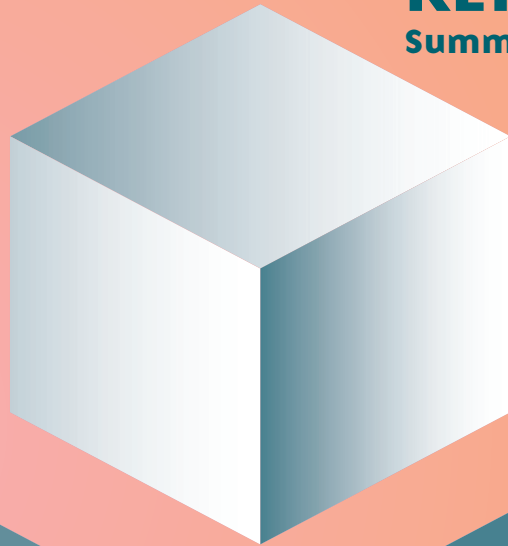


**FINANCIAL
ADVISOR
CHANNEL
REPORT**
Summer 2016



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Financial Advisor Channel Report

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Welcome to the Financial Advisor Channel Report

Strategic Insight's broadest view of the financial advisor (FA) channel reflects a diverse array of intermediated advice firms, ranging from registered mutual fund dealers to registered investment dealers to insurance only-licensed advisors to deposit brokers. Our new *Financial Advisor Channel Report* focuses on the registered dealer firms in the channel. These dealers are collectively responsible for 26% of the mutual funds held in Canada—the largest share by any distribution channel, narrowly beating out both the full-service brokerage (FSB) and the branch advice (BA) channels, which respectively hold about 24% each.

The past several years have been tumultuous for the firms comprising the intermediated advice landscape in Canada. From regulatory initiatives to technological change, the practice of the independent financial advisor has shifted as scrutiny on fees, product selection and the overarching value of advice has intensified. This intensification is expected to persist into the foreseeable future and will become even sharper with the advent of new competition, new economic pressures and new regulatory hurdles.

Our aim in this report is to provide our readers with a keen understanding of the size and shape of this diverse distribution channel and the trends, both internal and external and both micro and macro, which are shaping its future. To do so, we employ data supplied by a semi-annual survey process for firms that participate in our FA channel research.

Participating firms for this report are listed in **Figure 1**. The dataset from which our research derives now stretches back nearly a decade and forms a well-founded fact base on which our insights are based. In the most recent quarter, the firms participating directly in the survey process made up nearly 90% of the dealer assets in the FA channel. Data for the 70+ other dealers which made up the remaining 10% is provided in aggregate form by both the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). We monitor all of these firms for changes in advisor and workforce activity through the national registration database (NRD) and glean information from other publicly available sources. For a full list of firms operating in the channel, please refer to the **Appendix** at the back of the report.

1

Participants in Investor Economics' Financial Advisor Channel Dealer Survey

Assante Wealth Management	Manulife Securities
Desjardins Financial Security Investments	MD Management
Educators Financial Group	PEAK Financial Group
FundEX Investments	Primerica Financial Services
HollisWealth Advisory Services	Quadrus Investment Services
Investia Financial Services	Sun Life Financial Services
Investors Group	Worldsource Wealth Management
Investment Planning Counsel	

To add more context to the discussion, this research also leverages several other proprietary Strategic Insight databases and industry information. These internal sources include Strategic Insight's distribution, product, household segmentation and fintech databases.

Defining the FA channel and the dealers operating within it.

Broadly defined, the FA channel consists of a diverse group of dealer firms with varying product shelves and degrees of independence. The dealers in the channel are categorized through the following guidelines:

- 1) All MFDA dealers not associated with a deposit-taking institution's bank branch network
- 2) IIROC dealers that:
 - Use mutual funds as the primary investment option from their shelf (>60% of assets under administration [AUA] is held in funds.
 - Have no discretionary management options available to their clients.
 - Position themselves through a predominantly planning focused offer.

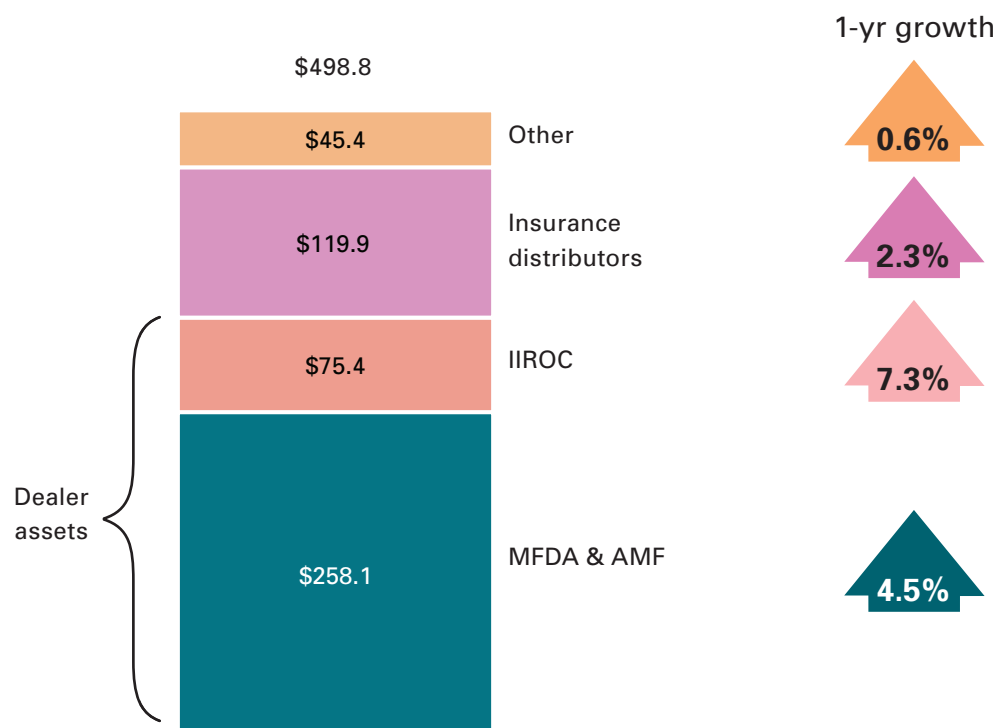
Included in this channel are members registered with the MFDA, the IIROC; firms that are part of a MFDA/IIROC dual-platform distributor; and firms registered only in Québec via the *Autorité des Marchés Financiers* (AMF). Dealer firms in the channel can be further distinguished based on their ownership affiliation. Dealers of fund companies and insurance carriers make up the bulk of channel assets, while the rest of the constituents are classified as independents.

Operating under two (or, arguably, three) distinct regulatory regimes and under varied ownership structures has produced a number of different practice models in the FA channel. While the high payout, independent model is dominant among dealers in the channel, these firms also operate alongside dealers with desk-fee models and scaled grid-payout levels, as well as salaried employer/employee models.

2

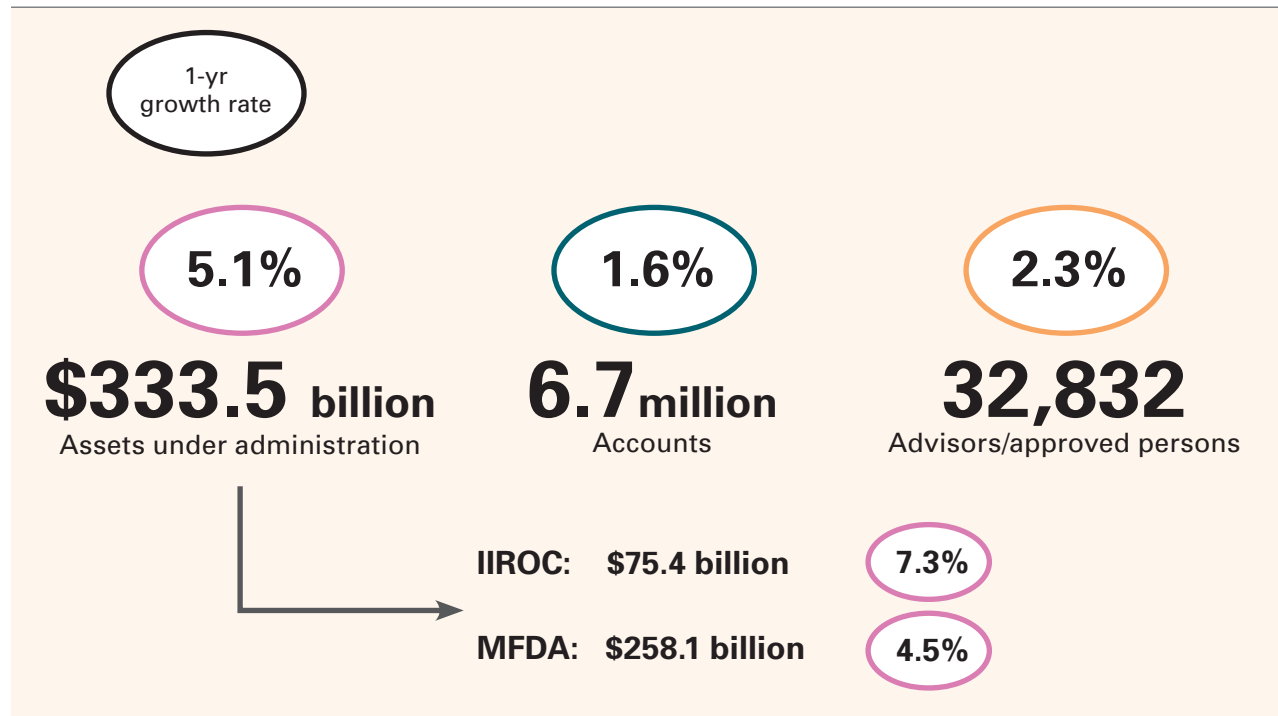
Broad Composition of the Financial Advisor Channel Including Non-dealer Assets

Assets in billions of dollars, as at December 2015



The broad composition of the FA channel is dissected in more detail in **Figure 2**. Together, these components represent \$499 billion of Canadian financial wealth, \$333 billion of which are dealer assets and are detailed in **Figure 3**. While insurance distribution affiliated with managing general agencies (MGAs), dedicated sales forces, and directly contracted insurance advisors are part of the broader FA channel, these firms are not the ongoing focus of this report. We may, however, occasionally discuss their role and interaction with the dealer side of the channel. The business of independent deposit-brokers rounds out the category.

