136	46.0 %	67.9 %
Consolidated	187,213	149,491	137,464	25.2	36.2

(1) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

- First quarter of 2021 – resulted in sales of \$367 million, redemptions of \$778 million and net redemptions of \$411 million.
- Fourth quarter of 2020 – Resulted in sales of \$625 million, redemptions of \$593 million and net sales of \$32 million.
- First quarter of 2020 – resulted in sales of \$373 million, redemptions of \$192 million and net sales of \$181 million.

(2) Investment Fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM investment funds.

(3) Sold \$13.4 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Great-West Lifeco. Inc. Acquired \$183 million in mutual fund assets under management related to acquisition of Greenchip Financial Corporation. Acquired \$43.5 billion in institutional accounts as part of transaction with Great-West Lifeco Inc.

(4) Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.

At March 31, 2021, Mackenzie's total assets under management were \$191.6 billion, an all-time high, and an increase of 53.3% from \$125.0 billion last year. The increase in assets under management included the impact of the \$30.3 billion related to the net business acquisitions from the fourth quarter of GLC and Greenchip. Mackenzie's total assets under management (excluding sub-advisory to Wealth Management) were \$115.5 billion, also an all-time high, and an increase of 89.7% from \$60.9 billion last year. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2021 VS. Q1 2020

Mackenzie's total assets under management at March 31, 2021 were \$191.6 billion an increase of 53.3% from \$125.0 billion. The increase in assets under management included \$30.3 billion in net business acquisitions noted previously. Mackenzie's total assets under management, excluding the net acquisitions of \$30.3 billion related to the net business acquisitions noted previously, increased 29.0% from March 31, 2020. Assets under management excluding sub-advisory to the Wealth Management segment were \$115.5 billion, an increase of 89.7% from \$60.9 billion at March 31, 2020.

TABLE 15: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT⁽¹⁾

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Sales	\$ 4,512	\$ 4,501	\$ 3,656	0.2 %	23.4 %
Redemptions	3,051	3,125	3,301	(2.4)	(7.6)
Mutual fund net sales (redemptions) ⁽²⁾	1,461	1,376	355	6.2	N/M
ETF net creations	405	372	82	8.9	N/M
Investment fund net sales (redemptions)⁽³⁾	1,866	1,748	437	6.8	N/M
Change due to divestiture of Quadrus Group of Funds and Greenchip acquisition ⁽⁴⁾	–	(13,216)	–	100.0	–
Investment returns	1,195	3,789	(7,025)	(68.5)	N/M
Net change in assets	3,061	(7,679)	(6,588)	N/M	N/M
Beginning assets	59,250	66,929	63,211	(11.5)	(6.3)
Ending assets	\$ 62,311	\$ 59,250	\$ 56,623	5.2 %	10.0 %
Consists of:					
Mutual funds	\$ 58,137	\$ 55,462	\$ 54,288	4.8 %	7.1 %
ETFs	4,174	3,788	2,335	10.2	78.8
Investment funds	\$ 62,311	\$ 59,250	\$ 56,623	5.2 %	10.0 %
Daily average investment fund assets	\$ 60,647	\$ 69,343	\$ 62,362	(12.5) %	(2.8) %

(1) Investment Fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM investment funds.

(2) Mutual funds – Institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

– First quarter 2021 – resulted in sales of \$367 million, redemptions of \$778 million and net redemptions of \$411 million

– Fourth quarter 2020 – resulted in sales of \$625 million, redemptions of \$593 million and net sales of \$32 million.

– First quarter 2020 – resulted in sales of \$373 million, redemptions of \$192 million and net sales of \$181 million

(3) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

(4) Sold \$13.4 billion of fund management contracts relating to private label Quadrus Group of Funds (QGOF) to Great-West Lifeco. Inc. Acquired \$183 million in mutual fund assets under management related to acquisition of Greenchip Financial Corporation.

Investment fund assets under management were \$62.3 billion at March 31, 2021, compared to \$56.6 billion at March 31, 2020, an increase of 10.0%. The net increase was inclusive of the decrease of \$13.2 billion of net assets under management related to the sale of mutual fund contracts in the divestiture of QGOF and the Greenchip acquisition, noted previously. Mackenzie's mutual fund assets under management of \$58.1 billion increased by 7.1% from \$54.3 billion at March 31, 2020. Mackenzie's ETF assets excluding ETFs held within IGM managed products were \$4.2 billion at March 31, 2021, an increase of 78.8% from \$2.3 billion at March 31, 2020. ETF assets inclusive of IGM managed products were \$9.5 billion at March 31, 2021 compared to \$5.3 billion at March 31, 2020.

In the three months ended March 31, 2021, Mackenzie's mutual fund gross sales were \$4.5 billion, a record high, an increase of 23.4% from \$3.7 billion in 2020. Mutual fund redemptions in the current quarter were \$3.1 billion, a decrease of 7.6% from last year. Mutual fund net sales for the three months ended March 31, 2021 were \$1.5 billion, as compared to net sales of \$355 million last year. In the three months ended March 31, 2021, ETF net creations were \$405 million compared to

\$82 million last year. Investment fund net sales in the current quarter were \$1.9 billion compared to net sales of \$437 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by \$1.2 billion compared to a decrease of \$7.0 billion last year.

During the first quarter of 2021, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$367 million, redemptions of \$778 million and net redemptions of \$411 million. During the first quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$373 million, redemptions of \$192 million and net sales of \$181 million. Excluding these transactions in 2021 and 2020, mutual fund gross sales increased by 26.3% in the three months ended March 31, 2021 compared to last year, mutual fund redemptions decreased by 26.9% and mutual fund net sales of \$1.9 billion in 2020 compared to mutual fund net sales of \$174 million last year.

Total net sales excluding sub-advisory to the Wealth Management segment for the three months ended March 31, 2021 were \$1.5 billion compared to net sales of \$351 million

last year. Excluding the transactions noted above, net sales were \$1.9 billion for the three months ended March 31, 2021 compared to net sales of \$170 million last year. During the current quarter, investment returns resulted in assets increasing by \$3.1 billion compared to a decrease of \$7.7 billion last year.

Redemptions of long-term mutual funds in the three months ended March 31, 2021, were \$3.0 billion compared to \$3.2 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$2.2 billion in the three months ended March 31, 2021 compared to \$3.0 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 20.6% in the first quarter of 2021, compared to 22.0% in the first quarter of 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 15.2% in the first quarter of 2021, compared to 20.6% in the first quarter of 2020. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.5% at March 31, 2021, compared to 17.0% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 14.2% at March 31, 2021, compared to 16.4% at March 31, 2020. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 14.6% at March 31, 2021. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

As at March 31, 2021, Mackenzie's sub-advisory to the Wealth Management segment were \$76.0 billion or 71.7% of total Wealth Management assets under management compared to \$64.1 billion or 74.0% of total Wealth Management assets under management at March 31, 2020.

CHANGE IN ASSETS UNDER MANAGEMENT – Q1 2021 VS. Q4 2020

Mackenzie's total assets under management at March 31, 2021 were \$191.6 billion, an increase of 3.5% from \$185.1 billion at December 31, 2020. Assets under management excluding sub-advisory to the Wealth Management segment were \$115.5 billion, an increase of 4.1% from \$110.9 billion at December 31, 2020.

Investment fund assets under management were \$62.3 billion at March 31, 2021, an increase of 5.2% from \$59.3 billion at December 31, 2020. Mackenzie's mutual fund assets under management were \$58.1 billion at March 31, 2021, an increase

of 4.8% from \$55.5 billion at December 31, 2020. Mackenzie's ETF assets were \$4.2 billion at March 31, 2021 compared to \$3.8 billion at December 31, 2020. ETF assets inclusive of IGM managed products were \$9.5 billion at March 31, 2021 compared to \$8.5 billion at December 31, 2020.

For the quarter ended March 31, 2021, Mackenzie mutual fund gross sales were \$4.5 billion, an increase of 0.2% from the fourth quarter of 2020. Mutual fund redemptions were \$3.1 billion, a decrease of 2.4% from the fourth quarter of 2020. Net sales of Mackenzie mutual funds for the current quarter were \$1.5 billion compared with net sales of \$1.4 billion in the previous quarter.

During the current quarter, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$367 million, redemptions of \$778 million and net redemptions of \$411 million. During the fourth quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$625 million, redemptions of \$593 million and net sales of \$32 million. Excluding these mutual fund allocation changes made by third party programs during the first quarter of 2021 and the fourth quarter of 2020, mutual fund gross sales increased 6.9%, redemptions decreased 10.2% and mutual fund net sales were \$1.9 billion in the current quarter compared to net sales of \$1.3 billion in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$3.0 billion, unchanged from the fourth quarter of 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 20.6% compared to 18.2% in the fourth quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds excluding rebalance transactions was 15.2% in the first quarter of 2021, compared to 14.5% in the fourth quarter of 2020. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$2.2 billion in the three months ended March 31, 2021 compared to \$2.4 billion in the fourth quarter of 2020. Net sales of long-term funds for the current quarter were \$1.4 billion compared to net sales of \$1.3 billion in the previous quarter.

For the quarter ended March 31, 2021, Mackenzie ETF net creations were \$405 million compared to \$372 million in the fourth quarter.

Investment fund net sales in the current quarter were \$1.9 billion compared to net sales of \$1.7 billion in the fourth quarter.

As at March 31, 2021, Mackenzie's sub-advisory to the Wealth Management segment were \$76.0 billion or 71.7% of total Wealth Management assets under management compared to \$74.2 billion or 72.0% of total Wealth Management assets under management at December 31, 2020.

INVESTMENT MANAGEMENT

Mackenzie has \$191.6 billion in assets under management at March 31, 2021, including \$76.0 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Our investment team currently consists of seventeen boutiques including the recent additions in the fourth quarter of 2020 and our newly launched boutiques described below:

- Addition of a new Canadian Equity boutique with the acquisition of GLC at December 31, 2020.
- Addition of a new Greenchip boutique with the acquisition of Greenchip Financial Corp. at December 22, 2020.
- Launch of our new sustainability-focused boutique in April 2021 which will invest exclusively in companies exemplifying leadership in environmental, social and governance (ESG) behaviours and practices.

The investment in Northleaf enhances our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments Inc., TOBAM, China AMC, Impax Asset Management LLC and Rockefeller Capital Management.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At March 31, 2021, 22.2% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 57.3% for the three year time frame and 60.0% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar¹ fund ranking service. At March 31, 2021, 84.5% of Mackenzie mutual fund assets measured by Morningstar¹ had a rating of three stars or better and 48.8% had a rating of four or five stars. This compared to the Morningstar¹ universe of 84.8% for three stars or better and 51.7% for four and five star funds at March 31, 2021. These ratings exclude the Quadrus Group of Funds¹.

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. In 2021, Mackenzie launched a number of new products to strengthen its product shelf.

MUTUAL FUNDS

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors.

In April of 2021, Mackenzie expanded its selection of sustainable solutions today with the introduction of two new mutual funds:

- Mackenzie Greenchip Global Balanced Fund
- Mackenzie Global Sustainable Bond Fund

Mackenzie Greenchip Global Balanced Fund is Canada's first environmental thematic fund for retail investors. It is focused primarily on investing in the environmental economy and is managed by a unique combination of two investment teams. The equities sleeve is run by the Mackenzie Greenchip boutique, a pre-eminent Canadian investment management team that focuses exclusively on environmental thematic investing. The equity component of the Fund will generally invest in medium and large market capitalization companies that are focused on developing products or services that are directly supporting various environmental sectors. The fixed income sleeve is managed by the Mackenzie Fixed Income Team, an early adopter of sustainable investing with a proven proprietary process. The bond portion of the Fund will invest primarily in labelled green bonds and other debt instruments that are used to finance environmental and sustainable solutions.

Mackenzie Global Sustainable Bond Fund helps address investors' demand for sustainable fixed income solutions. The Fund seeks to provide moderate capital growth by investing primarily in fixed income securities of issuers across all geographies and is one of just a handful of sustainable fixed income products currently available in Canada.

EXCHANGE TRADED FUNDS

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option when building long-term diversified portfolios.

In the second quarter of 2021, Mackenzie will be launching the Wealthsimple Shariah World Equity Index ETF further broadening our diverse offerings of ETFs.

Mackenzie's current line-up consists of 41 ETFs: 22 active and strategic beta ETFs and 19 traditional index ETFs. ETF assets under management ended the quarter at \$9.5 billion, inclusive of \$5.4 billion in investments from IGM managed products.

ALTERNATIVE FUNDS

In the first quarter of 2021, Mackenzie launched the Mackenzie Northleaf Private Credit Fund. This fund is managed by

Mackenzie's Fixed Income Team in partnership with Northleaf Capital Partners ("Northleaf"). It targets to invest a majority of its capital in Northleaf's senior secured private lending program for institutional investors. This enables the fund to provide accredited retail investors with the opportunity to achieve higher income with enhanced lender protections as compared to investments in the public debt markets.

Review of Segment Operating Results

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual fund and ETFs by the Wealth Management segment.

The Asset Management segment adjusted net earnings are presented in Table 16. Adjusted net earnings for the first quarter of 2021 were \$48.0 million, an increase of 48.6% from the first quarter in 2020 and an increase of 17.9% from the prior quarter.

Adjusted earnings before interest and taxes for the first quarter of 2021 were \$70.3 million, an increase of 43.5% from the first quarter in 2020 and 17.0% from the prior quarter.

Q1 2021 VS. Q1 2020

REVENUES

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
 - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are retail and sold through third party financial advisors.

