

Annual Financial Statements of

**THE CANADA LIFE ASSURANCE
COMPANY**
IG/CL Conservative GIF

December 31, 2023

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

Independent Auditor's Report

To the Contractholders of IG/CL Conservative GIF (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, changes in financial position and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 14, 2024

IG/CL Conservative GIF
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STATEMENTS OF FINANCIAL POSITION

as at December 31

	2023	2022
	(\$)	(\$)
Assets		
Current assets:		
Investments at fair value	30,844,436	33,586,765
Cash and cash equivalents	-	-
Accrued interest receivable	-	-
Dividends receivable	-	-
Accounts receivable for securities sold	-	-
Accounts receivable from underlying funds	1	-
Accounts receivable from the administrator	943	933
	<u>30,845,380</u>	<u>33,587,698</u>
Non-current assets:		
Taxes recoverable	-	-
Total assets	<u>30,845,380</u>	<u>33,587,698</u>
Liabilities		
Current liabilities:		
Bank indebtedness	-	-
Accounts payable to underlying funds	-	-
Income distributions payable	-	-
Accrued expenses and miscellaneous payables	1,203	671
Other liabilities	-	-
Total liabilities	<u>1,203</u>	<u>671</u>
Net assets attributable to contractholders	<u>30,844,177</u>	<u>33,587,027</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended December 31

	2023	2022
	(\$)	(\$)
Net assets attributable to contractholders, beginning of year	33,587,027	43,379,614
Increase (decrease) in net assets attributable to contractholders resulting from :		
Operations	1,671,864	(4,156,820)
Contractholder deposits	3,501,822	629,734
Contractholder withdrawals	(7,916,536)	(6,265,501)
Increase (decrease) in net assets attributable to contractholders	<u>(2,742,850)</u>	<u>(9,792,587)</u>
Net assets attributable to contractholders, end of year	<u>30,844,177</u>	<u>33,587,027</u>

STATEMENTS OF COMPREHENSIVE INCOME

for the years ended December 31

	2023	2022
	(\$)	(\$)
Income:		
Dividends	75,560	86,706
Interest income	399,715	429,454
Other changes in fair value of investments:		
Net realized gain (loss)	40,675	35,535
Net unrealized gain (loss)	1,225,964	(4,538,944)
Capital gains distributions from underlying funds	156,070	100,616
Other	-	-
Total income	<u>1,897,984</u>	<u>(3,886,633)</u>
Expenses:		
Management fees	149,313	180,211
Administration fees	76,730	89,928
Other	77	48
Total expenses	<u>226,120</u>	<u>270,187</u>
Net increase (decrease) in net assets attributable to contractholders from operations	<u>1,671,864</u>	<u>(4,156,820)</u>

See accompanying notes to financial statements.

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STATEMENTS OF CASH FLOWS

for the years ended December 31

	2023	2022
	(\$)	(\$)
Cash flows from operating activities:		
Net increase (decrease) in net assets attributable to contractholders from operations:	1,671,864	(4,156,820)
Less non-cash impact of:		
Net realized loss (gain) on investments	(40,675)	(35,535)
Change in net unrealized loss (gain) on investments	(1,225,964)	4,538,944
Adjustments for:		
Capital gains distributions from underlying funds	(156,070)	(100,616)
Purchases of investments	(1,086,776)	(1,171,699)
Proceeds from sale and maturity of investments	5,251,814	6,562,591
(Increase) decrease in accounts receivable and other assets	(11)	(933)
Increase (decrease) in accounts payable and other liabilities	532	(188)
Net cash provided by (used in) operating activities	4,414,714	5,635,744
Cash flows from financing activities:		
Contractholder deposits ¹	3,364,535	560,385
Contractholder withdrawals ¹	(7,779,249)	(6,196,152)
Net cash provided by (used in) financing activities	(4,414,714)	(5,635,767)
Increase (decrease) in cash and cash equivalents	-	(23)
Cash and cash equivalents, beginning of year	-	23
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
Cash and cash equivalents, end of year	-	-
Cash	-	-
Cash equivalents	-	-
Bank indebtedness	-	-
	-	-

Supplementary disclosures on cash flow from operating activities:

	(\$)	(\$)
Dividends received	75,560	86,706
Interest received	399,715	429,454
Interest paid	-	-

¹Amounts are net of non-cash transactions.