3 A Bird's-eye View of the Financial Advisor Channel



Financial advisor channel performance: 2015

The past 12 months kept dealers in the financial advisor channel busy. The reasons for the activity are varied, but include a volatile market environment; evolving product shelf options; enhanced regulatory requirements; heightened competition to attract and retain seasoned advisors; and the challenge of building out operational and fee-based capabilities have all converged into a growing list of competitive considerations for those conducting business in the FA space.

Operating adjacent, but similar businesses, FSB firms are facing similar competitive pressures in a market that is approaching maturity. The limited growth characteristics of a mature market has boosted the pressure on FSB advisors to look up-market for higher net worth (HNW) clients and has encouraged FSB firms to focus on top-producing advisors and those more engaged in a broader wealth management practice model—including those with a much greater focus on fee-based models.

On a more positive note, broader supply and demand factors have continued to bolster the mutual fund sales environment. In fact, on a year-over-year basis, in 2015, AUA in the FA channel increased 5.2%, compared to 1.4% for their intermediate advice comparable in the FSB channel. Anecdotally, the FA dealers have been, in some cases, beneficiaries of advisor movement out of the FSB channel and to the IIROC platforms of the FA channel.

The IIROC/MFDA split in the FA channel has begun to see growth pick up on the IIROC side, especially in those individual firms in the channel that are operating both platforms. The \$75.4 billion IIROC side of the channel grew at a 7.3% rate over the year, outpacing the 4.6% growth rate of the \$258.3 billion of assets held by MFDA-registered entities. Also anecdotally, advisors of the firms operating on dual platforms are being gently nudged to shift their practices over to the IIROC platform, where a wider product selection is accessible, operation in nominee is more common, and unbundled fee-based programs (with flexible pricing schedules) are more readily available—at least at those firms with broad product shelves.

Despite its higher cost, the option of switching over to nominee provides firms with the added benefits of consolidated client reporting from both the advisor and the dealer, as well as creating added efficiencies in account maintenance and opening processes. These benefits, along with the greater availability of fee-based programs, are drivers in the slow, but steady, transition for larger book advisors and firms with scale.

Along with the practice management and operational benefits, unbundled fee-based options are proliferating in the channel as a competitive lever to pull in the battle to attract new recruits to the business; specifically, producing advisors. While a slow lure at first, the conversion of assets is now picking up steam: fee-based program assets in the FA channel reached the \$16.3 billion mark at the end of 2015. Ten billion of this figure came from the IIROC registered entities in the channel, while the remaining \$6.3 billion was attributed to MFDA dealers. Mirroring, but not being captured in, this fee-based movement has been a small uptick in the volume of MFDA assets that we refer to as client name F-series. These are a class or type of fund available at a number of fund companies, which allow advisors to enter into a formal unbundled fee agreement with their clients and then rely on the fund company to regularly redeem units and remit proceeds, equivalent to the documented fee, to the dealer/advisor. The fees are documented in the formal fee agreement and the redemption proceeds are not viewed as embedded compensation. This process was allowed in the U.K. following the RDR and the banning of embedded compensation.

Recent events: More consolidation activity in intermediated advice

The competition for recruiting seasoned advisors was made evident as a driver in recent channel mergers and acquisitions activities, but the *primary* driver appears to be the benefits derived from dealer scale. Over the past several years, there was a flurry of consolidation activity which saw the number of dealers in the channel drop from 128 in 2010 to 90 at the end of 2015. Over this time frame, the concentration of assets held by the 10 largest firms in the channel rose from 74.3% to 78.3%. The major transactions from the past 12 months include:

- Investia's acquisition of Les Services Financiers Planifax Inc., an AMF-registered investment firm specializing in mutual fund distribution. Last fall, Investia also acquired TEN STAR Financial Services Inc.'s mutual fund dealer business and MGA. Investia's parent company, Industrial Alliance, has also been busy, acquiring BBA Financial Group (also an MGA) and Burgeonvest Bick Securities Ltd., a full-service broker.
- Sterling Mutuals Inc. and Armstrong & Quaille Associates Inc. merged to create a single combined entity.
- Financial Horizons Group, an Ontario-based managing general agency, recently acquired both Certika Investments Ltd. and Excel Private Wealth. The two were subsequently rolled up into a single dealer.

Drivers of change in the Canadian financial services landscape: Regulation and technology

Intrinsic competitive pressure

In a landscape in which intermediated advice has commanded the greatest share of financial wealth for nearly two decades, consolidation activity reflects a mature business settling into a phase best described as low growth. In this environment, rising advisor compensation levels and the need to both attract and retain

producing advisors have added to the cost side of the ledger for both FA and FSB dealer firms alike. This is particularly challenging given the high payout independent model prevalent among FA dealers.

While strong market growth has helped push assets and revenues higher, the line separating the profitable from the unprofitable firms is thinning. This trend puts an exclamation point on the notion that it is very difficult to be a small firm in the competitive intermediated advice arena. Added pressure on margins has come from the capital investment and resources required to comply with regulatory requirements and to keep pace with technological shifts. Along with the intrinsic competitive pressures, dealer firms are increasingly having to keep their eye on two external forces acting on the Canadian financial services space: regulatory initiatives and technological change.

Regulatory initiatives

On the regulation front, the Canadian Securities Administrators (CSA) have rolled along tracks familiar to some of their global counterparts. Focusing on consumer protection, transparency and eliminating potential real and perceived conflicts of interest, the CSA has put forward a number of initiatives over the past several years using these principles as building blocks.

The most pressing of those requirements for FA channel dealers is the implementation of the final phase of the *Client Relationship Model*, Phase 2 (CRM2). Most of the larger established dealer firms in the FA channel with whom we have spoken on this topic are well prepared in terms of meeting the requirements. Key to that readiness has been maintaining an open and active dialogue between the advisor workforce and the practice management support at the dealer level to better implement the required reforms. Outside of simply meeting the letter of the law, however, distributor firms, especially those in the mutual fund-centric financial advisor channel, have been busy analyzing the potential impacts of such reforms and have been bracing themselves to operate and thrive in the new normal.

Inevitably, the CRM2 measures and other proposed regulatory initiatives will act to illuminate distributors' value propositions, at least in terms of client perceptions. Common approaches, such as practice management roadshows, dealer-level marketing pieces communicating the value of the advisor/client relationship and workshops for both advisors and support staff have been among some of the initiatives channel participants have taken to help their advisors define, develop and articulate their value propositions.

The regulatory impact on practice economics

While the final phase of CRM2—annual cost and performance reporting—is in the process of implementation, potential new initiatives loom large. The CSA recently released a consultation paper¹ on proposed targeted reforms to the client-registrant relationship, as well as a proposed best-interest standard. In addition, a second consultation paper² will be released on the topic of discontinuing embedded commissions and transitioning to direct pay arrangements. This could ultimately eliminate the use of deferred sales charge (DSC) structures. Across both FA and FSB firms, 20% of combined load fund gross sales in 2015 were through DSC. With the FSB channel responsible for roughly 40 to 50% of mutual fund gross sales and with the channel largely weaned off DSC structures, the share of those DSC sales would likely be concentrated among the FA dealers. The prevalence of DSC is also evident in the segregated fund business. Across all distributors of segregated funds, DSC accounted for 70.1% of AUA as at June 2015.

What is unclear at the present time, however, is what part of the FA business continues to be supported by DSC revenues and which clients are holding these products? The potential impact of a discontinuation of embedded commissions will be small in terms of total mutual fund assets, but could have significant ramifications for certain segments of advisors and clients.

¹ See http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20160428_33-404_proposals-enhance-obligations-advisers-dealers-representatives.htm

² See http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20150629_81-327_next-steps-mutual-fund-fees.htm

Anecdotally, larger FA dealers are encouraging their advisors to lower their use of DSC. In fact, the largest firm in the FA channel, Investors Group, recently announced the discontinuation of the deferred sales charge purchase option, effective January 1st, 2017. Similar change has been reflected in the growing usage of F-series fund products via unbundled fee-based programs and in recent dealer communications regarding the delivery of value-added services to clients.

Technological change

One way in which dealers are looking to broaden the value-added services offered to their clients is to enhance the client experience or, more specifically, the *digital* client experience through the use of new technologies. The idea of leveraging technology and digital interfaces to interact with clients is nothing new to the FA channel, but the idea's relevance picked up steam after the entry of several online advice firms, also known as robo-advisors, into the Canadian market during the summer of 2014.

Despite much of the rhetoric in the media regarding *digital disruption*, the stand-alone robo-advice models face some significant hurdles of their own, the largest being the substantial resource requirement associated with building a consumer brand and acquiring clients in the financial services arena. While gaining scale has been a slow process for the start-up online advice firms, it has also allowed time for industry participants to debate the merits of the online advice value proposition and the potential role it could play in the distribution landscape.