TABLE 16: OPERATING RESULTS – ASSET MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Revenues					
Asset management					
Asset management fees – third party	\$ 231.9	\$ 215.1	\$ 197.1	7.8 %	17.7 %
Redemption fees	1.1	1.2	1.5	(8.3)	(26.7)
	233.0	216.3	198.6	7.7	17.3
Dealer compensation expenses					
Asset-based compensation	(78.3)	(73.5)	(67.8)	6.5	15.5
Sales-based compensation	(7.0)	(5.1)	(7.7)	37.3	(9.1)
	(85.3)	(78.6)	(75.5)	8.5	13.0
Net asset management fees – third party	147.7	137.7	123.1	7.3	20.0
Asset management fees – Wealth Management	26.9	25.8	25.2	4.3	6.7
Net asset management	174.6	163.5	148.3	6.8	17.7
Net investment income and other	1.2	1.0	(2.2)	20.0	N/M
	175.8	164.5	146.1	6.9	20.3
Expenses					
Advisory and business development	20.3	28.3	19.9	(28.3)	2.0
Operations and support	83.5	74.6	74.7	11.9	11.8
Sub-advisory	1.7	1.5	2.5	13.3	(32.0)
	105.5	104.4	97.1	1.1	8.7
Adjusted earnings before interest and taxes	70.3	60.1	49.0	17.0	43.5
Interest expense	5.8	5.2	5.1	11.5	13.7
Adjusted earnings before taxes	64.5	54.9	43.9	17.5	46.9
Income taxes	16.5	14.2	11.6	16.2	42.2
Adjusted net earnings	\$ 48.0	\$ 40.7	\$ 32.3	17.9 %	48.6 %

- Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.
- Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option.
- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were \$147.7 million for the three months ended March 31, 2021, an increase of \$24.6 million or 20.0% from \$123.1 million last year. The increase in net asset management fees – third party was primarily due to a 67.9% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 53.2 basis points for the three months March 31, 2021 compared to 73.7 basis points in the comparative period in 2020. The decline in the net management fee rate was primarily due to the increase in sub-advisory assets from the GLC acquisition, which have lower effective rates. Other factors include a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. Contributing to the increase in non-retail assets was the onboarding of \$2.6 billion of sub-advisory and institutional wins during the second quarter of 2020.

Management fees – Wealth Management were \$26.9 million for the three months ended March 31, 2021, an increase of \$1.7 million or 6.7% from \$25.2 million last year. The increase in management fees was due to an increase in the effective management fee rate and a 5.9% increase in average assets under management. Mackenzie's management fee rate was 14.7 basis points for the three months March 31, 2021 compared to 14.4 basis points in the comparative period in 2020. The increase in the management fee rate was due to a change in the composition of assets under management.

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was \$1.2 million for the three months ended March 31, 2021 compared to \$(2.2) million last year.

EXPENSES

Mackenzie incurs advisory and business development expenses that primarily includes wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were \$20.3 million for the three months ended March 31, 2021, an increase of \$0.4 million or 2.0% from \$19.9 million in 2020.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were \$83.5 million for the three months ended March 31, 2021, an increase of \$8.8 million or 11.8% from \$74.7 million in 2020.

Sub-advisory expenses were \$1.7 million for the three months ended March 31, 2021, compared to \$2.5 million in 2020.

INTEREST EXPENSE

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled \$5.8 million in the first quarter of 2021 compared to \$5.1 million in the first quarter of 2020. Long-term debt interest expense is calculated based on a long-term debt allocation of \$0.4 billion to Mackenzie.

Q1 2021 VS. Q4 2020

REVENUES

Net asset management fees – third party were \$147.7 million for the current quarter, an increase of \$10.0 million or 7.3% from \$137.7 million in the fourth quarter of 2020. The increase in net asset management fees – third party was primarily due to a 46.0% increase in average assets under management offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 53.2 basis points for the current quarter compared to 70.8 basis points in the fourth quarter of 2020. The primary reason for the large decline in the net management fee rate is due to the increase in sub-advisory assets from the GLC acquisition which have lower effective rates.

Management fees – Wealth Management were \$26.9 million in the current quarter, an increase from \$25.8 million in the fourth quarter of 2020, primarily due to the increase in assets under management of 3.0% from the fourth quarter. The management fee rate was 14.7 basis points in the current quarter compared to 14.3 basis points in the fourth quarter.

Net investment income and other was \$1.2 million for the current quarter, an increase of \$0.2 million from the fourth quarter of 2020.

EXPENSES

Advisory and business development expenses were \$20.3 million for the current quarter, a decrease of \$8.0 million or 28.3% from \$28.3 million in the fourth quarter of 2020.

Operations and support expenses were \$83.5 million for the current quarter, an increase of \$8.9 million or 11.9% from \$74.6 million compared to the fourth quarter of 2020.

Sub-advisory expenses were \$1.7 million for the current quarter, compared to \$1.5 million in the fourth quarter of 2020.

Strategic Investments and Other

Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp., Portag3 Ventures LPs., and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, China AMC and Northleaf as well as net investment income on unallocated capital.

In the third quarter of 2020, the Company sold its 24.8% equity interest in Personal Capital as discussed in the Consolidated Financial Position section of this MD&A. The gain on sale is excluded from segment results.

Assets held by the Strategic Investments and Other segment are included in Table 17.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic Investments and Other segment adjusted net earnings are presented in Table 18.

Q1 2021 VS. Q1 2020

The proportionate share of associates' earnings increased by \$21.5 million in the first quarter of 2021 compared to the first quarter of 2020. These earnings reflect equity earnings from Lifeco, China AMC, Northleaf and, until the third quarter of 2020, Personal Capital, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the first quarter of 2021 resulted primarily from increases in the proportionate share of Lifeco's earnings of \$13.8 million, China AMC's earnings of \$3.6 million and an increase in Personal Capital reflecting the sale of the Company's investment in the second quarter of 2020. The increase was also due to the proportionate share of Northleaf's earnings, net of non-controlling interest, which was \$0.8 million in the first quarter of 2021. Net investment income and other decreased to \$0.2 million in the first quarter of 2021 compared to \$1.5 million in 2020.

Q1 2021 VS. Q4 2020

The proportionate share of associates' earnings was \$41.6 million in the first quarter of 2021, an increase of \$1.5 million from the fourth quarter of 2020. Net investment income and other was \$0.2 million in the first quarter of 2021, compared to \$1.1 million in the fourth quarter.

TABLE 17: TOTAL ASSETS – STRATEGIC INVESTMENTS AND OTHER

(\$ millions)	2021 MARCH 31	2020 DECEMBER 31
Investments in associates		
Lifeco	\$ 968.6	\$ 962.4
China AMC	693.7	720.3
Northleaf	249.6	248.5
	1,911.9	1,931.2
FVTOCI investments		
Wealthsimple (direct investment only)	1,409.1	511.6
Portag3 and other investments	114.5	81.7
	1,523.6	593.3
Unallocated capital and other	290.7	240.6
Total assets	\$ 3,726.2	\$ 2,765.1
Lifeco fair value	\$ 1,247.8	\$ 1,133.2

TABLE 18: OPERATING RESULTS – STRATEGIC INVESTMENTS AND OTHER

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31	% CHANGE	
				2020 DEC. 31	2020 MAR. 31
Revenues					
Net investment income and other	\$ 0.2	\$ 1.1	\$ 1.5	(81.8) %	(86.7) %
Proportionate share of associates' earnings					
Investment in Lifeco	28.1	27.3	14.3	2.9	96.5
Investment in China AMC	12.5	11.8	8.9	5.9	40.4
Investment in Northleaf	1.0	1.0	–	–	N/M
Investment in Personal Capital	–	–	(3.1)	–	100.0
	41.6	40.1	20.1	3.7	107.0
	41.8	41.2	21.6	1.5	93.5
Expenses					
Operations and support	1.1	0.9	0.9	22.2	22.2
Adjusted earnings before interest and taxes	40.7	40.3	20.7	1.0	96.6
Interest expense	–	–	–	–	–
Adjusted earnings before taxes	40.7	40.3	20.7	1.0	96.6
Income taxes	1.1	(1.7)	(2.3)	N/M	N/M
Adjusted net earnings	39.6	42.0	23.0	(5.7)	72.2
Non-controlling interest	0.2	0.2	–	–	N/M
Adjusted net earnings available to common shareholders	\$ 39.4	\$ 41.8	\$ 23.0	(5.7) %	71.3 %

Consolidated Financial Position

IGM Financial's total assets were \$16.9 billion at March 31, 2021, compared to \$16.1 billion at December 31, 2020.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 19.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp. (Wealthsimple), and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portag3).

Wealthsimple is an online investment manager that provides financial investment guidance. The investment is classified at Fair Value Through Other Comprehensive Income.

On May 3, 2021, Wealthsimple announced a \$250 million primary equity fundraising, as well as a \$500 million secondary offering. At December 31, 2020, the fair value of the Company's direct and indirect investment was \$550 million. Fair value has increased by \$897 million to \$1,448 million at March 31, 2021.

As part of the secondary equity offering, IGM Financial Inc. will receive proceeds of approximately \$295 million (\$257 million after-tax). Pro forma, the Company will continue to be the largest shareholder in Wealthsimple with an interest of 23% and its continuing investment will have a value of \$1,153 million.

Portag3 consists of early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Financial Corporation, a subsidiary of

Power Corporation of Canada. In the first quarter of 2021, the Company invested \$4.1 million related to Portag3 Ventures III LP. As at March 31, 2021, the Company had invested a total of \$57.2 million in Portag3.

The total fair value of Corporate investments of \$1,523.6 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

LOANS

The composition of the Company's loans is detailed in Table 20.

Loans consisted of residential mortgages and represented 35.5% of total assets at March 31, 2021, compared to 39.4% at December 31, 2020.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled \$5.8 billion at March 31, 2021, compared to \$6.2 billion at December 31, 2020.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale.

TABLE 19: OTHER INVESTMENTS

(\$ millions)	MARCH 31, 2021		DECEMBER 31, 2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	\$ 255.6	\$ 1,523.6	\$ 251.4	\$ 593.3
Fair value through profit or loss				
Equity securities	1.5	1.7	1.5	1.5
Proprietary investment funds	51.1	54.2	35.3	37.5
	52.6	55.9	36.8	39.0
	\$ 308.2	\$ 1,579.5	\$ 288.2	\$ 632.3

TABLE 20: LOANS

(\$ millions)	2021 MARCH 31	2020 DECEMBER 31
Amortized cost	\$ 5,946.2	\$ 6,329.4
Less: Allowance for expected credit losses	0.8	0.8
	5,945.4	6,328.6
Fair value through profit or loss	49.7	3.3
	\$ 5,995.1	\$ 6,331.9

Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are \$324.3 million at March 31, 2021, compared to \$334.5 million at December 31, 2020.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At March 31, 2021, IG Wealth Management serviced \$10.6 billion of residential mortgages, including \$2.4 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

Through the Company's mortgage banking operations, residential mortgages originated by IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on

the reinvestment of repaid mortgage principal, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the first quarter of 2021, the Company securitized loans through its mortgage banking operations with cash proceeds of \$351.0 million compared to \$243.0 million in 2020. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 6 to the Interim Financial Statements.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At March 31, 2021, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three months ended March 31, 2021 compared with 2020 are shown in Table 21.

China Asset Management Co., Ltd. (China AMC)

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained a position among the market leaders in China's asset management industry.

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,461.1 billion (\$285.1 billion) at December 31, 2020, representing an increase of 17.1% (CAD\$ increase of 18.9%) from RMB¥ 1,247.8 billion (\$239.7 billion) at June 30, 2020.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. Changes in the carrying value for the three months ended March 31, 2021 are shown in Table 21. The change in other comprehensive income of negative \$12.3 million in the three month period ended March 31, 2021 was due to a 1.7% depreciation of the Chinese yuan relative to the Canadian dollar.

TABLE 21: INVESTMENT IN ASSOCIATES

(\$ millions)	MARCH 31, 2021				MARCH 31, 2020			
	LIFECO	CHINA AMC	NORTHLEAF	TOTAL	LIFECO	CHINA AMC	PERSONAL CAPITAL ⁽³⁾	TOTAL
THREE MONTHS ENDED								
Carrying value, January 1	\$ 962.4	\$ 720.3	\$ 248.5	\$ 1,931.2	\$ 896.7	\$ 662.7	\$ 194.5	\$ 1,753.9
Investment	–	–	0.1	0.1	–	–	–	–
Dividends	(16.4)	(26.8)	–	(43.2)	(16.4)	(13.7)	–	(30.1)
Proportionate share of:								
Earnings (losses) ⁽¹⁾	28.1	12.5	1.0 ⁽²⁾	41.6	14.3	8.9	(3.1)	20.1
Other comprehensive income (loss) and other adjustments	(5.5)	(12.3)	–	(17.8)	12.4	45.6	16.5	74.5
Carrying value, March 31	\$ 968.6	\$ 693.7	\$ 249.6	\$ 1,911.9	\$ 907.0	\$ 703.5	\$ 207.9	\$ 1,818.4

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was \$0.8 million.

(3) In 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement.

Northleaf Capital Group Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf, a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of \$241 million and up to an additional \$245 million in consideration at the end of five years subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining equity and voting interest in Northleaf commencing in approximately five years and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic

interest as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle therefore it recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%. Net of NCI, IGM's investment at December 31, 2020 was \$199.6 million, comprised of \$192.6 million in cash consideration, \$6.2 million in capitalized transaction costs and proportionate share of 2020 earnings of \$0.8 million.