IG/CL Conservative GIF
FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to assist in understanding the Fund's financial performance for the past 5 years.

UNIT VALUES						
		Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019
	Series	(\$)	(\$)	(\$)	(\$)	(\$)
Net asset value per unit as at	A1	13.68	12.99	14.39	13.89	13.26
	A2	13.50	12.83	14.23	13.74	13.14
	A3	13.13	12.51	13.90	13.45	12.88
	B1	13.64	12.96	14.35	13.85	13.22
	B2	13.45	12.79	14.18	13.69	13.09
	B3	13.10	12.48	13.86	13.41	12.84
	JDSC1	11.28	10.69	11.81	11.36	10.82
	JDSC2	11.21	10.63	11.76	11.32	10.80
	JDSC3	11.06	10.51	11.64	11.24	10.74
	JNL1	11.29	10.69	11.81	11.37	10.82
	JNL2	11.22	10.64	11.76	11.33	10.80
	JNL3	11.08	10.52	11.65	11.23	10.73
	Net increase (decrease) resulting from operations per unit for the years then ended	A1	0.70	(1.48)	0.50	0.63
A2		0.69	(1.46)	0.50	0.60	0.99
A3		0.67	(1.43)	0.49	0.57	0.94
B1		0.70	(1.48)	0.50	0.63	1.00
B2		0.69	(1.46)	0.50	0.60	0.98
B3		0.67	(1.42)	0.49	0.57	0.94
JDSC1		0.57	(1.22)	0.41	0.54	0.85
JDSC2		0.57	(1.21)	0.41	0.52	0.84
JDSC3		0.56	(1.20)	0.41	0.50	0.82
JNL1		0.57	(1.22)	0.41	0.55	0.84
JNL2		0.57	(1.21)	0.41	0.53	0.84
JNL3		0.56	(1.20)	0.41	0.50	0.81

PORTFOLIO TURNOVER RATE (UNAUDITED)						
		Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019
for the years then ended		3.91%	3.40%	5.15%	2.03%	6.27%

RATIOS AND SUPPLEMENTAL DATA						
		Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019
	Series					
Net assets (\$ 000s) as at	A1	1,355	2,252	2,651	3,572	4,729
	A2	4,212	5,129	6,872	8,179	9,496
	A3	1,732	1,741	2,193	2,678	2,734
	B1	1,432	2,427	3,213	3,449	3,737
	B2	2,663	3,934	4,599	5,439	5,713
	B3	435	624	743	689	687
	JDSC1	3,239	3,247	3,947	4,317	5,121
	JDSC2	8,639	8,265	11,636	13,191	15,129
	JDSC3	2,427	2,316	2,684	2,615	2,930
	JNL1	1,273	1,096	1,760	3,182	3,168
	JNL2	1,991	1,829	2,275	2,588	2,551
	JNL3	1,446	727	808	779	1,620
	Units outstanding as at	A1	99,073	173,315	184,169	257,142
A2		312,054	399,738	482,963	595,095	722,895
A3		131,921	139,228	157,809	199,108	212,260
B1		104,986	187,360	223,850	249,036	282,624
B2		197,998	307,663	324,366	397,108	436,424
B3		33,207	50,031	53,568	51,391	53,506
JDSC1		287,007	303,819	334,312	379,900	473,221
JDSC2		770,418	777,448	989,637	1,164,661	1,401,375
JDSC3		219,375	220,381	230,451	232,632	272,946
JNL1		112,784	102,484	148,983	279,914	292,649
JNL2		177,414	171,959	193,465	228,427	236,258
JNL3		130,568	69,147	69,326	69,316	150,855
Management expense ratios (unaudited) for the years then ended		A1	2.70%	2.70%	2.71%	2.72%
	A2	2.80%	2.79%	2.80%	2.81%	2.79%
	A3	3.00%	3.00%	3.00%	3.01%	2.99%
	B1	2.70%	2.69%	2.70%	2.71%	2.69%
	B2	2.80%	2.80%	2.80%	2.81%	2.80%
	B3	2.97%	2.97%	2.97%	2.99%	2.98%
	JDSC1	2.42%	2.42%	2.43%	2.44%	2.43%
	JDSC2	2.52%	2.52%	2.53%	2.54%	2.52%
	JDSC3	2.73%	2.73%	2.73%	2.74%	2.72%
	JNL1	2.43%	2.43%	2.43%	2.44%	2.42%
	JNL2	2.51%	2.51%	2.52%	2.53%	2.52%
	JNL3	2.69%	2.69%	2.71%	2.73%	2.71%