Firms in the FA channel, in particular, have been active in this discussion, although the online advice model's optimal fit with an existing distribution operating model has yet to be determined. The top potential uses of technology include integrating online advice's operational capabilities with existing advisor practices (acting similarly to a technology vendor) and a referral-type approach for managing mass market and small account clients. Some firms in the market are already actively testing and iterating their solutions. Wealthsimple for Advisors, for example, is currently being piloted with some IPC advisors, among others.

Product trends

ETFs are emerging, but are slow to take off

With a growing focus on the cost of ownership and the move to unbundled fee-based programs an apparent inevitability, advisors will undoubtedly start to look for cheaper building blocks with which to craft those solutions. The often-discussed alternative to the mutual fund is the ETF, which has started to make inroads into the IIROC platforms in the FA channel. ETFs account for approximately \$2.4 billion, or 3.1%, of total IIROC FA channel AUA. Despite their growing use and popularity, mutual funds remain by far the dominant product choice for advisors at these firms.

Access to 81-102-compliant ETFs for MFDA dealers continues to be discussed and could become a reality in the next 12 months. Mandeville Wealth Services was the first firm in the channel to enable the sale of ETFs through its MFDA-approved persons via an omnibus custody-clearing arrangement facilitated through Fidelity Clearing Canada and Broadbridge. While the solution was successful, according to a recently posted MFDA bulletin, Mandeville intends to resign their MFDA membership. The MFDA is currently developing proficiency standards for those approved persons who wish to sell ETFs. The acceptance of ETFs in the channel is not necessarily a *fait accompli*, however, as indicated by the share of ETFs on the IIROC side of the channel.

Mutual funds: Still the dominant method of capital market access for Canadians

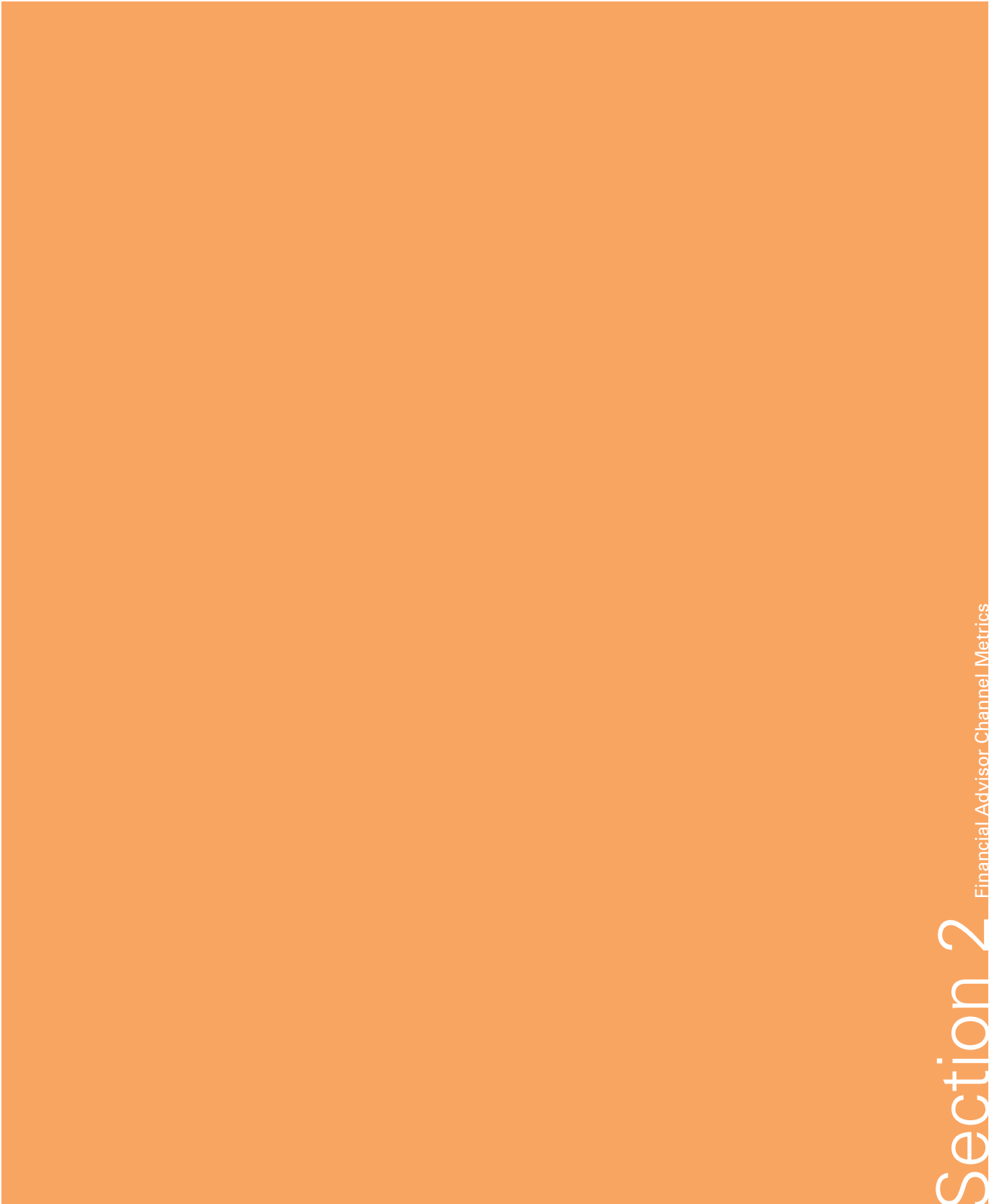
While ETFs may often be discussed, they still represent just a small fraction of the \$333.5 billion total assets in the financial advisor channel. The bulk of the assets are invested in mutual funds, which represent 88.1% (or \$293.9 billion) of dealer AUA. A longstanding approach to managing the distribution costs of mutual

funds has been the integration of product manufacturing and delivery. This approach has proven effective for the mass affluent sales and service delivery models of the Big Six banks, but has also played a key role in the FA channel, where vertical integration has reached 39.6%. This number reflects the ownership structure of the channel, where all of the top 10 firms are affiliated with either insurance carriers (those with fund manufacturing) or with independent fund manufacturing.

These figures are also reflected in **Section 5**, which demonstrates that six of the top 10 fund manufacturers in the channel have affiliated distribution arms, the flip side, so to speak, of vertical integration. Although the top two manufacturers are a part of this group, Fidelity and Mackenzie take spots three and four in the asset ranking and, along with CI, have the most top five appearances on the shelves of the firms that participate in our financial advisor channel survey. This statistic indicates that their presence, although not as deep as vertically-integrated manufacturers, is much broader across distributors in the channel.

Looking ahead

While competition will remain intense, a confluence of economic, regulatory, technological, and product shelf factors will continue to influence the shape of the FA channel. Dealers will have the opportunity to participate in the expansion of the Canadian household financial wallet in the years ahead, however, by adapting to evolving client needs with a clearly articulated value proposition and the operational trends set in motion to achieve this goal will continue.

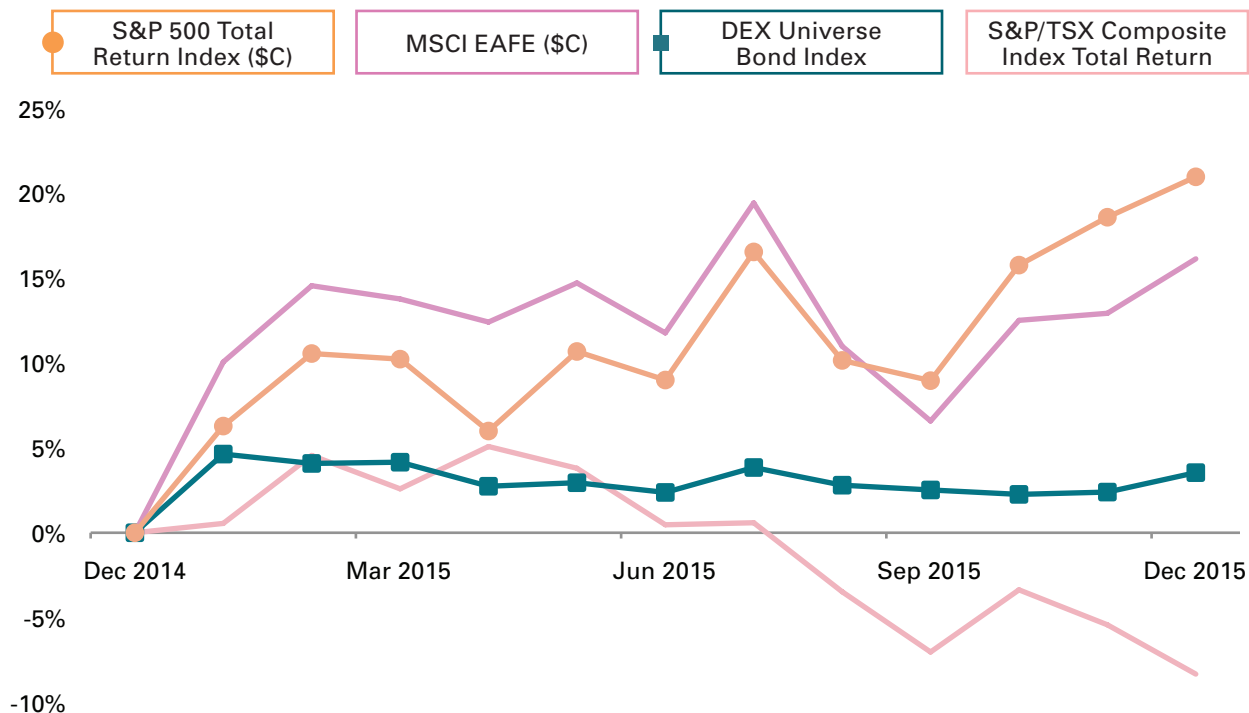


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|---|--|---|---|
| 1 | One-year Performance of Major Markets, Indexed to December 2014 | 5 | Financial Advisor Channel Firms, Ranked by Dealer AUA |
| 2 | Update on Major Market Indices—December 2015 | 6 | Total Channel AUA Segmented by Dealer Ownership Affiliation |
| 3 | Financial Advisor Channel Dealer Assets | 7 | Quarter-over-quarter Growth in Dealer Assets Segmented by Ownership Affiliation |
| 4 | Quarter-over-quarter Growth in Intermediated Advice Channel Assets | | |