Northleaf's assets under management, including invested capital and uninvested commitments, were \$15.9 billion as at March 31, 2021 (December 31, 2020 – \$14.6 billion). The increase of \$1.3 billion in assets under management during the quarter was driven by \$1.5 billion in new commitments, offset by a decrease of \$0.1 billion related to foreign exchange on USD denominated assets, and a decrease of \$0.1 billion in return of capital and other.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled \$657.8 million at March 31, 2021 compared with \$771.6 million at December 31, 2020 and \$709.5 million at March 31, 2020. Cash and cash equivalents related to the Company's deposit operations were \$2.7 million at March 31, 2021, compared to \$5.2 million at December 31, 2020 and \$1.9 million at March 31, 2020, as shown in Table 22.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities.

Working capital, which consists of current assets less current liabilities, totalled \$379.4 million at March 31, 2021 compared with \$330.8 million at December 31, 2020 and \$591.1 million at March 31, 2020 (Table 23).

Working capital, which includes unallocated capital, is utilized to:

- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases and retirement of long-term debt.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions) totalled \$333.2 million for the first quarter of 2021 compared to \$271.7 million for the first quarter of 2020 and

\$326.4 million for the fourth quarter of 2020. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled \$286.1 million in the first quarter of 2021 compared to \$231.0 million in the first quarter of 2020 and \$285.1 million in the fourth quarter of 2020. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

Refer to the Financial Instruments Risk section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity and funding risk.

CASH FLOWS

Table 24 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the quarter ended March 31, 2021. Cash and cash equivalents decreased by \$113.8 million in the first quarter of 2021 compared to a decrease of \$10.5 million in 2020.

Adjustments to determine net cash from operating activities during the first quarter of 2021 compared to 2020 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sales commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.
- The deduction of investment in associates' equity earnings offset by dividends received.

TABLE 22: DEPOSIT OPERATIONS – FINANCIAL POSITION

(\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31
Assets			
Cash and cash equivalents	\$ 2.7	\$ 5.2	\$ 1.9
Client funds on deposit	1,372.2	1,063.4	856.0
Accounts and other receivables	–	36.5	11.9
Loans	9.4	10.5	17.2
Total assets	\$ 1,384.3	\$ 1,115.6	\$ 887.0
Liabilities and shareholders' equity			
Deposit liabilities	\$ 1,351.8	\$ 1,104.9	\$ 876.4
Other liabilities	22.1	0.3	0.5
Shareholders' equity	10.4	10.4	10.1
Total liabilities and shareholders' equity	\$ 1,384.3	\$ 1,115.6	\$ 887.0

TABLE 23: WORKING CAPITAL

(\$ millions)	2021 MAR. 31	2020 DEC. 31	2020 MAR. 31
Current assets			
Cash and cash equivalents	\$ 657.8	\$ 771.6	\$ 709.5
Client funds on deposit	1,372.2	1,063.4	856.0
Accounts receivable and other assets	443.5	391.3	375.4
Current portion of securitized mortgages and other	1,294.5	1,518.6	1,711.7
	3,768.0	3,744.9	3,652.6
Current liabilities			
Accounts and other payables	700.6	756.5	573.3
Deposits and certificates	1,350.4	1,101.4	872.1
Current portion of obligations to securitization entities and other	1,337.6	1,556.2	1,616.1
	3,388.6	3,414.1	3,061.5
Working capital	\$ 379.4	\$ 330.8	\$ 591.1

- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The deduction of restructuring provision cash payments.

Financing activities during the first quarter of 2021 compared to 2020 related to:

- An increase in obligations to securitization entities of \$351.9 million and repayments of obligations to securitization entities of \$678.9 million in 2021 compared to an increase in obligations to securitization entities of \$240.2 million and repayments of obligations to securitization entities of \$392.4 million in 2020.
- The payment of regular common share dividends which totalled \$134.0 million in 2021, unchanged from 2020.

Investing activities during the first quarter of 2021 compared to 2020 primarily related to:

- The purchases of other investments totalling \$35.9 million and sales of other investments with proceeds of \$15.6 million in 2021 compared to \$19.1 million and \$0.5 million, respectively, in 2020.
- An increase in loans of \$380.5 million with repayments of loans and other of \$727.1 million in 2021 compared to \$321.3 million and \$547.1 million, respectively, in 2020 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets was \$18.8 million in 2021 compared to \$10.9 million in 2020.

TABLE 24: CASH FLOWS

THREE MONTHS ENDED (\$ millions)	2021 MAR. 31	2020 MAR. 31	% CHANGE
Operating activities			
Earnings before income taxes	\$ 262.1	\$ 208.9	25.5 %
Income taxes paid	(55.3)	(42.1)	(31.4)
Adjustments to determine net cash from operating activities	(154.4)	(76.5)	(101.8)
	52.4	90.3	(42.0)
Financing activities	(468.5)	(294.2)	(59.2)
Investing activities	302.3	193.4	56.3
Change in cash and cash equivalents	(113.8)	(10.5)	N/M
Cash and cash equivalents, beginning of period	771.6	720.0	7.2
Cash and cash equivalents, end of period	\$ 657.8	\$ 709.5	(7.3) %

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity which totalled \$8.0 billion at March 31, 2021, compared to \$7.1 billion at December 31, 2020. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was \$2.1 billion at March 31, 2021, unchanged from December 31, 2020. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Other activities in 2021 included the declaration of common share dividends of \$134.1 million or \$0.5625 per share. Changes in common share capital are reflected in the Interim Consolidated Statements of Changes in Shareholders' Equity.

Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price or other factors that might determine suitability of a specific

security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The A rating assigned to IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

FINANCIAL INSTRUMENTS

Table 25 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.
- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

TABLE 25: FINANCIAL INSTRUMENTS

(\$ millions)	MARCH 31, 2021		DECEMBER 31, 2020	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	\$ 1,523.6	\$ 1,523.6	\$ 593.3	\$ 593.3
– Fair value through profit or loss	55.9	55.9	39.0	39.0
Loans				
– Fair value through profit or loss	49.8	49.8	3.3	3.3
Derivative financial instruments	38.4	38.4	37.3	37.3
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	5,945.3	6,055.6	6,328.6	6,532.8
Financial liabilities recorded at fair value				
Derivative financial instruments	28.2	28.2	34.5	34.5
Financial liabilities recorded at amortized cost				
Deposits and certificates	1,351.8	1,352.1	1,104.9	1,105.4
Obligations to securitization entities	5,819.5	5,962.8	6,173.9	6,345.2
Long-term debt	2,100.0	2,493.8	2,100.0	2,653.8

- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 13 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the three months ended March 31, 2021.

Risk Management

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

RISK MANAGEMENT FRAMEWORK

The Company's risk management approach is undertaken through our comprehensive Enterprise Risk Management (ERM) Framework which is composed of five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under our ERM Policy, which is approved by the Executive Risk Management Committee.

RISK GOVERNANCE

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM Department, compliance groups, and Internal Audit Department.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.

- The Related Party and Conduct Review Committee oversees conflicts of interest.

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management and Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, the Chief Strategy and Corporate Development Officer and the Chief Human Resources Officer. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our risk profile and processes are aligned with corporate strategy and risk appetite; and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line (the Internal Audit function) providing assurance and validation of the design and effectiveness of the ERM Framework.

In response to the impact of COVID-19, the Company is focusing our teams on addressing and managing COVID-19 issues and has established new committees and processes where required.

First Line of Defence

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities

include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's corporate and compliance groups which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of risk management policies, processes and practices.

RISK APPETITE AND RISK PRINCIPLES

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

RISK MANAGEMENT PROCESS

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board Risk Committee.

RISK MANAGEMENT CULTURE

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in workshops to foster awareness and incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

KEY RISKS OF THE BUSINESS

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

This is the risk of an inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

Our liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance and other business leaders.

A key funding requirement is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and

government regulations that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

As part of ongoing liquidity management during 2021 and 2020, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Received proceeds from the sales of the Company's investment in Personal Capital and the Quadrus Group of Funds of \$262.8 million.

The Company's contractual obligations are reflected in Table 26.

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million at March 31, 2021, unchanged from December 31, 2020. The lines of credit at March 31, 2021 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2020. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at March 31, 2021 and December 31, 2020, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its

TABLE 26: CONTRACTUAL OBLIGATIONS

AS AT MARCH 31, 2021 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	\$ –	\$ 13.1	\$ 15.0	\$ 0.1	\$ 28.2
Deposits and certificates	1,349.9	0.5	0.6	0.8	1,351.8
Obligations to securitization entities	–	1,324.5	4,454.5	40.5	5,819.5
Leases ⁽¹⁾	–	28.0	90.0	156.6	274.6
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding ⁽²⁾	–	8.8	–	–	8.8
Total contractual obligations	\$ 1,349.9	\$ 1,374.9	\$ 4,560.1	\$ 2,298.0	\$ 9,582.9

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2021 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of \$47.2 million compared to \$82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns and is required to be funded over five years. The registered pension plan had a going concern surplus of \$46.1 million compared to \$24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During the first quarter of 2021, the Company made contributions of \$2.0 million (2020 – \$6.5 million). The Manitoba Government announced that they will temporarily waive certain contributions businesses are required to make to their defined benefit pension plans including solvency funding payments for the 13 months from December 2020 to December 2021. IGM has elected this special payment moratorium and as a result, the Company expects to only make current service cost annual contributions of approximately \$10.8 million in 2021, with \$8.8 million remaining for the rest of 2021. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2020.

CREDIT RISK

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

Cash and Cash Equivalents and Client Funds on Deposit

At March 31, 2021, cash and cash equivalents of \$657.8 million (December 31, 2020 – \$771.6 million) consisted of cash balances of \$50.2 million (December 31, 2020 – \$76.6 million) on deposit with Canadian chartered banks and cash equivalents of \$607.6 million (December 31, 2020 – \$695.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$11.3 million (December 31, 2020 – \$96.0 million), provincial government treasury bills and promissory notes of \$115.9 million (December 31, 2020 – \$148.8 million), and bankers' acceptances and other short-term notes issued by Canadian chartered banks of \$480.4 million (December 31, 2020 – \$450.2 million).

Client funds on deposit of \$1,372.2 million (December 31, 2020 – \$1,063.4 million) represent cash balances held in client accounts which are deposited at Canadian financial institutions.

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2020.

Mortgage Portfolio

As at March 31, 2021, residential mortgages, recorded on the Company's balance sheet, of \$6.0 billion (December 31, 2020 – \$6.3 billion) consisted of \$5.7 billion sold to securitization programs (December 31, 2020 – \$6.0 billion), \$324.3 million held pending sale or securitization (December 31, 2020 – \$334.5 million) and \$13.3 million related to the Company's intermediary operations (December 31, 2020 – \$14.1 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$3.0 billion (December 31, 2020 – \$3.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective

of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.

- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.7 billion (December 31, 2020 – \$2.8 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$67.5 million (December 31, 2020 – \$73.0 million) and \$49.4 million (December 31, 2020 – \$45.6 million), respectively, at March 31, 2021. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 1.9% of mortgages held in ABCP Trusts insured at March 31, 2021 (December 31, 2020 – 3.0%).

At March 31, 2021, residential mortgages recorded on balance sheet were 53.3% insured (December 31, 2020 – 55.3%). As at March 31, 2021, impaired mortgages on these portfolios were \$6.5 million, compared to \$4.8 million at December 31, 2020. Uninsured non-performing mortgages over 90 days on these portfolios were \$3.6 million at March 31, 2021, compared to \$2.3 million at December 31, 2020.

The Company also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was \$0.8 million at March 31, 2021, unchanged from December 31, 2020, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2020.

Derivatives

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section of this MD&A.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of \$37.0 million (December 31, 2020 – \$35.8 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was \$2.1 million at March 31, 2021 (December 31, 2020 – \$3.8 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at March 31, 2021. Management of credit risk related to derivatives has not changed materially since December 31, 2020.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 6 to the Interim Financial Statements and in Notes 2, 6 and 22 to the Annual Financial Statements.

MARKET RISK

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is

obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of \$11.7 million (December 31, 2020 – negative \$21.1 million) and an outstanding notional amount of \$0.7 billion at March 31, 2021 (December 31, 2020 – \$0.7 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled \$11.2 million (December 31, 2020 – \$19.9 million), on an outstanding notional amount of \$1.5 billion at March 31, 2021 (December 31, 2020 – \$1.3 billion). The net fair value of these swaps of negative \$0.5 million at March 31, 2021 (December 31, 2020 – negative \$1.2 million) is recorded on the balance sheet and has an outstanding notional amount of \$2.2 billion (December 31, 2020 – \$2.0 billion).

- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The fair value of these swaps was \$0.2 million (December 31, 2020 – negative \$0.3 million) on an outstanding notional amount of \$169.1 million at March 31, 2021 (December 31, 2020 – \$191.3 million).

As at March 31, 2021, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately \$2.2 million (December 31, 2020 – decrease of \$1.3 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2020.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was \$1,579.5 million at March 31, 2021 (December 31, 2020 – \$632.3 million), as shown in Table 19.