See accompanying notes to financial statements.

IG/CL Conservative GIF
FINANCIAL HIGHLIGHTS

RATIOS AND SUPPLEMENTAL DATA (continued)

		Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019
Management expense ratios before waivers (unaudited) for the years then ended	Series					
	A1	2.70%	2.70%	2.71%	2.72%	2.70%
	A2	2.80%	2.79%	2.80%	2.81%	2.79%
	A3	3.00%	3.00%	3.00%	3.01%	2.99%
	B1	2.70%	2.69%	2.70%	2.71%	2.69%
	B2	2.80%	2.80%	2.80%	2.81%	2.80%
	B3	2.97%	2.97%	2.97%	2.99%	2.98%
	JDSC1	2.42%	2.42%	2.43%	2.44%	2.43%
	JDSC2	2.52%	2.52%	2.53%	2.54%	2.52%
	JDSC3	2.73%	2.73%	2.73%	2.74%	2.72%
	JNL1	2.43%	2.43%	2.43%	2.44%	2.42%
	JNL2	2.51%	2.51%	2.52%	2.53%	2.52%
	JNL3	2.69%	2.69%	2.71%	2.73%	2.71%

See accompanying notes to financial statements.

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SCHEDULE OF INVESTMENTS

as at December 31, 2023

	No. of Units	Average Cost (\$)	Fair Value (\$)	Indirect Exposure to Financial Instrument Risks:			
				Currency Risk	Interest Rate Risk	Other Price Risk	Credit Risk
Mutual Funds							
IG Core Portfolio - Income Focus Series S	2,657,285	30,217,725	30,844,436	✓	✓	✓	✓
Top holdings of the Underlying Fund as at December 31, 2023:			<i>% of net assets of Underlying Fund</i>				
Mackenzie - IG Canadian Bond Pool Series P							31.1
BlackRock - IG Active Allocation Pool I Series P							11.3
PIMCO - IG Global Bond Pool Series P							7.1
IG Mackenzie Real Property Fund Series P							6.8
Mackenzie - IG Canadian Corporate Bond Pool Series P							6.5
Mackenzie - IG Global Bond Pool Series P							6.1
Mackenzie - IG Canadian Equity Pool Series P							5.1
Mackenzie Sovereign Bond Fund Series IG							4.5
T. Rowe Price - IG U.S. Equity Pool Series P							3.1
Mackenzie - IG U.S. Equity Pool Series P							3.1
Mackenzie - IG Canadian Equity Income Pool Series P							2.8
IG Mackenzie Mortgage and Short Term Income Fund Series P							2.0
Putnam - IG High Yield Income Pool Series P							1.5
JPMorgan - IG Emerging Markets Pool II Series P							1.1
IG Mackenzie Floating Rate Income Fund Series P							1.0
IG Mackenzie European Equity Fund Series R							1.0
IG Mackenzie Pan Asian Equity Fund Series R							1.0
Mackenzie - IG Equity Hedge Pool Series P							0.9
Mackenzie US Mid Cap Opportunities Fund Series IG							0.9
IG Mackenzie European Mid-Cap Equity Fund Series R							0.9
BlackRock - IG International Equity Pool Series P							0.8
Wellington - IG Global Equity Hedge Pool Series P							0.7
Mackenzie Global Macro Fund Series IG							0.7
Highland Therapeutics Inc.							-
							100.0

See accompanying notes to financial statements.