1

One-year Performance of Major Markets, Indexed to December 2014



2

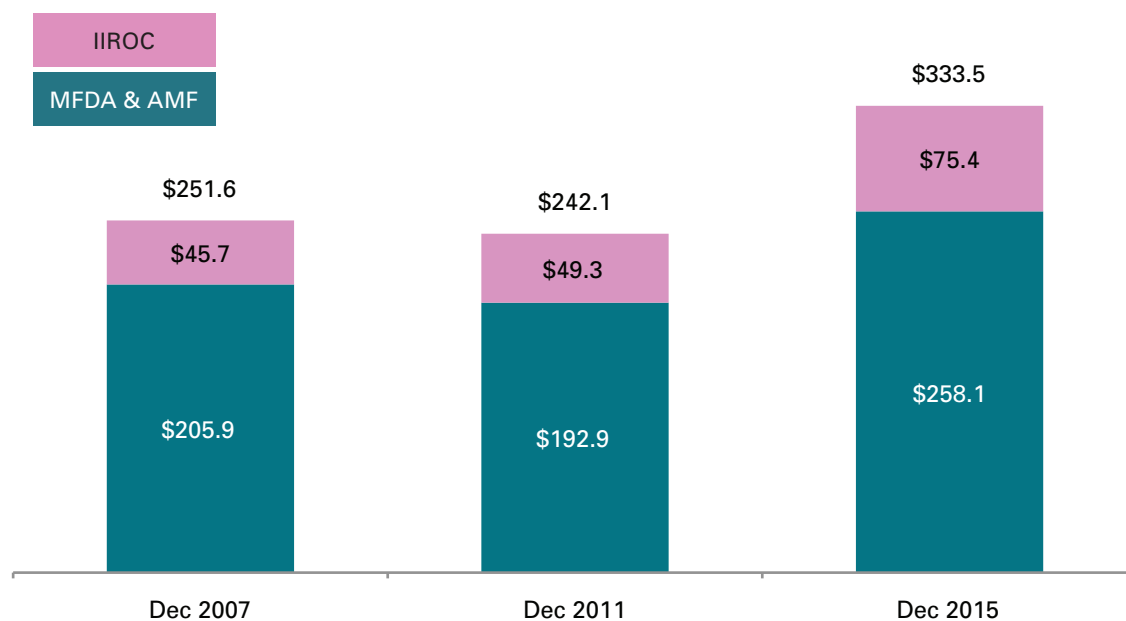
Update on Major Market Indices—December 2015

	Growth	
	6-mo	Yr/yr
Canadian equities		
<i>S&P/TSX Composite Index - Total return</i>	-8.7%	-8.3%
Fixed income		
<i>DEX Universe Bond Index</i>	1.1%	3.5%
International equities		
<i>MSCI EAFE (\$Cdn.)</i>	3.9%	16.1%
U.S. equities		
<i>S&P 500 Total Return Index (\$Cdn.)</i>	11.0%	20.9%
	Dec 2014	Dec 2015
Canadian dollar		
<i>\$Cdn. exchange rate (\$U.S.)</i>	\$0.862	\$0.723

3

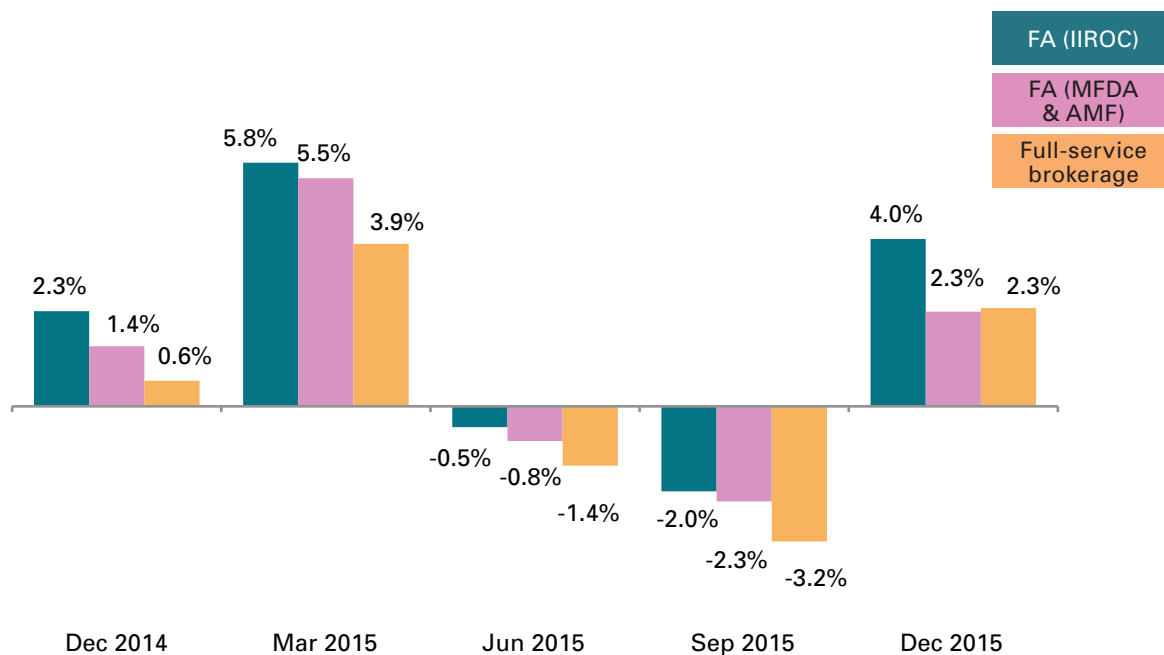
Financial Advisor Channel Dealer Assets

Assets in billions of dollars



	Dec 2015 assets	1-yr growth	4-yr CAGR	8-yr CAGR
Financial advisor channel	\$ 333.5	5.1%	8.3%	3.6%
IIROC	75.4	7.3%	11.2%	6.5%
MFDA	258.1	4.5%	7.6%	2.9%

4

Quarter-over-quarter Growth in Intermediated Advice Channel Assets

5

Financial Advisor Channel Firms, Ranked by Dealer Assets Under Administration

Ranked by assets under administration, in billions of dollars

	Dec 2015 growth rank	6-mo % asset rank
Total dealer assets	\$ 333.5	
Investors Group*	1	11
Assante Wealth Management*	2	9
Manulife Securities*	3	4
Investment Planning Counsel*	4	7
MD Management Ltd.	5	10
Sun Life Financial Services	6	2
Investia Financial Services	7	1
FundEX Investments	8	6
Desjardins Financial Security Investments	9	12
Quadrus Investment Services	10	8
Top 10 share of total assets	78.3%	
Worldsource Wealth Management*	11	5
HollisWealth Advisory Services	12	14
PEAK Financial Group*	13	3
Primerica Financial Services	14	13
Sterling Mutuals Inc**	15	–
Top 15 share of total assets	89.9%	

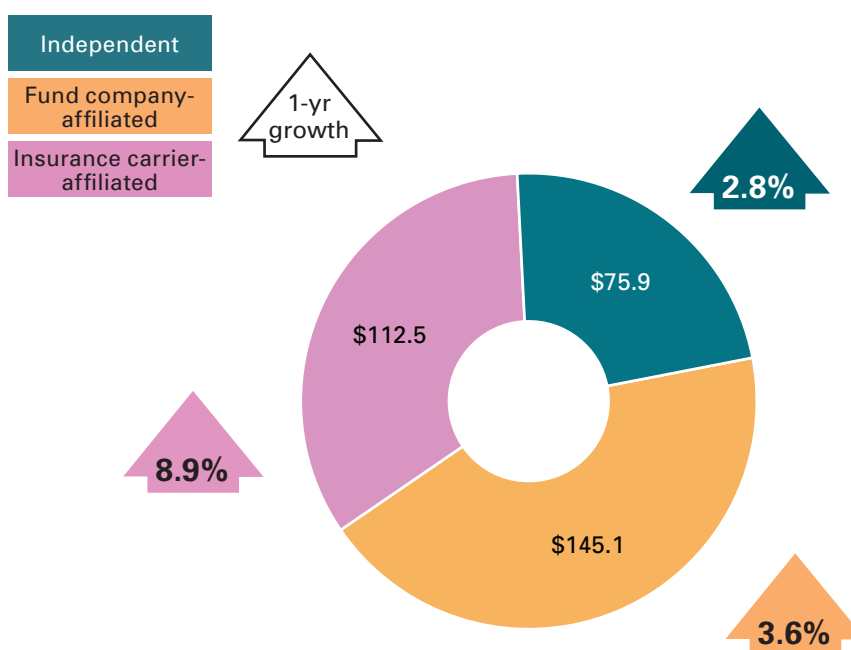
*Includes both MFDA/AMF and IIROC platforms.