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

IGM Financial is exposed to foreign exchange risk on its investment in China AMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$32.8 million (\$36.2 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately \$0.6 million (\$0.7 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

At March 31, 2021, IGM Financial's total assets under management and advisement were \$248.5 billion compared to \$240.0 billion at December 31, 2020.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management and advisement on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

TABLE 27: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT MARCH 31, 2021	INVESTMENT FUNDS	TOTAL
Cash	1.3 %	2.2 %
Short-term fixed income and mortgages	4.7	4.9
Other fixed income	24.7	24.2
Domestic equity	20.7	25.5
Foreign equity	46.0	41.3
Real Property	2.6	1.9
	100.0 %	100.0 %
CAD	52.7 %	57.9 %
USD	30.5	27.7
Other	16.8	14.4
	100.0 %	100.0 %

2) OPERATIONAL RISK

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to help manage operational risk.

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

For the health and safety of the Company's employees and clients and to help efforts to limit the speed and spread of the COVID-19 infection, the Company moved substantially all of its employees and Consultants to work from home and temporarily closed its offices in March 2020. The Company is continuously assessing its plan and protocols, and taking direction from external governing bodies such as the Medical Officers of Health, to determine when employees and advisors will return to the office.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

TECHNOLOGY AND CYBER RISK

We use systems and technology to support business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise

confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

OUTSOURCING

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

MODEL RISK

We use a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position and reputation.

LEGAL AND REGULATORY COMPLIANCE

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include

those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and continually evolve. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Board receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Company's Compliance Departments are responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight concerning regulatory compliance matters.

PRIVACY

Our clients entrust us with their personal information, and we have a legal and ethical responsibility to protect it. In accordance with Canadian privacy laws, we collect only personal information that is necessary to provide our products and services to clients, or where we have consent to do so. We do not disclose personal information about clients unless required by law, when necessary to provide products or services to them, or as otherwise authorized by them.

If we need to share clients' personal information with third-party service providers, we remain responsible for that information and protect it through contracts that commit the service providers to maintain levels of protection comparable to ours.

Our operating companies have comprehensive procedures to respond to any privacy breaches, mitigate risks and prevent re-occurrence. If a breach is determined to pose a real risk of significant harm to a client, we will notify the individual, and the federal and/or provincial Privacy Commissioner where applicable, in a timely manner.

Privacy is covered in our annual, mandatory compliance training for employees. Topics include our privacy obligations, privacy tips and best practices, and how to handle privacy breaches, complaints and access to information requests. Each operating company also has its own Privacy Officer, who provides guidance to staff and manages our response to privacy concerns.

Each operating company has its own privacy-related procedures relevant to its business and we have an overarching Privacy Policy applicable across IGM Financial. We also conducted training for advisors and IG field staff on handling client privacy and security during the pandemic, and issued guidelines to all employees on how to protect client personal information and confidential business documents while working from home.

CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) STRATEGIC RISK

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and our shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility

for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

We have a business planning process that supports development of an annual business plan, approved by the Board of Directors, which incorporates objectives and targets for the Company. Components of management compensation are associated with the achievement of earnings targets and other objectives associated with the plan. Strategic plans and direction are part of this planning process and are integrated into the Company's risk management program.

REGULATORY DEVELOPMENT RISK

This is the potential for changes to regulatory, legal, or tax requirements that may have an adverse impact on the Company's business activities or financial results.

We are exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

The Company continuously monitors regulatory developments, guidance and communications, and has been engaged in ongoing discussions with regulators as the industry works to address issues resulting from COVID-19.

ACQUISITION RISK

The Company is exposed to risks related to its acquisitions and strategic investments. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining

assets under management, clients, and key employees of an acquired company.

4) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Consultants and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 28 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

CATASTROPHIC EVENTS OR LOSS

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial

markets and the level of the Company's assets under management and advisement.

The global COVID-19 pandemic has caused economic disruption, adversely impacted economic conditions, has caused significant volatility in the level of financial markets, and has increased unemployment in Canada and globally.

In response, the Company has implemented its business continuity plans and has transitioned substantially all of its employees and Consultants to working from home.

It is difficult to predict how significant the COVID-19 pandemic and government measures taken in response will be to world economies, our clients and our business. This event could have a material impact on the financial positions and results of the Company, subject to duration and severity.

PRODUCT / SERVICE OFFERING

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including investment performance, products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

We provide Consultants, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering and pricing to ensure competitiveness in the marketplace.

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce

TABLE 28: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2021 MAR. 31	2020 MAR. 31
IGM Financial Inc.		
IG Wealth Management	9.7 %	10.7 %
Mackenzie	16.5 %	17.0 %
Counsel	22.3 %	20.7 %

the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS / CLIENT RELATIONSHIPS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and Consultants, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management Consultant network – IG Wealth Management derives all of its mutual fund sales through its Consultant network. IG Wealth Management Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of Consultants and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Wealth Management Review of the Business section of this MD&A.

Asset Management – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. Lack of access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Asset Management Review of the Business section of this MD&A.

PEOPLE RISK

This risk refers to the potential inability to attract or retain employees or Consultants, develop them to an appropriate level of proficiency, or manage engagement and personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and motivate sufficient numbers of qualified personnel could negatively affect IGM Financial's business and financial performance.

We have a Diversity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain social distance for our employees and Consultants.
- Providing the tools and processes to enable our employees and Consultants to continue to operate effectively from home.
- Providing Employee Assistance Programs and other programs to support the mental and physical well-being of our employees, Consultants, and their families.
- Developing a return to office strategy to safely allow employees and advisors to return to the office when appropriate.

5) ENVIRONMENTAL AND SOCIAL RISK

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social issues connected to our business operations or investment activities.

Environmental risks include issues such as climate change, biodiversity, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights, labour standards, diversity and inclusion, and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Sustainability Statement approved by the Board of Directors. The Board's risk management oversight includes ensuring that material environmental and social risks are appropriately identified, managed and monitored.

The Company's executive Risk Management Committee is responsible for oversight of the risk management process. Other

management committees provide oversight of specific risks including the Corporate Sustainability (CS) Committee and the Diversity and Inclusion Executive Council. The CS Committee is composed of senior executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct for the firms that do business with us; our Respectful Workplace Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IG Wealth Management and Mackenzie Investments are signatories to the Principles for Responsible Investment (PRI). IG Wealth Management sub-advisors were also required to be signatories to the PRI by the end of 2019. Under the PRI, investors formally commit to incorporate ESG issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Responsible Investment Policies outlining the practices at each company.

IGM Financial reports annually on ESG management and performance in its Corporate Sustainability Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2021 Global 100 and Best 50 Corporate Citizens, and has been recognized by CDP at the leadership level for the past four years for its climate disclosures.

We believe that financial services companies have an important role to play in addressing climate change.

IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. We have been recognized by CDP at the leadership level for the past three years for our climate disclosures.

Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

TCFD DISCLOSURE

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

Governance: IGM Financial's Board is responsible for providing oversight on risk and strategy, which includes climate-related matters. Through its Risk Committee, the Board is responsible for ensuring that material climate-related issues are appropriately identified, managed and monitored. Our Chief Financial Officer (CFO) oversees implementation of the Corporate Sustainability and Enterprise Risk Management programs. We have established an enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy, operations and product offering, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

Strategy: Climate-related opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. In addition to our commitments described above to be responsible investors through engagement and integration of material climate issues into our investment processes, we also offer investment products with specific environmental or social mandates.

At Mackenzie Investments, sustainable investing is one of our key areas of strategic emphasis, and we have established a dedicated function which reports to the CEO. We also have an investment boutique, Greenchip, which is exclusively focused on thematic investing to fight climate change.

At IG Wealth, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and have requirements for all sub-advisors to our product offering to be UN PRI signatories. We have a Sustainable and Responsible Investing Committee whose responsibilities include incorporation of climate change awareness and management into our product and service offerings, and we have established education and communication programs for our financial planners.

Risk Management: Assessment and management of climate-related risks is integrated into our ERM framework. At Mackenzie Investments, our boutique investment teams are each responsible for determining when and how climate change is material and how to incorporate transition and physical risks into their investment process. The teams have access to ESG data tools and a service provider for comprehensive global

investor engagement who places a priority on climate change engagement. To help aid in the assessment of material climate risks and opportunities, Mackenzie Investments is in the process of implementing the Sustainability Accounting Standards Board framework and a tool to enhance climate data and analytics. We are following the development of climate scenario tools for our industry in order to incorporate scenario planning to enhance our understanding of how our clients and the Company will be impacted by various climate change scenarios.

Metrics and Targets: We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our CS Report which are available at igmfinancial.com/en/corporate-sustainability. We are reviewing tools to expand our reporting of emissions metrics in our investment portfolios. We have set emission reduction and renewable energy targets in our operations and are on track to meet these goals. As we continue to develop our climate strategy, we will review our targets to continue measuring our progress.

The Financial Services Environment

Canadians held \$5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 66% (\$3.3 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the \$1.7 trillion held outside of a financial advisory relationship, approximately 61% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We actively promote the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or \$2.0 trillion resided in investment funds at December 31, 2019, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With \$168 billion in investment fund assets under management at March 31, 2021, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Traditional distinctions between bank branches, full-service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, that offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their

full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 47% of total industry long-term mutual fund assets at March 31, 2021.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 73% of industry long-term mutual fund assets and 73% of total mutual fund assets under management at March 31, 2021. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continues to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- A highly competitive landscape.
- Advancing and changing technology.

THE COMPETITIVE LANDSCAPE

Our subsidiaries IG Wealth Management and Investment Planning Counsel compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of our product and service offerings, including pricing, product structures, dealer and advisor compensation and disclosure. We monitor developments on an ongoing basis, and engage in policy discussions and develop product and service responses as appropriate.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the

Company and long-term value for our clients and shareholders. We are midway through a five-year transformation to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to

distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

BROAD PRODUCT CAPABILITIES

Our subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

ENDURING CLIENT RELATIONSHIPS

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors have developed with clients. In addition, our subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

PART OF THE POWER CORPORATION GROUP OF COMPANIES

As part of the Power Corporation group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products and capital.

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2020 except as follows:

- *Employee benefits* –The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan (RPP) for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees.

Discount rates have increased significantly since December 31, 2020. The discount rate on the Company's RPP at March 31, 2021 was 3.50% compared to 2.70% at December 31, 2020. The pension plan assets increased to \$518.6 million at March 31, 2021 from \$517.0 million at December 31, 2020. The total defined benefit pension plan obligation was \$554.1 million at March 31, 2021 compared to \$650.1 million at December 31, 2020. The defined benefit pension plan had

an accrued benefit liability of \$35.5 million at March 31, 2021 compared to \$133.1 million at December 31, 2020. Total gains recorded in Other comprehensive income, including the defined benefit pension plan, the SERPs and post-employment benefit plans, were \$113.9 million (\$83.1 million after tax) for the three months ended March 31, 2021.

CHANGES IN ACCOUNTING POLICIES

IGM Financial has not adopted any changes in accounting policies in 2021.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

Internal Control Over Financial Reporting

During the first quarter of 2021, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

There were no changes to the types of related party transactions from those reported at December 31, 2020. For further information on transactions involving related parties, see Notes 8, 26 and 29 to the Company's Annual Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at March 31, 2021 totalled 238,382,528. Outstanding stock options as at March 31, 2021 totalled 13,020,192 of which 7,269,091 were exercisable. As at April 30, 2021, outstanding common shares totalled 238,454,705 and outstanding stock options totalled 12,948,015 of which 7,196,914 were exercisable.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) (in thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED MARCH 31	
	2021	2020
Revenues (Note 3)		
Wealth management	\$ 603,451	\$ 562,733
Asset management	232,990	198,442
Dealer compensation expense	(80,709)	(71,381)
Net asset management	152,281	127,061
Net investment income and other	3,134	(1,899)
Proportionate share of associates' earnings (Note 7)	41,589	20,045
	800,455	707,940
Expenses		
Advisory and business development	284,026	259,114
Operations and support	206,539	195,107
Sub-advisory	19,729	17,502
Interest	28,120	27,307
	538,414	499,030
Earnings before income taxes	262,041	208,910
Income taxes	59,671	48,034
Net earnings	202,370	160,876
Non-controlling interest (Note 7)	(190)	–
Net earnings available to common shareholders	\$ 202,180	\$ 160,876
Earnings per share (in dollars) (Note 14)		
– Basic	\$ 0.85	\$ 0.68
– Diluted	\$ 0.85	\$ 0.68

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)
(in thousands of Canadian dollars)

THREE MONTHS ENDED MARCH 31

	2021	2020
Net earnings	\$ 202,370	\$ 160,876
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Fair value through other comprehensive income investments (Note 4)		
Other comprehensive income (loss), net of tax of \$(125,034) and \$(322)	801,145	2,068
Employee benefits		
Net actuarial gains (losses), net of tax of \$(30,740) and \$(20,965)	83,115	56,696
Investment in associates – employee benefits and other		
Other comprehensive income (loss), net of tax of nil	4,593	5,569
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), net of tax of \$231 and \$(2,277)	(17,605)	51,581
	871,248	115,914
Total comprehensive income	\$ 1,073,618	\$ 276,790

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED BALANCE SHEETS

(unaudited)
(in thousands of Canadian dollars)

MARCH 31
2021

DECEMBER 31
2020

Assets

Cash and cash equivalents	\$ 657,807	\$ 771,585
Other investments (Note 4)	1,579,452	632,300
Client funds on deposit	1,372,198	1,063,442
Accounts and other receivables	453,529	444,458
Income taxes recoverable	49,871	30,366
Loans (Note 5)	5,995,066	6,331,855
Derivative financial instruments	38,433	37,334
Other assets	50,932	49,782
Investment in associates (Note 7)	1,911,865	1,931,168
Capital assets	328,951	329,690
Capitalized sales commissions	259,157	231,085
Deferred income taxes	33,682	84,624
Intangible assets	1,332,322	1,321,590
Goodwill	2,803,165	2,803,075
	\$ 16,866,430	\$ 16,062,354

Liabilities

Accounts payable and accrued liabilities	\$ 448,800	\$ 486,575
Income taxes payable	1,354	7,146
Derivative financial instruments	28,179	34,514
Deposits and certificates	1,351,809	1,104,889
Other liabilities	413,854	536,141
Obligations to securitization entities (Note 6)	5,819,509	6,173,886
Lease obligations	196,693	188,334
Deferred income taxes	519,620	388,079
Long-term debt	2,100,000	2,100,000
	10,879,818	11,019,564

Shareholders' Equity

Share capital		
Common shares	1,601,087	1,598,381
Contributed surplus	52,396	51,663
Retained earnings	3,276,003	3,207,469
Accumulated other comprehensive income (loss)	1,007,612	136,364
Non-controlling interest	49,514	48,913
	5,986,612	5,042,790
	\$ 16,866,430	\$ 16,062,354

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 6, 2021.