IG/CL Conservative GIF
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
at December 31, 2023

1. Organization of the Fund and General Information

a) Organization of the Fund

The Canada Life Assurance Company (the "Issuer") is the sole issuer of the individual variable insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Issuer and are segregated from other assets. The Fund is not a separate legal entity but is segregated from other assets of the Issuer. The Fund commenced operations on November 30, 2009. The registered address of the Fund is 447 Portage Avenue, Winnipeg, Manitoba, Canada.

The Fund represents the net assets attributable to contractholders, which are invested in one or more underlying mutual fund(s) managed by I.G. Investment Management, Ltd. The Fund can issue an unlimited number of units and currently offers up to 12 series of units.

b) General information

- i) Investments of the Fund consist of Series S securities of one or more Investors Group mutual fund(s) (the "Underlying Funds"). All transactions in the Underlying Funds are executed based on the net asset value per security on each transaction day. No commissions or other fees are paid by either the Fund or Underlying Funds in relation to the purchase and redemption of securities.
- ii) I.G. Investment Management, Ltd. is the "Manager" and "Administrator" of the Fund. The Fund is distributed by Investors Group Insurance Services Inc. (the "Distributor"). These companies are, indirectly, wholly owned subsidiaries of IGM Financial Inc.
- iii) The Canada Life Assurance Company and IGM Financial Inc. are members of the Power Corporation of Canada group of companies.

2. Basis of Preparation and Presentation

These annual financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

A summary of the Fund's material accounting policies under IFRS is provided in Note 3.

These financial statements are presented in Canadian dollars, which is the Fund's functional currency. These financial statements are prepared on a going concern basis using the historical cost basis, except for financial assets and liabilities that have been measured at fair value.

These financial statements were authorized for issue by the Issuer on March 14, 2024.

3. Material Accounting Policies

a) Financial instruments

The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9").

Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial assets and liabilities are recognized in the Statement of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date.

Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income.

The cost of investments is based on the weighted average cost of the investment. Realized gains and losses on disposition of investments are determined based on the average cost of investments. Gains and losses arising from changes in the fair value of the investments are included in the Statement of Comprehensive Income for the year in which they arise.

b) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in Underlying Funds are valued at the net asset value per security calculated in accordance with the offering documents of such Underlying Fund or as reported by that fund's manager.

Should the quoted value for an Underlying Fund, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated by using appropriate and accepted industry valuation techniques including valuation models. The estimated fair value of a security determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the estimated fair value of a security may be determined using valuation techniques that are not supported by observable market data.

As at December 31, 2023 and 2022, investments were valued based on the net asset value per security calculated in accordance with the offering documents of each Underlying Fund. Under IFRS 13 Fair Value Measurement ("IFRS 13"), this is considered to be a Level 1 valuation. There were no significant transfers in or out of Level 1 during the years presented.

c) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit with banks and term deposits that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity. Bank overdraft positions are presented as bank indebtedness in the Statements of Financial Position.

d) Currency

All amounts are expressed in Canadian dollars. The Fund does not have any significant transactions or balances in foreign currencies, aside from indirect exposure to foreign currency through Underlying Funds.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
at December 31, 2023

3. Material Accounting Policies (continued)

e) Income recognition

Income from investments is recognized on an accrual basis. Interest income is recognized using the effective interest method. Distributions or dividends from Underlying Funds are recognized when the Fund's right to receive payment is established which is typically on the distribution or ex-dividend date. Distributions received from Underlying Funds are included in interest income, dividend income or capital gains, as appropriate, on the Statements of Comprehensive Income, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information.