**Estimated based on advisor counts and average book size data.

6

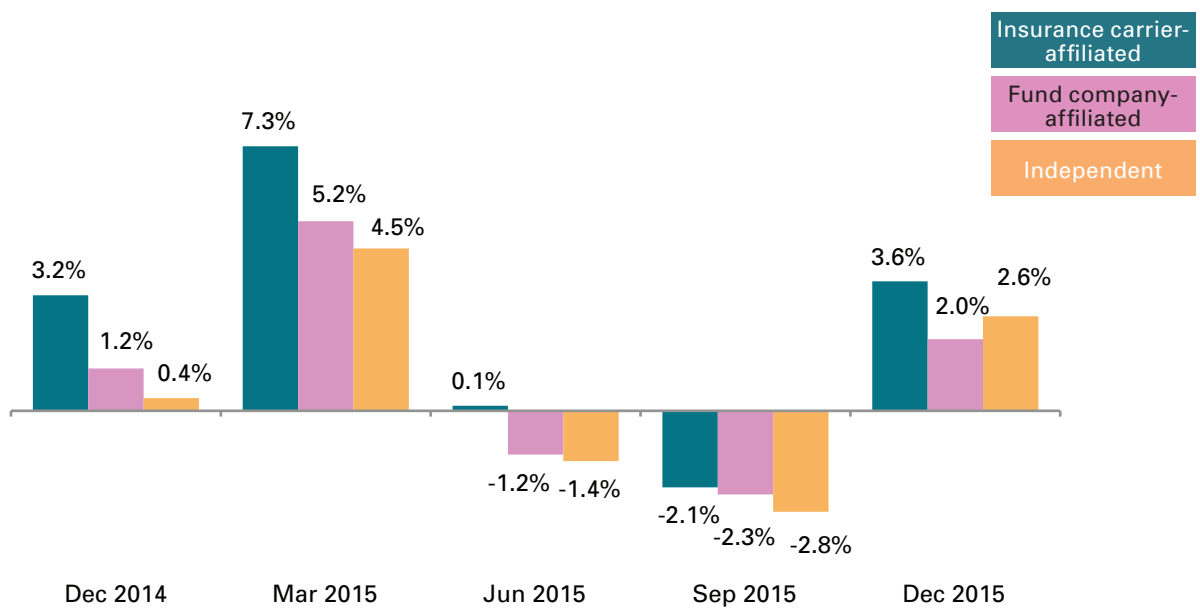
Total Channel AUA Segmented by Dealer Ownership Affiliation

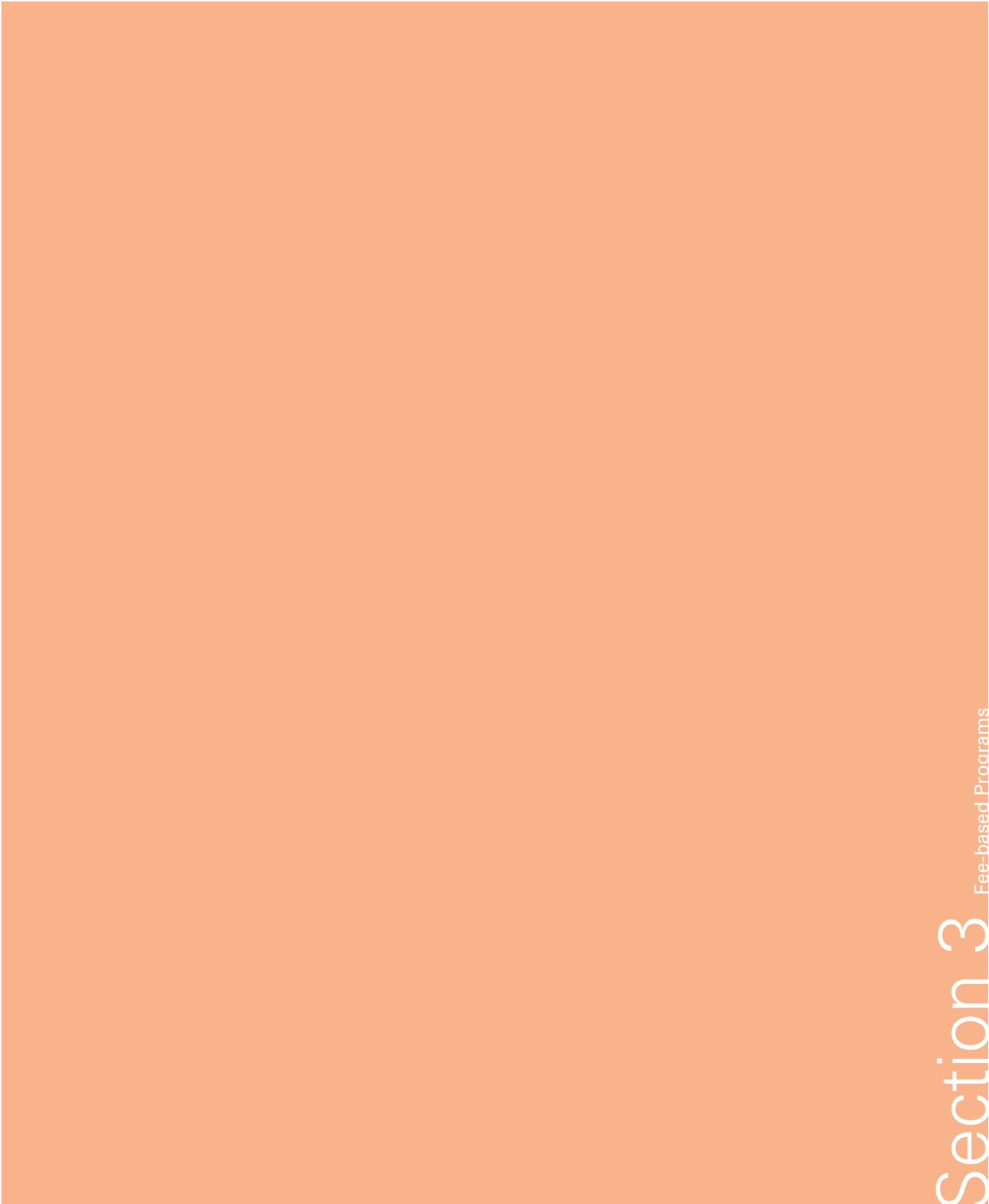
Assets in billions of dollars, as at December 2015



7

Quarter-over-quarter Growth in Dealer Assets Segmented by Ownership Affiliation





Exhibits in this section

- | | | | |
|---|--|---|---|
| 1 | Financial Advisor Channel Dealers Ranked by Total Unbundled Fee-based Assets | 3 | Unbundled Fee-based Program Assets as a Percentage of Total AUA |
| 2 | Fund Companies Ranked by Total F-series Fund Assets | | |

1

Financial Advisor Channel Dealers Ranked by Total Unbundled Fee-based Assets

Top 10 firms ranked as at December 2015

	Fee-based AUA (\$)	Fee-based AUA as a percentage of total AUA
Total assets (\$ billions)	\$ 15.0	
Manulife Securities	1	1
Assante Wealth Management	2	3
PEAK Financial Group	3	2
Investment Planning Counsel	4	7
HollisWealth Advisory Services	5	4
Quadrus Investment Services	6	5
Investia Financial Services	7	6
FundEX Investments	8	9
Worldsource Wealth Management	9	8
Desjardins Financial Security Investments	10	10

2

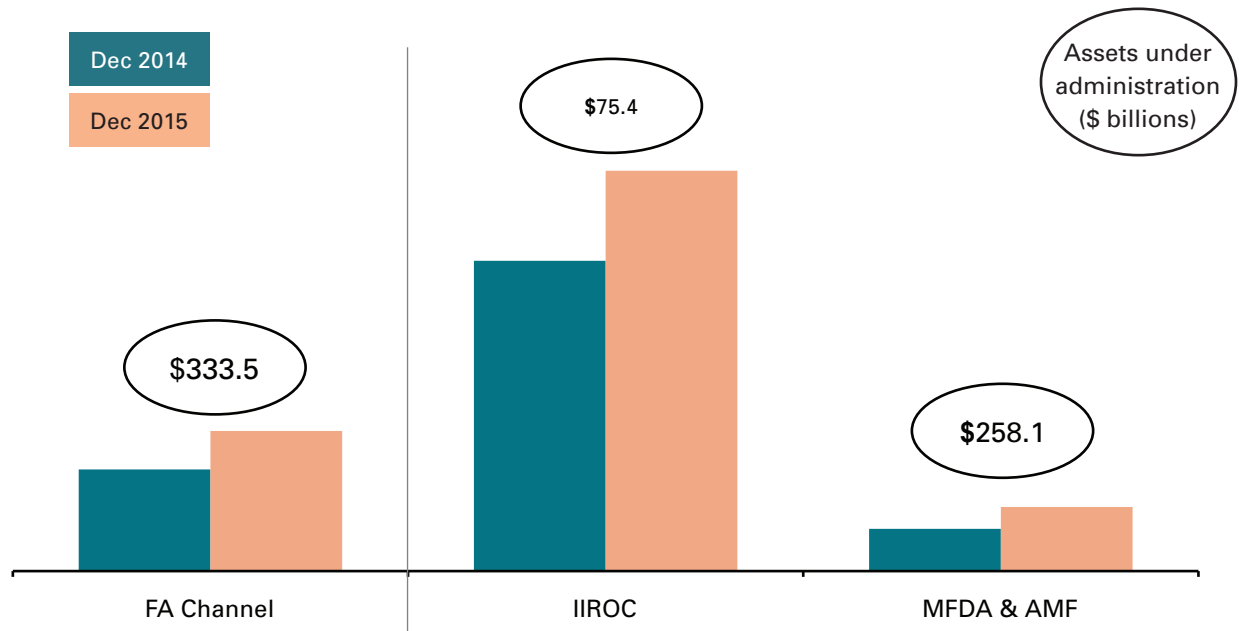
Fund Companies Ranked by Total F-series Fund Assets