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	SHARE CAPITAL – COMMON SHARES <i>(Note 8)</i>	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) <i>(Note 11)</i>	NON- CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
2021						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	–	–	202,370	–	–	202,370
Other comprehensive income (loss), net of tax	–	–	–	871,248	–	871,248
Total comprehensive income	–	–	202,370	871,248	–	1,073,618
Common shares						
Issued under stock option plan	2,706	–	–	–	–	2,706
Stock options						
Current period expense	–	853	–	–	–	853
Exercised	–	(120)	–	–	–	(120)
Common share dividends	–	–	(134,090)	–	–	(134,090)
Non-controlling interest	–	–	(190)	–	601	411
Other	–	–	444	–	–	444
Balance, end of period	\$ 1,601,087	\$ 52,396	\$ 3,276,003	\$ 1,007,612	\$ 49,514	\$ 5,986,612
2020						
Balance, beginning of period	\$ 1,597,860	\$ 48,677	\$ 2,980,260	\$ (127,702)	\$ –	\$ 4,499,095
Net earnings	–	–	160,876	–	–	160,876
Other comprehensive income (loss), net of tax	–	–	–	115,914	–	115,914
Total comprehensive income	–	–	160,876	115,914	–	276,790
Common shares						
Issued under stock option plan	521	–	–	–	–	521
Stock options						
Current period expense	–	814	–	–	–	814
Exercised	–	(24)	–	–	–	(24)
Common share dividends	–	–	(134,048)	–	–	(134,048)
Other	–	–	(1,527)	–	–	(1,527)
Balance, end of period	\$ 1,598,381	\$ 49,467	\$ 3,005,561	\$ (11,788)	\$ –	\$ 4,641,621

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands of Canadian dollars)

THREE MONTHS ENDED MARCH 31

	2021	2020
Operating activities		
Earnings before income taxes	\$ 262,041	\$ 208,910
Income taxes paid	(55,343)	(42,113)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	12,074	7,684
Capitalized sales commissions paid	(40,146)	(32,982)
Amortization of capital, intangible and other assets	24,044	20,124
Proportionate share of associates' earnings, net of dividends received	(25,235)	(3,691)
Pension and other post-employment benefits	5,826	1,778
Changes in operating assets and liabilities and other	(109,870)	(66,731)
Cash from operating activities before restructuring provision payments	73,391	92,979
Restructuring provision cash payments	(20,949)	(2,661)
	52,442	90,318
Financing activities		
Net decrease in deposits and certificates	(3,648)	(2,480)
Increase in obligations to securitization entities	351,929	240,213
Repayments of obligations to securitization entities and other	(678,918)	(392,383)
Repayment of lease obligations	(6,382)	(6,066)
Issue of common shares	2,586	498
Common share dividends paid	(134,048)	(134,040)
	(468,481)	(294,258)
Investing activities		
Purchase of other investments	(35,870)	(19,085)
Proceeds from the sale of other investments	15,576	472
Increase in loans	(380,502)	(321,294)
Repayment of loans and other	727,125	547,121
Net additions to capital assets	(5,245)	(2,942)
Net cash used in additions to intangible assets	(18,823)	(10,874)
	302,261	193,398
Decrease in cash and cash equivalents	(113,778)	(10,542)
Cash and cash equivalents, beginning of period	771,585	720,005
Cash and cash equivalents, end of period	\$ 657,807	\$ 709,463
Cash	\$ 50,192	\$ 92,684
Cash equivalents	607,615	616,779
	\$ 657,807	\$ 709,463
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 57,794	\$ 69,444
Interest paid	\$ 58,411	\$ 65,834

(See accompanying notes to interim condensed consolidated financial statements)

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2021 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

NOTE 1 CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Corporation of Canada.

IGM Financial Inc. is a wealth and asset management company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation (Mackenzie).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2020. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Advisory fees	\$ 328,460	\$ 304,479
Product and program fees	224,808	211,177
	553,268	515,656
Redemption fees	3,760	6,169
Other financial planning revenues	46,423	40,908
Wealth management	603,451	562,733
Asset management	232,990	198,442
Dealer compensation expense	(80,709)	(71,381)
Net asset management	152,281	127,061
Net revenues from contracts with customers	\$ 755,732	\$ 689,794

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Advisory fees, related to financial planning, are associated with assets under management and advisement. Product and program fees, related to investment management and administration services, are associated with assets under management. Other financial planning revenues includes insurance, banking products and services, and mortgage lending activities.

Asset management revenue, related to investment management advisory and administrative services, depends on the level and composition of assets under management.

NOTE 4 OTHER INVESTMENTS

	MARCH 31, 2021		DECEMBER 31, 2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 255,566	\$ 1,523,602	\$ 251,417	\$ 593,273
Fair value through profit or loss (FVTPL)				
Equity securities	1,524	1,666	1,499	1,513
Proprietary investment funds	51,110	54,184	35,254	37,514
	52,634	55,850	36,753	39,027
	\$ 308,200	\$ 1,579,452	\$ 288,170	\$ 632,300

In the first quarter of 2021, the Company invested \$4.1 million related to Portage Ventures III LP.

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. The investment is classified at Fair Value Through Other Comprehensive Income.

On May 3, 2021, Wealthsimple announced a \$250 million primary equity fundraising as well as a \$500 million secondary offering. At December 31, 2020, the fair value of the Company's direct and indirect investment was \$550 million. Fair value has increased by \$897 million to \$1,448 million at March 31, 2021.

As part of the secondary equity offering, IGM Financial Inc. will receive proceeds of approximately \$295 million (\$257 million after-tax). Pro forma, the Company will continue to be the largest shareholder in Wealthsimple with an interest of 23% and its continuing investment will have a value of \$1,153 million.

NOTE 5 LOANS

	CONTRACTUAL MATURITY			MARCH 31 2021 TOTAL	DECEMBER 31 2020 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
Amortized cost					
Residential mortgages	\$ 1,226,616	\$ 4,712,756	\$ 6,791	\$ 5,946,163	\$ 6,329,342
Less: Allowance for expected credit losses				834	778
				5,945,329	6,328,564
Fair value through profit or loss				49,737	3,291
				\$ 5,995,066	\$ 6,331,855

The change in the allowance for expected credit losses is as follows:

Balance, beginning of period	\$ 778	\$ 675
Write-offs, net of recoveries	(36)	(562)
Expected credit losses	92	665
Balance, end of period	\$ 834	\$ 778

Total credit impaired loans as at March 31, 2021 were \$6,477 (December 31, 2020 – \$4,807).

Total interest income on loans was \$42.5 million (2020 – \$50.4 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$31.2 million (2020 – \$39.8 million). Gains realized on the sale of residential mortgages totalled \$2.3 million (2020 – \$1.8 million). Fair value adjustments related to mortgage banking operations totalled negative \$0.9 million (2020 – negative \$2.7 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 6 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a negative fair value of \$0.5 million at March 31, 2021 (December 31, 2020 – negative \$1.2 million).

All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
MARCH 31, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,984,552	\$ 3,044,729	\$ (60,177)
Bank sponsored ABCP	2,673,596	2,774,780	(101,184)
Total	\$ 5,658,148	\$ 5,819,509	\$ (161,361)
Fair value	\$ 5,769,741	\$ 5,962,844	\$ (193,103)
DECEMBER 31, 2020			
Carrying value			
NHA MBS and CMB Program	\$ 3,216,158	\$ 3,307,428	\$ (91,270)
Bank sponsored ABCP	2,767,743	2,866,458	(98,715)
Total	\$ 5,983,901	\$ 6,173,886	\$ (189,985)
Fair value	\$ 6,186,410	\$ 6,345,189	\$ (158,779)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

NOTE 7 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	NORTHLEAF	PERSONAL CAPITAL	TOTAL
MARCH 31, 2021					
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ -	\$ 1,931,168
Additions	-	-	181	-	181
Dividends	(16,354)	(26,877)	-	-	(43,231)
Proportionate share of:					
Earnings (losses)	28,089	12,550	950 ⁽¹⁾	-	41,589
Other comprehensive income (loss) and other adjustments	(5,557)	(12,285)	-	-	(17,842)
Balance, end of period	\$ 968,566	\$ 693,670	\$ 249,629	\$ -	\$ 1,911,865
MARCH 31, 2020					
Balance, beginning of period	\$ 896,651	\$ 662,694	\$ -	\$ 194,537	\$ 1,753,882
Dividends	(16,354)	(13,686)	-	-	(30,040)
Proportionate share of:					
Earnings (losses)	14,305	8,856	-	(3,116)	20,045
Other comprehensive income (loss) and other adjustments	12,415	45,566	-	16,503	74,484
Balance, end of period	\$ 907,017	\$ 703,430	\$ -	\$ 207,924	\$ 1,818,371

(1) Net of Non-controlling interest of \$0.2 million, the Company's proportionate share of Northleaf's earnings was \$0.8 million.

The Company uses the equity method to account for its investments in Great-West Lifeco Inc., China Asset Management Co., Ltd. and Northleaf Capital Group Ltd. as it exercises significant influence. In 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement.

NOTE 8 SHARE CAPITAL

AUTHORIZED

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares, no par value

ISSUED AND OUTSTANDING

	MARCH 31, 2021		MARCH 31, 2020	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of period	238,308,284	\$ 1,598,381	238,294,090	\$ 1,597,860
Issued under Stock Option Plan	74,244	2,706	14,194	521
Balance, end of period	238,382,528	\$ 1,601,087	238,308,284	\$ 1,598,381

NOTE 9 CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2021 Report to Shareholders and in Note 18 to the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2020.

NOTE 10 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	MARCH 31 2021	DECEMBER 31 2020
Common share options		
– Outstanding	13,020,192	11,930,224
– Exercisable	7,269,091	6,326,067

In the three months ended March 31, 2021 the Company granted 1,604,340 options to employees (2020 – 1,537,165). The fair value of options granted during the three months ended March 31, 2021 has been estimated at \$2.68 per option (2020 – \$1.31) using the Black-Scholes option pricing model. The closing share price at the grant date was \$34.91.

Other assumptions used in these valuation models include:

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Exercise price	\$ 35.01	\$ 38.65
Risk-free interest rate	1.29%	1.32%
Expected option life	7 years	7 years
Expected volatility	23.00%	17.00%
Expected dividend yield	6.45%	6.18%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date.

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
MARCH 31, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	83,115	801,145	(13,012)	871,248
Balance, end of period	\$ (113,834)	\$ 1,094,593	\$ 26,853	\$ 1,007,612
MARCH 31, 2020				
Balance, beginning of period	\$ (165,947)	\$ 46,363	\$ (8,118)	\$ (127,702)
Other comprehensive income (loss)	56,696	2,068	57,150	115,914
Balance, end of period	\$ (109,251)	\$ 48,431	\$ 49,032	\$ (11,788)

Amounts are recorded net of tax.

NOTE 12 RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2021 Report to Shareholders and in Note 21 to the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2020.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, and certain other financial liabilities.

	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
MARCH 31, 2021					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 1,523,602	\$ –	\$ –	\$ 1,523,602	\$ 1,523,602
– FVTPL	55,850	55,522	–	328	55,850
Loans					
– FVTPL	49,737	–	49,737	–	49,737
Derivative financial instruments	38,433	–	33,264	5,169	38,433
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,945,329	–	285,834	5,769,741	6,055,575
Financial liabilities recorded at fair value					
Derivative financial instruments	28,179	–	11,321	16,858	28,179
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,351,809	–	1,352,111	–	1,352,111
Obligations to securitization entities	5,819,509	–	–	5,962,844	5,962,844
Long-term debt	2,100,000	–	2,493,787	–	2,493,787
DECEMBER 31, 2020					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 593,273	\$ –	\$ –	\$ 593,273	\$ 593,273
– FVTPL	39,027	38,748	–	279	39,027
Loans					
– FVTPL	3,291	–	3,291	–	3,291
Derivative financial instruments	37,334	–	35,389	1,945	37,334
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	6,328,564	–	346,428	6,186,410	6,532,838
Financial liabilities recorded at fair value					
Derivative financial instruments	34,514	–	11,466	23,048	34,514
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,104,889	–	1,105,384	–	1,105,384
Obligations to securitization entities	6,173,886	–	–	6,345,189	6,345,189
Long-term debt	2,100,000	–	2,653,814	–	2,653,814

There were no significant transfers between Level 1 and Level 2 in 2021 and 2020.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANCE, JANUARY 1	GAINS (LOSSES) INCLUDED IN NET EARNINGS ⁽¹⁾	GAINS (LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE MARCH 31
MARCH 31, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 926,179	\$ 4,150	\$ –	\$ –	\$ 1,523,602
– FVTPL	279	49	–	–	–	–	328
Derivative financial instruments, net	(21,103)	6,802	–	707	(1,905)	–	(11,689)
MARCH 31, 2020							
Other investments							
– FVTOCI	\$ 301,196	\$ –	\$ 2,390	\$ –	\$ –	\$ –	\$ 303,586
– FVTPL	563	(220)	–	–	–	–	343
Derivative financial instruments, net	(906)	(21,718)	–	956	(164)	–	(21,504)

(1) Included in Wealth management revenue or Operations and support expenses in the Consolidated Statements of Earnings.