All series of units generally share in the operations of the Fund, including net income, realized gain (loss) and unrealized gain (loss), on a pro rata basis except for items that can be specifically attributed to one or more series.

f) Redeemable units

The Fund's redeemable units entitle contractholders the right to redeem their interest in the Fund for cash equal to their proportionate share of the net asset value of the Fund, amongst other contractual rights. These redeemable units involve multiple contractual obligations on the part of the Fund and therefore meet the criteria for classification as financial liabilities. The Fund's obligation for net assets attributable to contractholders is measured at FVTPL, with fair value being the redemption amount as of the reporting date.

- i) Net assets per unit is computed by dividing the net assets attributable to contractholders in the Fund or series, by the total number of units of the Fund or series outstanding.
- ii) Increase (decrease) in net assets attributable to contractholders from operations per unit for a series represents the weighted average increase (decrease) in net assets attributable to contractholders from operations for the series, per unit outstanding during the year.

g) Other assets and liabilities

Accrued interest and dividends receivable and amounts due from Underlying Funds are recorded at fair value. Similarly, accounts payable to Underlying Funds, accrued expenses and other liabilities are reported at fair value. Fair value approximates cost or amortized cost of these items given their short-term nature.

4. Use of Accounting Judgments and Estimates

The preparation of financial statements in accordance with IFRS requires judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the year. However, existing circumstances and assumptions may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

The following discusses the most significant accounting judgments and estimates made in preparing the financial statements:

a) Functional currency

The Fund's functional and presentation currency is the Canadian dollar, which is the currency considered to most faithfully represent the economic effects of the Fund's underlying transactions, events and conditions taking into consideration the manner in which units are issued and redeemed and how returns and performance by the Fund are measured.

b) Classification of financial instruments

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial assets and financial liabilities.

c) Estimations of fair value

The Fund may, from time to time, hold securities in an Underlying Fund with a quoted value that, in the opinion of the Manager, may be inaccurate, unreliable or not readily available. To estimate fair value, the Manager uses valuation techniques that make use of observable data, to the extent practicable. As at December 31, 2023 and 2022, investments were valued based on the net asset value per security calculated in accordance with the offering documents of each Underlying Fund. Under IFRS 13, this is considered to be a Level 1 valuation.

d) Structured entities

In determining whether unlisted open-ended investment funds in which the Fund invests, but that it does not consolidate, meet the definition of a structured entity, the Manager is required to make significant judgments about whether the Underlying Funds have the typical characteristics of a structured entity. The Manager has assessed the characteristics of the Underlying Funds and has concluded that they do not meet the definition of a structured entity because the Fund does not have contracts or financing arrangements with the Underlying Funds and does not have an ability to influence the activities of the Underlying Funds or the return it receives from its investment.

5. Management Fees and Other Expenses

- a) Each series of the Fund will incur an expense item that can be specifically attributed to that series. Common expenses of the Fund are allocated across the series of the Fund on a pro rata basis.
- b) The Issuer provides or arranges for the provision of investment and advisory services. The Fund pays a management fee to the Issuer for these services. The management fees are calculated at annual rates as stipulated in the information folder, applied against the daily net assets of each series, and accrued daily.
- c) The Fund pays the Administrator an administrative services fee and in return the Administrator will bear the operating expenses of the Fund, other than certain specified costs. The administrative services fees are calculated at annual rates as stipulated in the information folder, applied against the daily net assets of each series, and accrued daily.
- d) GST/HST paid by the Fund on its expenses is not recoverable. In these financial statements, reference to GST/HST includes QST (Québec sales tax), as applicable.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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6. Income Tax