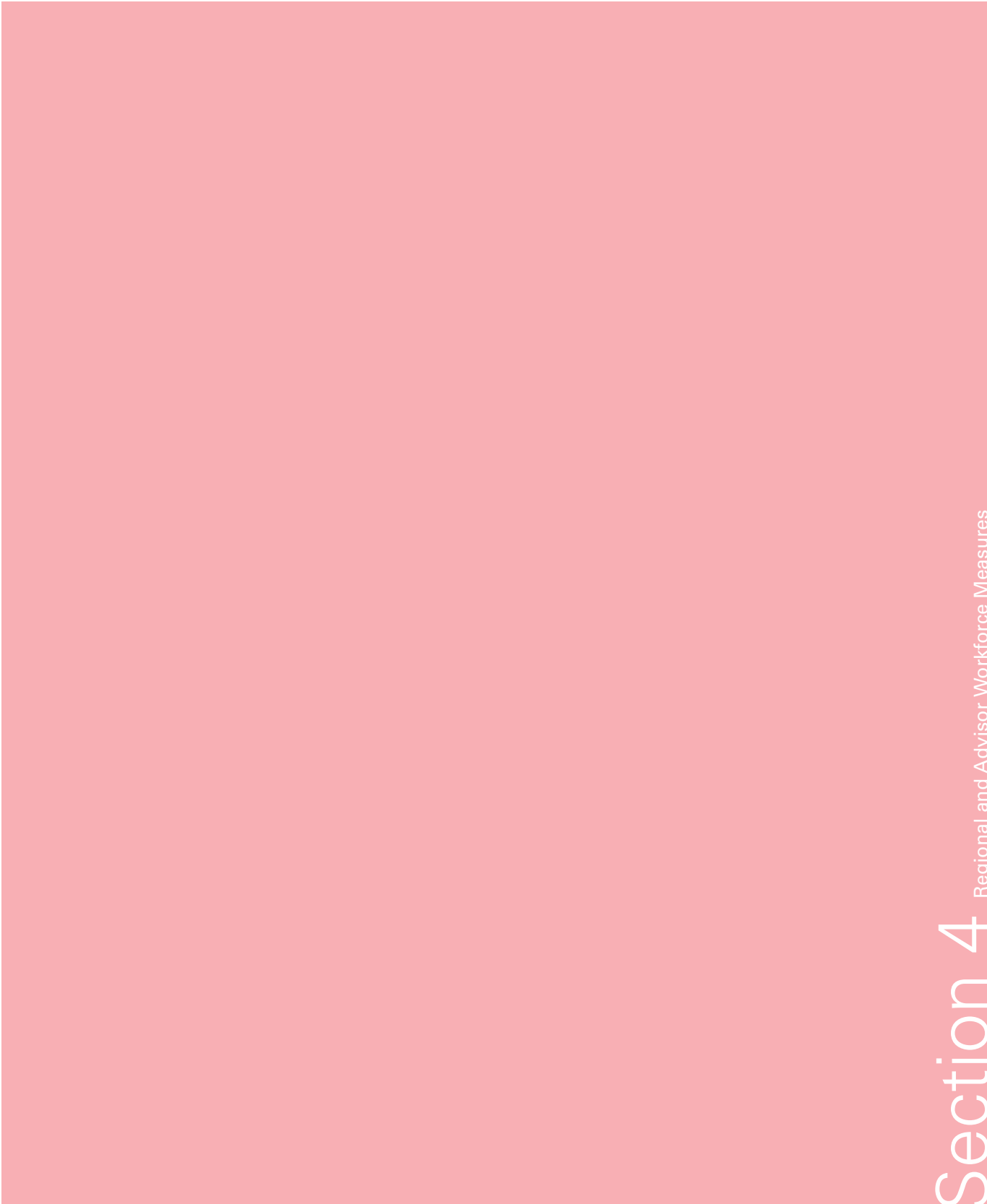
Ten largest sponsors as at December 2015
Assets in millions of dollars

	Assets	1-yr growth
Total	\$ 86,551	42.2%
1 Fidelity	11,109	90.5%
2 TD Asset Management	9,975	76.4%
3 RBC Global Asset Management	5,895	15.8%
4 Scotia Global Asset Management	5,057	45.0%
5 Dimensional Fund Advisors Canada	5,048	18.5%
Top 5	37,084	
6 CI Investments	4,870	23.8%
7 Manulife Mutual Funds	4,343	93.2%
8 ATB Investment Management	4,056	26.5%
9 PIMCO Canada	4,026	38.4%
10 Sentry Investments	3,235	17.5%
Top 10	57,615	

3

Unbundled Fee-based Program Assets as a Percentage of Total AUA





Exhibits in this section

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| 1 | Financial Advisor Channel Dealer Regional Asset Growth Ranking | 4 | Financial Advisor Channel Dealers Ranked by Advisor Count |
| 2 | Regional Distribution of Financial Advisor Dealer Presence | 5 | Comparison of Practice Models in Financial Advisor and Full-service Brokerage Channels |
| 3 | Financial Advisor Channel Dealer Workforce Presence by Region | | |

1 Financial Advisor Channel Dealer Regional Asset Growth Ranking

Ranked by six-month AUA growth rates by geographic region

	Canada	ATL	QC	ON	MB & SK	AB	B.C. and Territories
Investia Financial Services	1	1	5	6	1	9	3
Sun Life Financial Services	2	5	3	3	2	1	2
PEAK Financial Group	3	10	9	2	3	13	10
Manulife Securities	4	6	6	5	11	2	9
Worldsource Wealth Management	5	3	13	7	4	11	4
FundEX Investments	6	8	4	4	9	3	5
Investment Planning Counsel	7	4	14	1	14	12	14
Quadrus Investment Services	8	9	11	8	5	4	6
Assante Wealth Management	9	2	7	12	8	5	1
MD Management Ltd.	10	12	10	10	7	6	7
Investors Group	11	11	12	9	10	8	8
Desjardins Financial Security Investments	12	14	8	11	13	14	13
Primerica Financial Services	13	7	2	13	6	7	11
HollisWealth Advisory Services	14	13	1	14	12	10	12

2 Regional Distribution of Financial Advisor Dealer Presence

As at December 2015

	ATL	QC	ON	MB & SK	AB	B.C. and Territories
Share of total Financial advisor dealers assets	5.6%	16.7%	45.0%	10.0%	10.0%	12.8%
Average book size (\$ millions)	\$ 9.9	\$ 8.7	\$ 9.9	\$ 11.6	\$ 11.6	\$ 9.8
Share of total Financial advisor dealer advisors	5.7%	19.4%	46.2%	6.7%	8.8%	13.2%

3 Financial Advisor Channel Dealer Workforce Presence by Region

Financial advisor channel dealers ranked by total advisor count, as at December 2015

	Canada	ATL	QC	ON	MB & SK	AB	B.C. and Territories
Primerica Financial Services	1	4	7	1	3	2	1
Investors Group	2	2	1	3	1	1	2
Quadrus Investment Services	3	1	3	2	2	3	3
Sun Life Financial Services	4	3	4	4	4	4	4
Investia Financial Services	5	5	2	7	6	6	6
Desjardins Financial Security Investments	6	9	5	9	7	10	10
Manulife Securities	7	6	8	5	5	5	7
Investment Planning Counsel	8	8	11	6	9	8	9
PEAK Financial Group	9	10	6	14	12	14	13
Worldsource Wealth Management	10	11	12	10	14	11	5
Assante Wealth Management	11	7	9	11	7	7	8
FundEX Investments	12	14	12	8	10	9	11
HollisWealth Advisory Services	13	12	—	12	12	13	14
MD Management Ltd.	14	13	10	13	11	12	12

4

Financial Advisor Channel Dealers Ranked by Advisor Count

Ranked by number of advisors as at December 2015

	Dec 2015 advisor rank	6-mo % advisor rank
Total advisors	32,832	
Primerica Financial Services	1	13
Investors Group*	2	2
Quadrus Investment Services	3	5
Sun Life Financial Services	4	8
Investia Financial Services	5	1
WFG Securities**	6	–
Desjardins Financial Security Investments	7	9
Manulife Securities*	8	10
Investment Planning Counsel*	9	11
PEAK Financial Group*	10	4
Top 10 share of total advisors	79.7%	
Worldsource Wealth Management*	11	3
Assante Wealth Management*	12	7
FundEX Investments	13	6
State Farm Investor Services	14	–
HollisWealth Advisory Services	15	12
Top 15 share of total advisors	88.4%	