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Earnings		
Net earnings	\$ 202,370	\$ 160,876
Non-controlling interest	(190)	–
Net earnings available to common shareholders	\$ 202,180	\$ 160,876
Number of common shares (in thousands)		
Weighted average number of common shares outstanding	238,323	238,302
Add: Potential exercise of outstanding stock options ⁽¹⁾	151	14
Average number of common shares outstanding – Diluted basis	238,474	238,316
Earnings per common share (in dollars)		
Basic	\$ 0.85	\$ 0.68
Diluted	\$ 0.85	\$ 0.68

(1) Excludes 1,534 thousand shares for the three months ended March 31, 2021 (2020 – 2,025 thousand) related to outstanding stock options that were anti-dilutive.

NOTE 15 COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving substantially all employees and consultants to work from home and further supporting the Company's information technology infrastructure.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

NOTE 16 SEGMENTED INFORMATION

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

Effective the first quarter of 2021, the Company expanded its reportable segment disclosures to report to Net earnings, whereas previously it was reported to Earnings before interest and taxes. The Company restated comparative figures in its segment results to conform to the current period's presentation. These changes further build on the disclosure enhancements announced by the Company in the third quarter of 2020, which were introduced to improve transparency into key drivers of each business line and help stakeholders understand and assess components of value.

NOTE 16 SEGMENTED INFORMATION (continued)

2021

THREE MONTHS ENDED MARCH 31	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 607,997	\$ -	\$ -	\$ (4,546)	\$ 603,451
Asset management	-	259,903	-	(26,913)	232,990
Dealer compensation	-	(85,253)	-	4,544	(80,709)
Net asset management	-	174,650	-	(22,369)	152,281
Net investment income and other	1,747	1,195	252	(60)	3,134
Proportionate share of associates' earnings	-	-	41,589	-	41,589
	609,744	175,845	41,841	(26,975)	800,455
Expenses					
Advisory and business development	263,715	20,313	-	(2)	284,026
Operations and support	121,988	83,448	1,165	(62)	206,539
Sub-advisory	44,933	1,707	-	(26,911)	19,729
	430,636	105,468	1,165	(26,975)	510,294
	179,108	70,377	40,676	-	290,161
Interest expense ⁽¹⁾	22,259	5,861	-	-	28,120
Earnings before income taxes	156,849	64,516	40,676	-	262,041
Income taxes	42,078	16,525	1,068	-	59,671
	114,771	47,991	39,608	-	202,370
Non-controlling interest	-	-	(190)	-	(190)
Net earnings available to common shareholders	\$ 114,771	\$ 47,991	\$ 39,418	\$ -	\$ 202,180
Identifiable assets	\$ 8,858,552	\$ 1,478,536	\$ 3,726,177	\$ -	\$ 14,063,265
Goodwill	1,491,687	1,311,478	-	-	2,803,165
Total assets	\$ 10,350,239	\$ 2,790,014	\$ 3,726,177	\$ -	\$ 16,866,430

(1) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2020

THREE MONTHS ENDED MARCH 31	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 566,796	\$ –	\$ –	\$ (4,063)	\$ 562,733
Asset management	–	223,684	–	(25,242)	198,442
Dealer compensation	–	(75,423)	–	4,042	(71,381)
Net asset management	–	148,261	–	(21,200)	127,061
Net investment income and other	(1,167)	(2,210)	1,524	(46)	(1,899)
Proportionate share of associates' earnings	–	–	20,045	–	20,045
	565,629	146,051	21,569	(25,309)	707,940
Expenses					
Advisory and business development	239,282	19,838	–	(6)	259,114
Operations and support	119,582	74,718	867	(60)	195,107
Sub-advisory	40,232	2,513	–	(25,243)	17,502
	399,096	97,069	867	(25,309)	471,723
	166,533	48,982	20,702	–	236,217
Interest expense ⁽¹⁾	22,232	5,075	–	–	27,307
Earnings before income taxes	144,301	43,907	20,702	–	208,910
Income taxes	38,698	11,618	(2,282)	–	48,034
	105,603	32,289	22,984	–	160,876
Non-controlling interest	–	–	–	–	–
Net earnings available to common shareholders	\$ 105,603	\$ 32,289	\$ 22,984	\$ –	\$ 160,876
Identifiable assets	\$ 9,128,405	\$ 1,308,168	\$ 2,455,686	\$ –	\$ 12,892,259
Goodwill	1,491,687	1,168,580	–	–	2,660,267
Total assets	\$ 10,620,092	\$ 2,476,748	\$ 2,455,686	\$ –	\$ 15,552,526

(1) Interest expense includes interest on long-term debt and interest on leases.

Groupe Bruxelles Lambert

PART D

The attached document discloses information relating to the financial results of Groupe Bruxelles Lambert as issued by Groupe Bruxelles Lambert.

About Groupe Bruxelles Lambert

Groupe Bruxelles Lambert (“GBL”) is an established investment holding company, with over sixty years of stock exchange listing, a net asset value of EUR 21 billion and a market capitalisation of EUR 14 billion at the end of March 2021. GBL is a leading investor in Europe, focused on long-term value creation and relying on a stable and supportive family shareholder base. GBL strives to maintain a diversified high-quality portfolio composed of global companies, leaders in their sector, in which it can contribute to value creation by being an active professional investor. GBL seeks to provide attractive returns to its shareholders through a combination of a sustainable dividend and growth in its net asset value.

GBL is listed on the Euronext Brussels stock exchange (Ticker: GBLB BB ; ISIN code: BE0003797140) and is included in the BEL20 index.

Key financial data ¹

EUR million (Group's share)	End of March		End of December	Variation ²
	2021	2020	2020	
Consolidated net result	225	15	391	211
Cash earnings	111	161	440	(50)
Net asset value	21,090	15,875	20,498	+2.9%
Market capitalisation	14,241	11,556	13,315	+7.0%
Discount	32.5%	27.2%	35.0%	(2.6)%
Net investments / (divestments)	(107)	565 ³	1,433 ³	(673)
Net cash / (Net debt)	(1,363)	(448)	(1,563)	201
Loan To Value	6.3%	2.8%	7.3%	

Ian Gallienne, CEO of GBL stated, “We continue to operate in a particularly complex environment combining a lack of visibility regarding the evolution of the Covid-19 pandemic and a strong recovery already observed in some markets, particularly the United States. Despite this uncertain environment, characterized by increased volatility, we continued to rebalance our portfolio toward assets with higher growth potential by reducing our position in Holcim⁴ and by taking a majority stake in the private group Canyon, world leader in the online distribution of high-end bicycles. Our agility in the capital markets has enabled us to strengthen our liquidity profile by 1 billion euros to more than 4 billion⁵ euros, notably through the issuance of bonds convertible into GBL shares. Beyond the optimal use of part of our treasury shares and efficient financing terms, this issue, carried out at a conversion price of approximately 117.49 euros, enables us to reiterate our strong conviction in the potential of our net asset value growth and reduction of GBL’s discount.”

¹ Alternative performance indicators are defined in the glossary available on GBL’s website: <https://www.gbl.be/en/glossary>

² Variation between March 2021 and March 2020 for the consolidated net result, cash earnings and net investments / (divestments), and between March 2021 and December 2020 for net asset value, market capitalisation, discount and net debt

³ Excluding forward sales of Total shares exercised in 2019 and having matured in January 2020

⁴ Name change from LafargeHolcim Ltd to Holcim Ltd (“Holcim”) approved at the Ordinary Shareholders’ Meeting on May 4, 2021

⁵ Pro forma liquidity profile for convertible bonds placed on March 23, 2021 with a settlement on April 1, 2021

Strong rebound in a complex market environment

Despite a macroeconomic backdrop that continues to be impacted by the Covid-19 pandemic, which is still not under control and has led to a wave of sporadic and local lockdowns, particularly in Europe, the financial markets continued their strong rebound at the start of 2021, especially in the United States where the indices have already exceeded their all-time high pre-crisis levels.

In this context, our net asset value reached EUR 21.1 billion as of March 31, 2021, up sharply by + 32.9% over the last 12 months and outperforming significantly the + 21.7% rebound of our reference index, the Stoxx Europe 50, over the same period.

We also continued to outperform our reference index in terms of total shareholder return. Since the launch of our portfolio rebalancing strategy in 2012, which has led to over EUR 22 billion in asset rotation, we have generated an annualized total return of 10.1% vs. 8.0% for the Stoxx Europe 50 at the end of March 2021.

Dynamic asset rotation favoring private assets with strong growth potential

Despite weighing uncertainties related to the timing of the end of the health and economic crisis, during the first quarter of 2021, we continued to rotate our portfolio through EUR 792 million of disposals and EUR 650 million of investments¹ oriented toward private assets with greater growth potential.

We therefore continued the reduction of our position in Holcim, which began in the second half of 2019, through EUR 530 million of additional disposals, thus decreasing our holding from 7.57% to 5.77% of the group's capital.

The closing of the acquisition of a majority stake in Canyon, world leader in online only distribution of high-end bicycles, enabled us to continue to increase our private asset exposure through an investment of EUR 357 million. Canyon is at the crossroads of several structural trends that are part of GBL's strategic priorities and that have experienced accelerated momentum as a result of the Covid-19 pandemic. These include health & wellness, sustainable mobility and online commerce.

Finally, our alternative asset management platform, Sienna Capital, strengthened its exposure to the technology sector through a direct co-investment of EUR 100 million in Globality, a group based in Silicon Valley that has developed a cutting-edge digital platform using artificial intelligence to provide strategic professional services.

A solid financial performance supporting the deployment of our strategy

Our financial flexibility remains significant at the end of March 2021, with a liquidity profile of EUR 3.6 billion and a Loan To Value ratio of 6.3%, allowing us to pursue the deployment of our investment strategy, to continue to execute our share buyback program and, if necessary, to support our portfolio companies.

We seized appropriate market windows during the first quarter to issue on efficient terms EUR 1.0 billion in the institutional bond and equity-linked markets. The placement in January 2021 of EUR 500 million 10-year institutional bonds with a 0.125% coupon was oversubscribed by more than 3.5x, reflecting the strength of our high investment grade credit quality.

The convertible bond issue in March 2021 also strengthened our liquidity profile, by EUR 500 million. With a 5-year maturity, they have a zero coupon, an annual yield of -0.25% and an initial conversion price of EUR 117.4928 corresponding to a premium of 35% over the reference share price at placement and of 22% to our historical high. Beyond the efficiency of the financing terms and the optimal use of part of our treasury shares, this issue enabled us to reaffirm the strong potential of net asset value growth and tightening of our discount which remains at levels² that do not reflect our solid fundamentals.

The results for the first quarter are hardly representative of the full financial year, as a significant portion of dividends from our holdings are recognized as from the second quarter. The consolidated net result, however, rose sharply by EUR 211 million to EUR 225 million, notably from Sienna Capital's contribution of EUR 161 million. Cash earnings are down 31.3% to EUR 111 million.

¹ Excluding share buybacks

² 32.5% on March 31, 2021, compared to an average discount of 25.6% over the past five years

Strengthening our governance

As of the close of the General Assembly on April 27, 2021, our Board of Directors saw its size reduced to 13 members (17 previously) and now includes a new first-rate independent Director, Jacques Veyrat, bringing to GBL solid experience, particularly in investments. This tighter and strengthened organization provides GBL with more agile governance better suited to the group's strategic challenges.

Reaffirmed ESG ambitions and top-tier ranking

In March 2021, GBL's Board of Directors approved an update to our ESG Policy detailing clear 2025-2030 commitments in the areas of climate change, diversity, transparency and the promotion of access to sustainable finance, and thus reaffirming our ambitions in this area.

GBL's ESG integration leadership and achievements have been recognised in Sustainalytics' latest ESG review, with GBL now ranked 4th out of 756 companies in the "Diversified Financials" industry thanks to its "Negligible" ESG risk status and very strong ESG integration management practices. This achievement puts GBL in the top 1st percentile.

1. Portfolio rotation, net asset value increase and financial position evolution

1.1. Highlights as of March 31, 2021

Listed investments: ongoing rotation toward assets with greater growth potential

Holcim: During the first quarter of 2021, GBL entered into forward sales maturing on March 26, 2021 for a fraction of its holding in Holcim representing 1.80% of the capital (11.1 million shares) for a net amount of EUR 530 million. These sales generated a capital gain¹ of EUR 118 million. GBL's holding decreased from 7.57% of Holcim's capital at the end of 2020 to 5.77% following these disposals. As of March 31, 2021, GBL's holding in Holcim was valued at EUR 1,784 million.

Mowi: GBL increased its position in the world's leading producer of farmed-raised Atlantic salmon from 5.85% of the capital to 7.01% for a total of EUR 110 million. As of March 31, 2021, GBL's stake was valued at EUR 769 million.