The Fund is deemed to be an inter-vivos trust under the provisions of the Income Tax Act (Canada). Income arising in the Fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

7. Management Expense Ratio ("MER") (unaudited)

MER is based on total expenses for the period attributable to each series and is expressed as an annualized percentage of the daily average net assets of the series during the period. For periods of less than one year, the MER is annualized. Where a Fund invests in units of an Underlying Fund, the MERs presented for the Fund include the portion of MERs of the Underlying Fund(s) attributable to this investment. Correspondingly, the MERs presented for the Fund exclude any management or other fees that have been waived as a result of its investment in the Underlying Fund(s). Certain expenses that are non-recurring and/or otherwise uncertain as to their future timing and amount have not been annualized.

8. Portfolio Turnover Rate ("PTR") (unaudited)

The Fund's PTR indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. A PTR of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

9. Capital Management

The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's information folder. Units are redeemed at the Net Asset Value ("NAV") per unit of the Fund on the redemption date. The capital received by the Fund is utilized within the investment mandate of the Fund. This includes the ability to make liquidity available to satisfy contractholder unit redemption requirements upon the contractholder's request. Increase (decrease) in net assets from operations attributable to contractholders per unit per series is calculated by dividing the increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statements of Comprehensive Income, by the weighted average number of units of each series outstanding during the year. Units issued, reinvested and redeemed during the years are reflected in the Statements of Changes in Financial Position.

10. Financial Instrument Risk

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investments presents the Underlying Funds held by the Fund, including the related indirect exposure to financial instrument risk, as at the end of the year.

a) Risk management

The Fund employs a passive investment strategy whereby investments in Underlying Funds are based on target asset weightings. The target weightings allocated to each Underlying Fund and the selection of Underlying Funds are based on several factors, including impact to the Fund's volatility and asset class diversification. To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy. Financial Statements for the Underlying Funds, which include discussions about their respective risk exposures, are available upon request. See Note 11 which describes how to obtain further information.

b) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The units are redeemable on demand at the option of the contractholder at the current net asset value per unit. As the Fund primarily invests all of its net assets in the Underlying Funds, liquidity risk is mitigated by the Underlying Funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units. In addition, the Underlying Funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's functional currency, will fluctuate due to changes in exchange rates. Generally, foreign denominated investments increase in value when the value of the Canadian dollar (relative to foreign currencies) falls. Conversely, when the value of the Canadian dollar rises relative to foreign currencies, the values of foreign denominated investments fall. The Fund's investments in all Underlying Funds are denominated in Canadian dollars. However, the Underlying Funds are exposed to currency risk to the extent that their investments are denominated or traded in a foreign currency.

d) Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments other than a nominal amount of cash and short-term investments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the Underlying Funds will fluctuate due to changes in the prevailing levels of market interest rates.

Generally, these securities increase in value when interest rates fall and decrease in value when interest rates rise. Cash and cash equivalents and other money market instruments are short term in nature and are generally not subject to significant amounts of interest rate risk.

e) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no significant direct exposure to credit risk. Indirect exposure to credit risk may arise from debt securities, such as bonds, held by Underlying Funds. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. The carrying amount of investments represents the maximum credit risk exposure. The carrying amount of other assets of the Fund also represents the maximum credit risk exposure, as they will be settled in the short term.

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10. Financial Instrument Risk (continued)

f) Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Manager moderates this risk through a careful selection of Underlying Funds within the parameters of the investment strategy. For the Fund, the most significant exposure to other price risk, if any, arises from the Underlying Funds' investments in equity securities and related derivative contracts.

11. Further Information Available

Obtain further information by writing to: Investors Group Financial Services Inc., 447 Portage Avenue, Winnipeg, Manitoba, R3B 3H5 or, in Québec, 2001, Robert-Bourassa Boulevard, Bureau 2000, Montréal, Québec, H3A 2A6, or by calling toll-free 1-888-746-6344 (in Québec 1-800-661-4578).