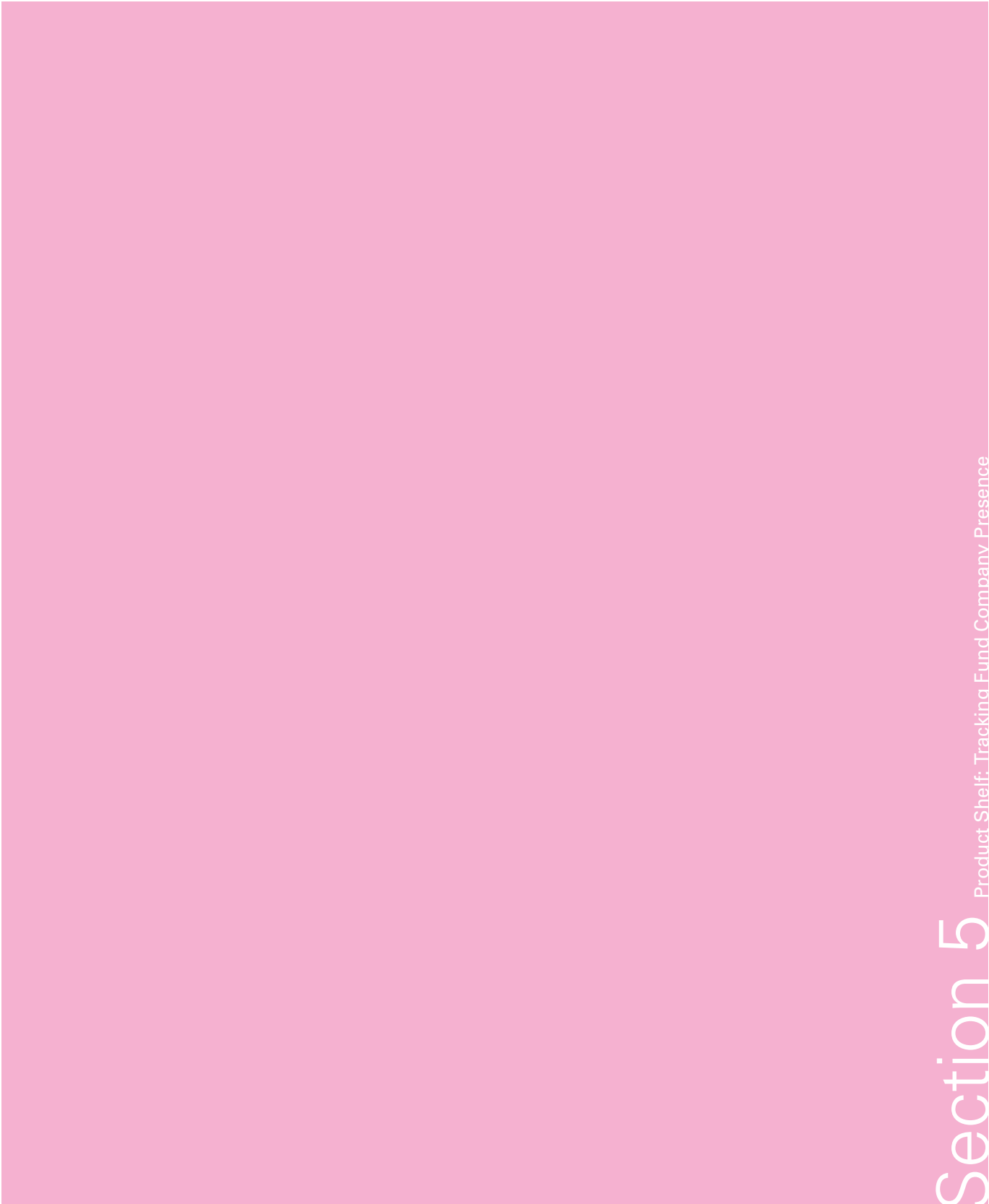
*Includes both MFDA/AMF and IIROC platforms

5

Comparison of Practice Models in Financial Advisor and Full-service Brokerage Channels

As at December 2015

	Average book size (\$ millions)	Average annual revenue (\$ thousands)	Vertical integration
Financial advisor (MFDA)	\$ 8.3	\$ 81.2	38%
Financial advisor (IIROC)	42.9	361.5	47%
Full-service brokerage (Other)	58.0	528.1	9%
Full-service brokerage (Big Six)	128.9	1061.7	20%



Section 5

Product Shelf: Tracking Fund Company Presence

Exhibits in this section

- | | | | |
|---|---|---|--|
| 1 | Fund Company Presence in the Financial Advisor Channel —Assets | 3 | Financial Advisor Channel Dealer Mutual Fund Gross Sales |
| 2 | Fund Company Presence in the Financial Advisor Channel —Gross Sales | 4 | Vertical Integration in the Financial Advisor Channel |

1

Fund Company Presence in the Financial Advisor Channel—Assets

Mutual fund companies, ranked by assets in the financial advisor channel, as at December 2015

	Dec 2015 asset rank
Total mutual fund assets	\$ 293.9
Investors Group	1
CI Investments	2
Fidelity Investments	3
Mackenzie Investments	4
Dynamic Funds	5
Manulife Mutual Funds	6
MD Funds Management	7
Invesco Canada	8
AGF Investments	9
Counsel Portfolio Services	10
TD Asset Management	11
Franklin Templeton Investment	12
Primerica Concert Allocation Series	13
IA Clarington Investments	14
Sentry Investments	15
Dimensional Fund Advisors Canada	16
Sunlife Global Investments	17
SEI Investments Canada	18
Edgepoint Wealth Management	19
RBC Global Asset Management	20

2

Fund Company Presence in the Financial Advisor Channel—Gross Sales

Mutual fund companies, ranked by six-month gross sales in the financial advisor channel, as at December 2015

	Dec 2015 gross sales rank
Total 6-mo gross sales (\$ billions)	\$ 24.8
Investors Group	1
CI Investments	2
Fidelity Investments	3
Manulife Mutual Funds	4
Mackenzie Investments	5
MD Funds Management	6
Dynamic Funds	7
Sun Life Global Investments	8
Counsel Portfolio Services	9
TD Asset Management	10
Invesco Canada	11
Sentry Investments	12
AGF Investments	13
Dimensional Fund Advisors Canada	14
Primerica Concert Allocation Series	15
Edgepoint Wealth Management	16
Mawer Investment Management	17
Beutel Goodman	18
Franklin Templeton Investments	19
IA Clarington Investments	20

3

Financial Advisor Channel Dealer Mutual Fund Gross Sales

Financial advisor dealers ranked by six-month gross sales as at December 2015

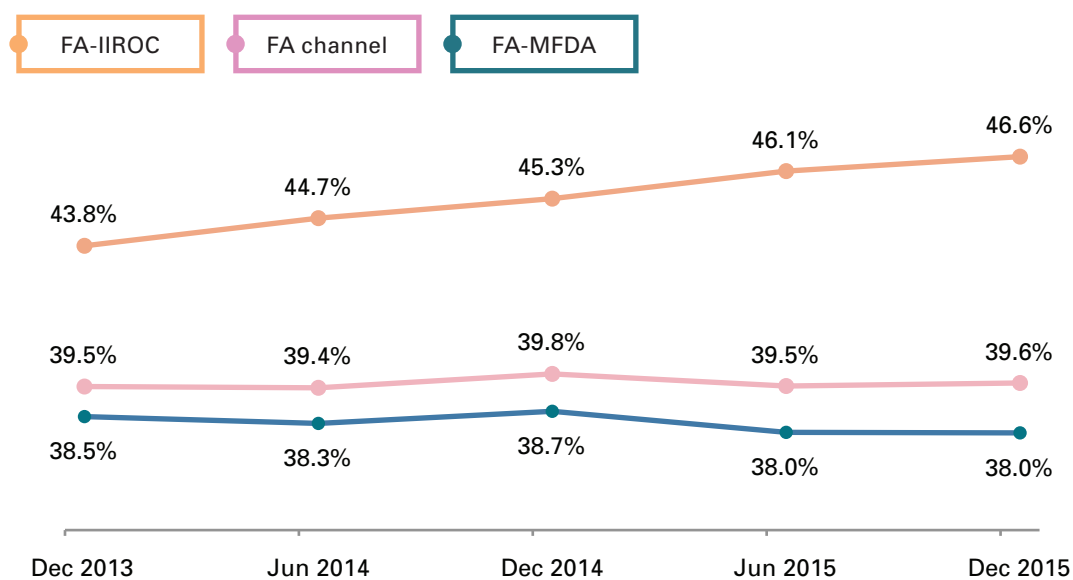
	Dec 2015 rank	Jun 2015 rank
Total 6-mo gross sales (\$ billions)	\$ 24.8	\$ 24.6
Investors Group	1	1
Manulife Securities	2	2
Assante Wealth Management	3	3
MD Management Ltd.	4	5
Sun Life Financial Services	5	4
Investment Planning Counsel	6	6
Desjardins Financial Security Investments	7	8
Quadrus Investment Services	8	10
Investia Financial Services	9	9
FundEX Investments	10	11
Top 10 (\$ billions)	\$ 20.8	\$ 19.2

*Includes both MFDA/AMF and IIROC platforms.