Private assets: majority stake in Canyon, a fast-growing leader

Canyon: On March 9, 2021, GBL finalized an acquisition for a majority stake in Canyon Bicycles GmbH ("**Canyon**"), a German company and leader in direct-to-consumer (DTC) distribution of high-end bicycles. GBL has invested EUR 357 million alongside (i) founder Roman Arnold, who has reinvested a significant portion of his proceeds and remains a significant minority shareholder of the group, and (ii) the management team. GBL controls the acquisition vehicle and holds 60% of the capital jointly with co-investors. The group is growing strongly, its sales having almost doubled over the past three years and now exceeding EUR 400 million. Roman Arnold remains Chairman of the Advisory Board alongside GBL representatives including Jean-Pierre Millet and Tony Fadell. Jean-Pierre Millet has a long experience in private equity, having managed Carlyle Europe for 15 years before founding PrimeStone Capital. Tony Fadell is best known as one of the creators of the iPod, the founder of Nest and CEO of Future Shape and brings to Canyon his product development expertise as well as his passion for cycling. Jean-Pierre Millet and Tony Fadell have co-invested alongside GBL.

¹ No impact on GBL's consolidated net result in 2021, in accordance with IFRS 9

Sienna Capital: dynamic asset rotation

Globality: Sienna Capital has invested EUR 100 million in **Globality's** series E fundraising. Based in Silicon Valley and founded by Joel Hyatt, Globality is the leading digital platform based on artificial intelligence for the provision of strategic services.

Ergon: Ergon Capital Partners III ("**ECP III**") completed the disposals of Keesing and svt, generating net capital gains of EUR 65 million and EUR 55 million respectively, GBL's share.

Financing: issuances at efficient terms strengthening our liquidity profile

On January 21, 2021, GBL placed a EUR 500 million institutional bond with a 10-year maturity bearing a coupon of 0.125%. This issue is intended to be used for the group's general corporate purposes and extends the weighted average maturity of GBL's gross indebtedness. The issue has been oversubscribed more than 3.5 times by a diversified and balanced institutional investor base.

On March 23, 2021, GBL (the "Guarantor") announced the placement by its fully-owned subsidiary Sagerpar SA (the "Issuer") of a EUR 500 million convertible bond issue maturing in 2026 (the "Bonds") into existing ordinary shares of GBL. GBL guarantees the Issuer's obligations under the Bonds. This issue initially covers approximately 4.3 million treasury shares representing roughly 46.49% of GBL's treasury shares as of March 31, 2021. The Bonds do not bear interest and will have a maturity of 5 years, subject to early redemption. The Bonds have been issued at an issue price of 101.25% of the par value and, unless previously redeemed, converted, or purchased and cancelled, the Bonds will be repaid in cash at par at maturity (subject to the Issuer's share redemption option), which corresponds to an annual yield to maturity of - 0.25%. The net proceeds of the offering will be used for GBL's general corporate purposes.

Share buybacks: continuation of the program in the context of a widening discount

The Board of Directors of September 17, 2020 approved a third EUR 250 million allocation for share buybacks. This authorization is valid until April 2025. Under this authorization, GBL acquired, as of March 31, 2021, directly and through its subsidiaries, 615,599 GBL shares representing 0.38% of the capital issued and valued at EUR 54 million. This authorization was 20.61% executed as of March 31, 2021.

ESG: clear 2025-2030 commitments

In March 2021, GBL's Board of Directors approved the group's 2025-2030 ESG commitments. Climate change, diversity, transparency and the promotion of access to sustainable finance are firmly at the heart of these commitments, which have been formulated to ensure their follow-up and evaluation over time.

As a responsible investor, we support the recognition of the Paris Agreement signed as part of the United Nations Framework Convention on Climate Change and the goal to keep the temperature increase below 2° Celsius by 2050. We are committed to continue to work with our portfolio companies to define and implement strategies that pave the way for carbon neutrality. In 2021, we will formalize our commitment to the Science Based Targets initiative (SBTi) to ensure that by 2030, all our portfolio companies have their own SBTi (www.sciencebasedtargets.org) commitments in place.

1.2. Net asset value

As of March 31, 2021, GBL's **net asset value** amounts to EUR 21.1 billion (EUR 130.70 per share) compared to EUR 20.5 billion (EUR 127.03 per share) at year-end 2020, i.e. an increase of 2.9% (EUR 3.67 per share). Relative to the stock price of EUR 88.26, the discount as of end March 2021 stands at 32.5%, a 2.6% decrease compared to year-end 2020.

	March 31, 2021			December 31, 2020		
	% in capital	Stock price ¹	(EUR million)	% in capital	Stock price ¹	(EUR million)
Listed assets			17,485.4			17,574.3
adidas	6.84	266.20	3,650.8	6.84	297.90	4,085.6
SGS	18.93	2,681	3,468.0	18.93	2,670	3,539.5
Pernod Ricard	7.60	160.05	3,183.9	7.60	156.80	3,119.2
Umicore	18.02	45.23	2,007.9	18.02	39.29	1,744.2
Imerys	54.64	41.52	1,926.9	54.64	38.66	1,794.2
Holcim	5.77	55.54	1,783.8	7.57	48.62	2,099.9
Mowi	7.01	212.20	769.1	5.85	191.00	551.7
GEA	8.51	34.95	536.7	8.51	29.28	449.7
Ontex	19.98	8.98	147.8	19.98	11.00	181.0
Total	0.01	39.78	10.6	0.01	35.30	9.4
Private assets			1,565.2			1,150.2
Webhelp	61.18		1,110.3	61.45		1,043.8
Canyon	51.87 ²		348.6	-		-
Parques Reunidos	23.00		106.3	23.00		106.3
Sienna Capital			2,477.6			2,521.1
Other			117.0			94.0
Portfolio			21,645.2			21,339.5
Treasury shares			807.2			721.4
Gross debt			(2,785.8)			(2,285.8)
Cash/cash equivalents/trading			1,423.2			722.7
Net asset value (global)			21,089.9			20,497.9
Net asset value (EUR p.s.) ³			130.70			127.03
Stock price (EUR p.s.)			88.26			82.52
Discount			32.5%			35.0%

¹ Closing stock price in EUR except for SGS and Holcim in CHF and Mowi in NOK

² GBL's ownership in Canyon, via its 86.45% ownership alongside co-investors in GfG Capital, which itself holds 60.00% in the acquisition vehicle; GBL's ownership excluding shares held by Sienna Capital (additional indirect ownership of 1.45%)

³ Based on 161,358,287 shares



Of which Sienna Capital which can be detailed as follows:

	March 31, 2021 (EUR million)	December 31, 2020 (EUR million)
Sienna Capital	2,477.6	2,521.1
External fund managers	1,634.4	1,832.1
Marcho Partners	372.7	417.6
Sagard	294.0	306.1
Ergon Capital Partners	258.7	433.0
Kartesia	207.9	189.6
PrimeStone	171.4	197.6
BDT Capital Partners	119.3	110.9
Backed	83.3	69.4
Mérieux Equity Partners	60.1	60.2
C2 Capital Partners	60.0	41.9
Carlyle	7.2	5.9
Direct investments/co-investments	838.1	683.7
Upfield	450.0	450.0
Globality	103.5	-
Cepsa	77.3	73.2
Other direct investments/ co-investments	207.3	160.5
New strategy verticals	6.1	5.8
Avanti Acquisition Corp.	6.1	5.8
Sienna Capital Opportunity Fund	0.1	(0.0)
Other	(1.1)	(0.6)

1.3. Financial position

Net debt decreased from EUR 1,563 million as of December 31, 2020 to EUR 1,363 million as of March 31, 2021. This decrease, detailed in the following table, notably takes into account divestments of EUR 792 million and cash earnings (EUR 111 million), these flows being partially offset by investments (primarily Canyon, Sienna Capital, Mowi and GBL) for EUR 685 million:

EUR million	Gross cash	Gross debt	Net debt
Position as of December 31, 2020	722.7	(2,285.8)	(1,563.1)
Cash earnings	110.8		110.8
Investments:	(684.8)		(684.8)
<i>Canyon</i>	(357.2)		(357.2)
<i>Sienna Capital</i>	(156.6)		(156.6)
<i>Mowi</i>	(110.3)		(110.3)
<i>GBL</i>	(34.9)		(34.9)
<i>Other</i>	(25.8)		(25.8)
Divestments:	792.3		792.3
<i>Holcim</i>	530.2		530.2
<i>Sienna Capital</i>	262.1		262.1
Institutional bonds	492.3	(500.0)	(7.7)
Other	(10.0)		(10.0)
Position as of March 31, 2021	1,423.2	(2,785.8)	(1,362.6)

Relative to the portfolio's value, the net debt is at 6.3% as of March 31, 2021 and breaks down as follows:

EUR million	March 31, 2021	December 31, 2020
Institutional bonds	(1,500.0)	(1,000.0)
Exchangeable bonds into Holcim shares	(750.0)	(750.0)
Exchangeable bonds into GEA shares	(450.0)	(450.0)
Other	(85.8)	(85.8)
Gross debt	(2,785.8)	(2,285.8)
Gross cash (excluding treasury shares)	1,423.2	722.7
(Net debt) / Net cash	(1,362.6)	(1,563.1)

The weighted average maturity of the gross debt is 4.2 years at the end of March 2021 (3.3 years at year-end 2020).

As of March 31, 2021, committed credit lines amount to EUR 2,150 million (fully undrawn) and mature over the 2024-26 period.

The liquidity profile amounts to EUR 3,573 million at the end of March 2021 (taking into account gross cash and the undrawn amount under the committed credit lines), compared with EUR 2,873 million at the end of December 2020.

This position does not include the company's commitments with respect to (i) Sienna Capital, which total EUR 733 million at the end of March 2021 (EUR 826 million as of December 31, 2020) and (ii) the debt toward Webhelp's minority shareholders which is valued at EUR 836 million at the end of March 2021 (EUR 800 million as of December 31, 2020).

Finally, as of March 31, 2021, the 9,153,200 treasury shares represent 5.67% of the issued capital and are valued at EUR 807 million, to be compared respectively with 5.42% and EUR 721 million as of December 31, 2020.

2. Consolidated results (economic presentation)

EUR million	March 31, 2021					March 31, 2020
Group's share	Cash earnings	Mark to market and other non-cash items	Operating companies (associated or consolidated) and Sienna Capital	Eliminations, capital gains, impairments and reversals	Consolidated	Consolidated
Profit (loss) of associates and consolidated operating companies	-	-	40.9	-	40.9	1.2
Net dividends from investments	105.0	(0.3)	-	-	104.7	112.6
Interest income (expenses)	12.8	(0.4)	(17.5)	-	(5.1)	(4.0)
Other financial income (expenses)	3.2	(38.1)	40.5	-	5.6	(82.2)
Other operating income (expenses)	(10.1)	(1.4)	(27.4)	-	(38.9)	(7.2)
Gains (losses) on disposals, impairments and reversals of non-current assets	-	-	118.4	-	118.4	(5.8)
Taxes	(0.1)	-	(0.1)	-	(0.1)	(0.1)
IFRS consolidated net result 2021 (3 months 2021)	110.8	(40.2)	154.9	-	225.4	
IFRS consolidated net result 2020 (3 months 2020)	161.2	14.3	(161.0)	-		14.6

The **consolidated net result, group's share**, as of March 31, 2021, stands at EUR 225 million, compared with EUR 15 million as of March 31, 2020.

This result is primarily driven by:

- net dividends from investments for EUR 105 million;
- Sienna Capital's contribution of EUR 161 million, including the gain on disposals by ECP III of Keesing and svt (EUR 120 million) and the change in fair value of non-consolidated or non-equity-accounted Sienna Capital funds of EUR 47 million;
- the mark to market of the derivative components associated to the exchangeable bonds into Holcim and GEA shares (EUR - 45 million).

2.1. Cash earnings (EUR 111 million compared with EUR 161 million)

EUR million	March 31, 2021	March 31, 2020
Net dividends from investments	105.0	131.1
Interest income (expenses)	12.8	40.6
<i>Sienna Capital interests</i>	17.5	44.5
<i>Other interest income (expenses)</i>	(4.8)	(3.9)
Other financial income (expenses)	3.2	(2.2)
Other operating income (expenses)	(10.1)	(8.2)
Taxes	(0.1)	(0.0)
Total	110.8	161.2

Net dividends from investments received as of March 31, 2021 were down compared to 2020, notably following the decrease in Total's contribution following the sales of shares in January 2020 and the absence of withholding tax reimbursements in 2021.

EUR million	March 31, 2021	March 31, 2020
SGS	103.5	107.8
Mowi	1.1	1.1
Total	0.3	9.2
Reimbursements of withholding taxes	-	13.0
Total	105.0	131.1

SGS distributed an annual dividend of CHF 80.00 per share (CHF 80.00 in 2020).

Mowi paid during the first quarter 2021 a dividend of NOK 0.32 per share.

Total detached, as of March 31, 2021, the second and third quarterly interim dividends of 2020, i.e. EUR 0.66 and EUR 0.66 per share respectively.

Reimbursements of withholding taxes included, in 2020, the reimbursements made by the French tax authorities of withholding taxes which had been applied to ENGIE and Total dividends received in 2016 and 2017 (EUR 13 million).

Net interest income (expenses) (EUR 13 million) mainly include (i) interest income from Sienna Capital (EUR 18 million compared with EUR 44 million in 2020) and (ii) the interest expenses related to the institutional bonds issued in 2017, 2018 and 2021 (EUR - 4 million compared with EUR - 4 million in 2020).

Other financial income (expenses) (EUR 3 million) mainly comprise yield enhancement income of EUR 5 million (EUR 1 million in 2020).

Other operating income (expenses) amount to EUR - 10 million as of end of March 2021, having increased compared with 2020.

2.2. Mark to market and other non-cash items (EUR - 40 million compared with EUR 14 million)

EUR million	March 31, 2021	March 31, 2020
Net dividends from investments	(0.3)	(18.5)
Interest income (expenses)	(0.4)	(0.0)
Other financial income (expenses)	(38.1)	31.4
Other operating income (expenses)	(1.4)	1.5
Total	(40.2)	14.3

Net dividends from investments corresponded, in 2020, mainly to the reversal of the provision for the second and third quarterly interim dividends from Total, accrued at end 2019 in this line item. Following the sales of Total shares in January 2020, this line item is no longer material as of March 31, 2021.

Other financial income (expenses) notably include:

- the mark to market of the derivative components associated to the exchangeable bonds into GEA shares (EUR - 23 million compared with EUR 0 million in 2020) and to exchangeable bonds into Holcim shares (EUR - 21 million vs. EUR 41 million in 2020).

This non-monetary loss includes the change in the value of the call options on underlying securities implicitly embedded in the exchangeable bonds into Holcim shares issued in September 2019 and in the exchangeable bonds into GEA shares issued in October 2020, primarily attributable to the change in Holcim and GEA's stock prices since the issuance of these bonds. The result as of March 31, 2021 illustrates the accounting asymmetry and volatility of periodic results, which will persist throughout the lifetime of the exchangeable bonds.

- the mark to market of the trading portfolio, the derivative instruments and the money market funds (EUR 7 million compared with EUR - 10 million in 2020).

2.3. Operating companies (associates or consolidated) and Sienna Capital (EUR 155 million compared with EUR - 161 million)

EUR million	March 31, 2021	March 31, 2020
Profit (loss) of associates and consolidated operating companies	40.9	1.2
Interest income (expenses)	(17.5)	(44.5)
Other financial income (expenses)	40.5	(111.3)
<i>Sienna Capital</i>	48.1	(111.3)
<i>Webhelp</i>	(7.6)	-
Other operating income (expenses)	(27.4)	(0.5)
<i>Sienna Capital</i>	1.4	(0.5)
<i>Webhelp</i>	(28.8)	-
Gains (losses) on disposals, impairments and reversals of non-current assets	118.4	(5.8)
Taxes	(0.1)	(0.1)
Total	154.9	(161.0)

Net profit (loss) of associates and consolidated operating companies amounts to EUR 41 million compared with EUR 1 million in 2020:

EUR million	March 31, 2021	March 31, 2020
Imerys	39.4	23.9
Webhelp/Sapiens	10.8	2.2
Parques Reunidos/Piolin II	(11.3)	(15.4)
Canyon/GfG Capital	(8.6)	-
Sienna Capital	10.6	(9.6)
<i>Backed 1, Backed 2 and Backed Encore 1</i>	13.2	2.5
<i>ECP IV</i>	2.0	(2.0)
<i>ECP I & II</i>	(0.0)	(0.0)
<i>Avanti Acquisition Corp.</i>	(0.0)	-
<i>Mérieux Participations 2</i>	(0.1)	(7.7)
<i>Canyon/GfG Capital</i>	(0.2)	-
<i>Operating subsidiaries of ECP III</i>	(4.3)	(2.3)
Total	40.9	1.2

Imerys (EUR 39 million compared with EUR 24 million)

Net current income increased 48.9% to EUR 73 million as of March 31, 2021 (EUR 49 million as of March 31, 2020). The current operating income amounts to EUR 116 million (EUR 83 million as of March 31, 2020). The net result, group's share, amounts to EUR 72 million as of March 31, 2021 (EUR 44 million as of March 31, 2020).

Imerys contributes EUR 39 million to GBL's result in 2021 (EUR 24 million in 2020), reflecting the variation in net income, group's share, and the 54.75% consolidation rate for Imerys in 2021 (54.35% in 2020).

The press release relating to Imerys' results as of March 31, 2021 is available at www.imerys.com.

Webhelp/Sapiens (EUR 11 million compared with EUR 2 million)

Net current income amounts to EUR 48 million as of March 31, 2021 (EUR 25 million as of March 31, 2020). The current operating income amounts to EUR 64 million (EUR 36 million as of March 31, 2020). The net result, group's share, amounts to EUR 18 million as of March 31, 2021 (EUR 4 million as of March 31, 2020).

As of March 31, 2021, Webhelp's contribution to GBL's result amounts to EUR 11 million, based on a result of EUR 18 million as of March 31, 2021 and a consolidation rate of 59.89%.

Parques Reunidos/Piolin II (EUR - 11 million compared with EUR - 15 million)

As of March 31, 2021, the contribution from Piolin II amounts to EUR - 11 million, considering a EUR - 49 million loss for Piolin II and a consolidation rate of 23.10%.

Canyon/GfG Capital (EUR - 9 million)

Following the Canyon acquisition, GBL has recognized a EUR - 9 million contribution on this investment, corresponding to GBL's share in the costs incurred by GfG Capital in the context of the acquisition.

Sienna Capital (EUR 11 million compared with EUR - 10 million)

Sienna Capital's contribution to GBL's results as of March 31, 2021 amounts to EUR 11 million compared with EUR - 10 million in the prior year.

This result notably includes (i) the contributions from Backed 1, Backed 2 and Backed Encore 1 (EUR 13 million in 2021 compared with EUR 3 million in 2020), (ii) the result of ECP IV (EUR 2 million in 2021 compared with EUR - 2 million in 2020), (iii) the contribution of Mérieux Participations 2 (EUR - 0 million in 2021 compared with EUR - 8 million in 2020) and (iv) the results of operating subsidiaries of ECP III (EUR - 4 million in 2021 compared with EUR - 2 million in 2020).

Net interest expenses (EUR - 18 million) nearly exclusively consist of interest charges to GBL (EUR - 44 million in 2020).

Other financial income (expenses) mainly include:

- the change in fair value of Sienna Capital's funds, not consolidated or accounted for under the equity method, as in accordance with IFRS 9, for a total amount of EUR 47 million (EUR - 111 million in 2020), of which mainly Kartesia funds (EUR 34 million compared with EUR - 23 million in 2020), PrimeStone (EUR 17 million compared with EUR - 51 million in 2020), BDT (EUR 9 million compared with EUR - 6 million in 2020), Matador (EUR 5 million compared with EUR - 9 million in 2020), Sagard funds (EUR 3 million compared with EUR - 19 million in 2020) and Marcho Partners (EUR - 30 million compared with EUR - 3 million in 2020);
- changes in the debts toward Webhelp's minority shareholders (founders) for EUR - 8 million.

Other revenues and operating expenses notably include the changes in debts recorded under Webhelp's staff incentive plan (EUR - 29 million), including the effect of discounting and vesting.

The **gains (losses) on disposals, impairments and reversals of non-current assets** mainly consist of the net capital gain on the disposals by ECP III of Keesing (EUR 65 million) and svt (EUR 55 million).

3. Consolidated results (IFRS presentation)

The following table presents GBL's IFRS income statement broken down into five sectors:

- **Holding:** consisting of the parent company GBL and its subsidiaries. Its main activity is to manage investments as well as the non-consolidated operating companies and associates;
- **Imerys:** consisting of the Imerys group, a French group listed on Euronext Paris and holding leading positions in each of its two business lines: Performance Materials and High Temperature Materials & Solutions;
- **Webhelp/Sapiens:** consisting of the Webhelp group, a non-listed French group, specialized in customer experience and business process outsourcing, as well as the dedicated investment vehicle;
- **Canyon/GfG Capital:** consisting of the Canyon group, a non-listed German group, the world leader in exclusively online direct-to-consumer ("DTC") sales of premium bicycles, as well as the dedicated investment vehicle; and
- **Sienna Capital:** including
 - on the one hand, under investment activities, the companies Sienna Capital, Avanti Acquisition Corp., Backed 1, Backed 1 Founder, Backed 2, Backed 2 Founder, Backed Encore 1, Backed Encore 1 Founder, BDT Capital Partners Fund II, Canyon Bicycles GmbH, Carlyle International Energy Partners II, Ceva Santé Animale, C2 Capital Global Export-to-China Fund, E.C.B. (Bastille)-Telenco, E.C.P. (Polaris)-Palex, ECP, ECP II, ECP IV, Ergon opseo Long Term Value Fund, Ergon SVT Long Term Value Fund, Globality, Kartesia Credit Opportunities III and IV, KKR Azur Co-invest LP, KKR Rainbow Co-Invest (Asset) LP, KKR Sigma Co-Invest II, Marcho Partners, Marcho Partners Long, Matador Coinvestment, Mérieux Participations I and 2, PrimeStone, Sagard, Sagard II, Sagard 3, Sagard 4, Sagard NewGen and Streetteam Software Limited;
 - on the other hand, all other consolidated activities, ECP III's operational subsidiaries (subgroups Sausalitos, Vanreusel, Indo, etc.)



The results of a sector include all the elements that are directly attributable to it.

EUR million	March 31, 2021						March 31, 2020	
	Holding	Imerys	Webhelp/ Sapiens	Canyon/ GfG Capital	Sienna Capital	Consolidated	Consolidated	
Share of profit (loss) of associates	(11.3)	-	-	-	16.6	5.3	(22.7)	
Net dividends from investments	104.7	-	-	-	-	104.7	112.6	
Other operating income (expenses) from investing activities	(11.5)	-	(0.1)	(0.0)	1.3	(10.2)	(7.0)	
Gains (losses) on disposals, impairments and reversals of non-current assets from investing activities	-	-	-	-	131.7	131.7	(6.4)	
Financial income (expenses) from investing activities	(22.5)	-	(0.0)	-	30.6	8.0	(86.3)	
Profit (loss) before tax from investing activities	59.3	-	(0.1)	(0.0)	180.2	239.4	(9.7)	
Turnover	-	1,058.5	494.9	-	24.2	1,577.5	1,521.5	
Raw materials and consumables	-	(368.0)	(11.3)	-	(8.0)	(387.3)	(425.2)	
Employee expenses	-	(228.7)	(353.3)	-	(7.9)	(589.8)	(530.3)	
Depreciation on tangible and intangible assets	-	(75.7)	(38.8)	-	(5.2)	(119.8)	(129.3)	
Other operating income (expenses) from operating activities	-	(272.2)	(71.0)	(10.0)	(7.5)	(360.8)	(331.2)	
Gains (losses) from disposals, impairments and reversals of non-current assets from operating activities	-	0.7	(0.3)	-	(0.0)	0.4	0.2	
Financial income (expenses) from operating activities	-	(11.7)	(25.7)	(0.0)	(3.1)	(40.4)	(36.4)	
Profit (loss) before tax from consolidated operating activities	-	102.8	(5.5)	(10.0)	(7.5)	79.8	69.3	
Income taxes	(0.1)	(28.0)	(12.6)	(0.0)	0.0	(40.6)	(24.3)	
Consolidated profit (loss) for the period	59.2	74.9	(18.1)	(10.0)	172.7	278.6	35.3	
Attributable to the group	59.2	39.4	(25.6)	(8.9)	161.2	225.4	14.6	
Attributable to non-controlling interests	-	35.4	7.5	(1.1)	11.5	53.2	20.7	
EUR per share							March 31, 2021	March 31, 2020
Consolidated profit per share for the period								
Basic							1.48	0.09
Diluted							1.48	0.09

4. Subsequent events

Asset sales

Holcim: During the second quarter of 2021 and until May 4, 2021 (included), GBL entered into forward sales maturing on June 15, 2021 and related to a fraction of its holding in Holcim representing 0.71% of the capital (4.4 million shares) for a net amount of EUR 217 million. These sales will generate a capital gain¹ of EUR 54 million. GBL's holding will decrease from 5.77% of Holcim's capital at the end of March 2021 to 5.06% as a result of these disposals.

Umicore: During the second quarter and until May 4, 2021 (included), GBL reduced its holding in Umicore from 18.02% of the capital to 17.04% through the sale of 2.4 million shares for a net amount of EUR 120 million. These sales generated a capital gain¹ of EUR 71 million.

Financing

Following the placement carried out by the Issuer on March 23, 2021 as described in section 1.1, the settlement of the Bonds took place on April 1, 2021.

Share buybacks

Between April 1 and May 4, 2021, GBL acquired, directly and through its subsidiaries, 41,117 GBL shares, representing 0.03% of the capital issued and valued at EUR 3.6 million as of May 4, 2021.

Governance

At the end of the General Assembly on April 27, 2021, the Board of Directors numbers 13 members. Jacques Veyrat was elected as an independent Director for a four-year term.

5. Outlook for the 2021 financial year

Our commitment to investors remains to generate an attractive total shareholder return, outperforming our reference index over the long term, through a combination of (i) the appreciation of our net asset value and (ii) a sustainable dividend.

Starting this fiscal year 2021, GBL will establish its ordinary dividend pay-out ratio between 75% and 100% of its cash earnings, with the possibility of considering exceptional dividends in the future when and if deemed appropriate. On this basis, we will continue to deliver an attractive dividend yield to our shareholders while ensuring additional financial means to support (i) the acceleration of net asset value growth initiated in recent years, (ii) our portfolio companies when needed and (iii) the execution of our share buyback program.

In the absence of major events, we look forward to providing more details on the dividend distribution envisaged for fiscal year 2021 as part of the release of our half-year 2021 results scheduled for July 30, 2021.

¹ No impact on GBL's consolidated net result in 2021, in accordance with IFRS 9