4

Vertical Integration in the Financial Advisor Channel

Mutual fund assets of affiliated fund companies divided by total dealer mutual fund assets, as at December 2015





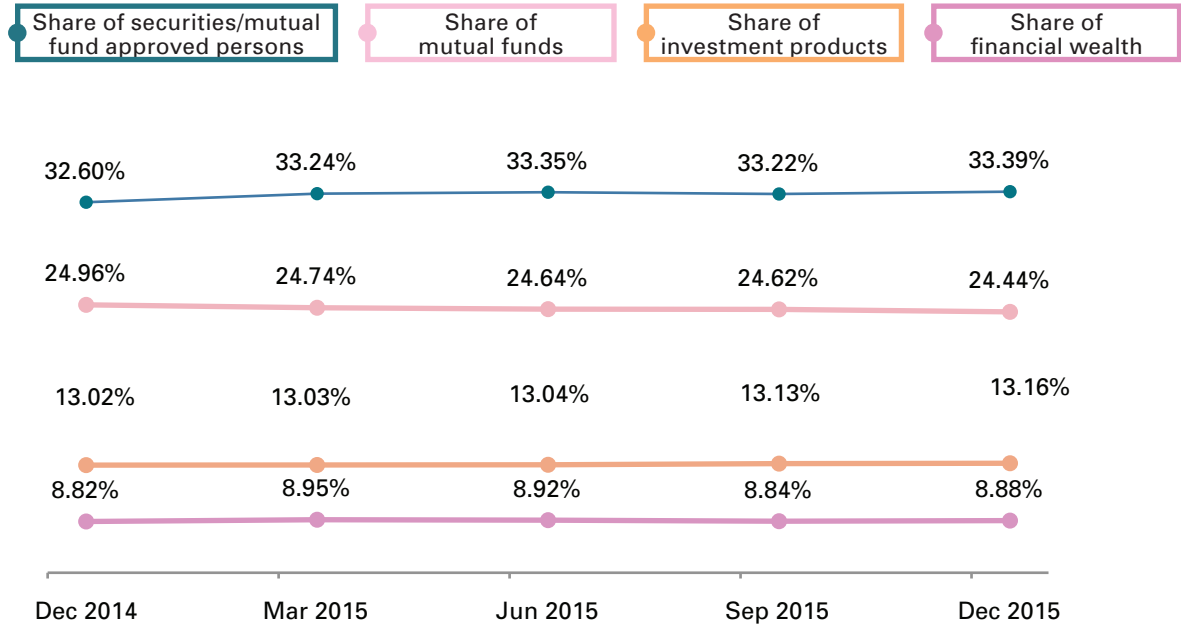
Section 6 Canadian Distribution Landscape

Exhibits in this section

- | | | | |
|---|--|---|--|
| 1 | Financial Advisor Channel Share of Total Canadian Financial Wealth | 3 | Financial Advisor Channel Asset Mix |
| 2 | Growth in Assets by Distribution Channel | 4 | Financial Advisor Channel Share of Canadian Financial Wealth by Region |

1

Financial Advisor Channel Share of Total Canadian Financial Wealth As at December 2015



	Canadian Household Balance Sheet	Financial advisor channel	Share
Financial wealth (investible assets)	\$ 3,754	\$ 333.5	8.88%
Investment products	2490	328	13.16%
Mutual funds	1203	294	24.44%
Securities/Mutual fund licensed approved persons	98,326	32,832	33.39%

2

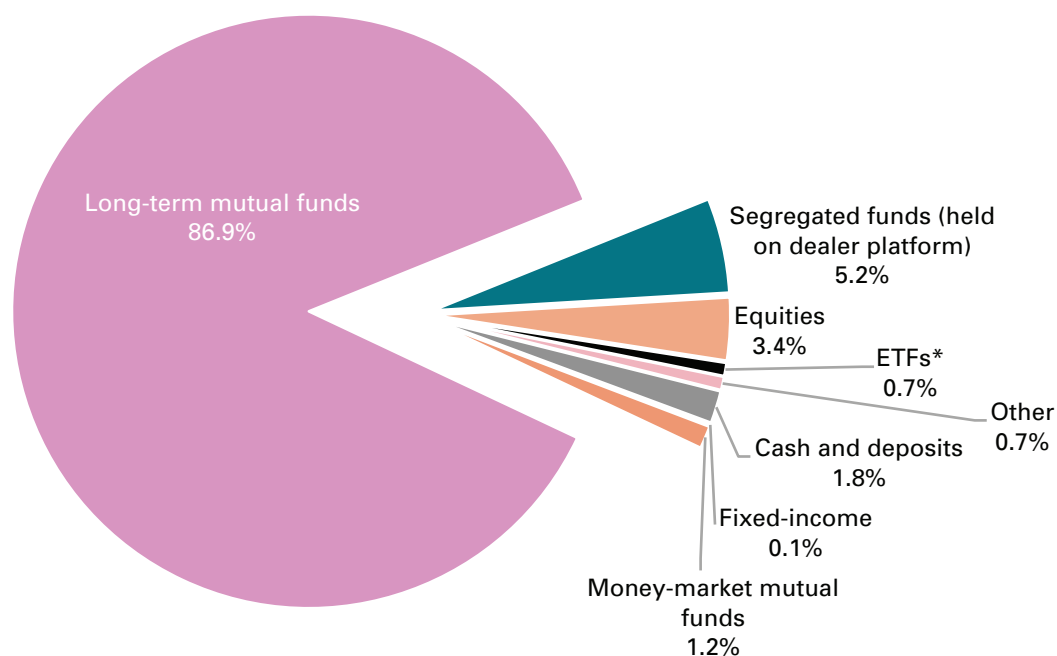
Growth in Assets by Distribution Channel In billions of dollars

	Dec 2014	Dec 2015	1-yr growth
Direct distribution:			
Online savings/direct funds	\$ 106,684	\$ 115,968	8.7%
Online/discount brokerage	324,665	330,312	1.7%
Branch delivery:			
Branch direct	773,122	798,983	3.3%
Branch advice	417,030	456,697	9.5%
Intermediated advice:			
Financial advisor dealers	317,271	333,538	5.1%
Full-service brokerage	1,005,576	1,019,938	1.4%
Private wealth management	334,224	362,843	8.6%

3

Financial Advisor Channel Asset Mix

In billions of dollars, as at December 2015



	Dec 2014	Jun 2015	Dec 2015	Growth	
				6-mo	1-yr
Total assets	\$ 317.3	\$ 332.3	\$ 333.5	0.4%	5.1%
Cash and deposits	5.8	5.8	5.9	1.8%	0.7%
Fixed-income	0.5	0.5	0.4	-3.6%	-10.4%
Money-market mutual funds	4.0	4.0	4.1	1.9%	1.2%
Long-term mutual funds	275.0	289.4	289.8	0.1%	5.4%
Segregated funds (held on dealer platform)	16.9	16.9	17.2	1.6%	1.5%
Equities	12.6	13.3	13.7	3.6%	9.2%
ETFs*	—	—	2.4	—	—
Other	2.4	2.4	2.4	-1.0%	0.8%

*Contains estimates.

4

Financial Advisor Channel Share of Canadian Financial Wealth by Region
 As at December 2015, in millions of dollars

	ATL	QUE	ON	PR	AB	BC	Total
Dec 2015							
Financial wealth	\$ 158.3	\$ 666.9	\$1,709.8	\$ 228.6	\$ 435.6	\$ 549.0	\$ 3,748.2
Financial advisor channel assets	\$ 18.7	\$ 55.6	\$ 150.0	\$ 33.4	\$ 33.3	\$ 42.5	\$ 333.5
Share	11.8%	8.3%	8.8%	14.6%	7.7%	7.7%	8.9%
Dec 2014							
Financial wealth	\$ 155.6	\$ 628.6	\$1,638.7	\$ 221.7	\$ 423.2	\$ 518.8	\$ 3,586.7
Financial advisor channel assets	\$ 17.6	\$ 51.9	\$ 141.5	\$ 33.2	\$ 32.0	\$ 41.0	\$ 317.3
Share	11.3%	8.3%	8.6%	15.0%	7.6%	7.9%	8.8%
Change in share	0.45%	0.08%	0.14%	-0.38%	0.09%	-0.15%	0.05%

List of Dealer Firms in the Financial Advisor Channel

MFDA and IIROC Registration

Assante Wealth Management
Global Maxfin
Investors Group
Investment Planning Counsel
Manulife Securities
PEAK Financial Group
Portfolio Strategies Corporation
Queensbury Strategies
Worldsource Wealth Management

MFDA Registration

3i Financial Investment Services
ACC Global Financial Inc.
Addington Financial
Aldersley Securities
Altimum Mutuals
Artech Asset Advisory Services
Banwell Financial
Candor Financial Group
Canfin Financial
Carte Wealth Management
Certika (Family Wealth Advisors)
D.W. Good Investment Company
De Thomas Financial Group
Desjardins Financial
Security Investments
Doheny Securities
Donro Financial
Educator's Financial Group
Equity Associates
Everest Financial Planning
Excel Private Wealth Inc.
Fernhill Financial
Financial Decisions
First Affiliated Securities
First Capital Financial
FTC Investor Services
FundEX Investments
Goldstein Financial Investments
GP Wealth Management
Greg Pompeo Enterprises
Groupe Cloutier Investments
HollisWealth Advisory Services
HUB Capital
International Capital Management
Investia Financial Services
JVK Life & Wealth Advisory Group
Keybase Financial
Lawton Partners Financial
Planning Services

Mandeville Wealth Services Inc.
McLean Financial Management
Miles Santo and Associates
Moneystat Securities
Networth Financial
Olympian Financial
Pewter Financial
PFSL Investments
Planmar Financial
Planning Circle Financial Group
Polyfunds Investment
Professional Investments (Kingston)
Progressive Financial Strategy
Capital Group
Quadrus Investment Services
Queen Financial
Ramey Investments
Rissling Financial Corporation
Security Financial Services
& Investment
Sentinel Financial Management
Shah Financial Planning
Sinclair-Cockburn
State Farm Investor Services
Sterling Mutuals
Sun Life Financial Services
Superstar Investment Corp.
TeamMax Investment Corp.
WFG Securities Inc.
Y.I.S. Financial

IIROC Registration

Integral Wealth Securities
MD Management Ltd.
OMG Wealth Management
Professionals' Fund Private
Wealth Management
Retire First Ltd
Rogers Group Investment Advisors
yourCFO Advisory Group

AMF Registration

Beaudoin, Rigolt & Associes Inc.
Botica Capital Management
Dean Evans Private Client Services
Eterna Financial Services
Falet Capital Services
FMOQ (Fonds d'investissements)
Merici Services Financiers
Mica Capital
Multi Courtage (Groupe Financier)
Planifax Services Financiers
Sogeplan Ltee

