THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

IAG.TO - Q2 2016 Industrial Alliance Insurance and Financial Services Inc Earnings Call

EVENT DATE/TIME: AUGUST 04, 2016 / 9:00PM GMT

CORPORATE PARTICIPANTS

Grace Pollock *Industrial Alliance Insurance and Financial Services Inc. - Director of IR*

Yvon Charest *Industrial Alliance Insurance and Financial Services Inc. - President & CEO*

Rene Chabot *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Denis Ricard *Industrial Alliance Insurance and Financial Services Inc. - EVP, Individual Insurance and Annuities*

Michel Tremblay *Industrial Alliance Insurance and Financial Services Inc. - EVP and Chief Investment Officer*

Carl Mustos *Industrial Alliance Insurance and Financial Services Inc. - President, iA Clarington*

CONFERENCE CALL PARTICIPANTS

Meny Grauman *Cormark Securities - Analyst*

Robert Sedran *CIBC World Markets - Analyst*

Thomas MacKinnon *BMO Capital Markets - Analyst*

Gabriel Dechaine *Canaccord Genuity - Analyst*

Peter Routledge *National Bank Financial - Analyst*

Sumit Malhotra *Scotiabank - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Industrial Alliance Second Quarter Earnings Results. (Operator instructions.) As a reminder, this conference is being recorded Thursday, August 4, 2016. And it's now my great pleasure to turn the conference over to Grace Pollock. Please go ahead, ma'am.

Grace Pollock - *Industrial Alliance Insurance and Financial Services Inc. - Director of IR*

Thank you, and good afternoon. Welcome to our second quarter conference call. All documents related to our results, including the press release, the slides, MD&A, and supplementary information package are posted in the Investor Relations section of our website at ia.ca.

This conference call is open to the financial community, the media, and the general public. The question period is reserved for financial analysts.

A recording of this call will be available for one week starting this evening. The archived webcast will be available for 90 days, and a transcript will be available on our website in the next week.

I draw your attention to the forward-looking statements at the end of the slide package. A more detailed discussion of the Company's risks is provided in our 2015 MD&A that is available on SEDAR or the iA website.

I will now turn the call over to Yvon Charest, President and CEO.

Yvon Charest - *Industrial Alliance Insurance and Financial Services Inc. - President & CEO*

Good afternoon, everyone, and thank you for joining us. We are reporting from Vancouver this quarter, which explains the late hour for the call.

With me today are Normand Pepin, Assistant to the President, Michel Tremblay, Chief Investment Officer, Rene Chabot, CFO and Chief Actuary, Denis Ricard, EVP for Retail, Rene Laflamme, EVP for Group, Mike Stickney, President of our US operation, and Carl Mustos, President of iA Clarington.

So, so far this year, our results are simply outstanding, with an excellent performance from our core retail insurance and annuity businesses.

For the seventh quarter in a row, our retail insurance sales in Canada and in the US have good momentum, with an overall increase in sales of 18%. We had strong contribution from the US, up by 35%, and our adjustable disability product up by 37%.

Our auto and home sub also had a good quarter, with the written premiums up by 12%. This reflects organic growth and a contribution from new agreement signed last year.

On the wealth management side, our seg fund business delivered its 10th straight quarter in positive net fund sales while the industry is in net redemptions. iA still holds all the number one position in Canada for net sales, and is third for assets.

Our mutual fund business is not yet out of the wood, but there are some bright spots. Net outflows have begun to slow down, and fund performance has improved over the last 12 months.

Our assets under management and administration were up 4% this quarter because of market growth and the integration of new advisors as part of recent acquisitions by our distribution affiliates.

In the Group sectors, growth was a little slower in both insurance and savings, with the exception of Dealer Services that performed well across all products.

So, overall, one of our best quarters on record. Book value per share was up 3% over last quarter mainly because of the strong profit, and we declare a dividend of $0.32 per share to all common shareholders.

Rene will now comment on our first quarter profitability.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

So, second quarter profitability [of iA], so good afternoon, ladies and gentlemen. We are extremely pleased with the strength and the quality of our earnings in the second quarter. In addition to lower strain on new sales, we reported favourable policyholder experience from all lines of business, which supports our 2016 plan.

Earnings at $1.35 per share were 17% above the top of guidance for the quarter. After adjusting for exceptional items, our estimate of core EPS was $1.26, which is a 10.5% increase over the same quarter of last year. With these outstanding results, we are above our guidance for the first half of 2016.

Experience gains for the quarter are detailed on slide five and six. Q2 was a second outstanding quarter this year for policyholder experience, with gains of $0.10 EPS. In our insurance operation, individual insurance report a gain of $0.04, mainly for morbidity. This is the fifth consecutive quarter of favourable policyholder experience for retail insurance.

On the Group side, Employee Plans shows continued improvement with a gain of $0.02 from long-term disability. Overall, Group Insurance had a net gain of $0.01, reflecting a small loss at SMS and in-line results at Dealer Services.

In our wealth operation, Individual Wealth gained $0.03 mainly from longevity, as well as lower expenses. Group Savings reported investment and experience gains representing $0.02 per share.

For the year-to-date, the gain from policyholder experience totals $0.19 per share, with a good improvement from Employee Plans, a key element of our 2016 plan.

Strain improvement is another important part of this plan, and did not disappoint again this quarter. Strain was 13% in Q2, below our guidance of 15% for the year. The lower strain, which added $0.01 to our EPS this quarter, was mainly due to the higher sales volume in both Canada and United States.

We also had a few other items that contribute favourably to our result this quarter.

We had a gain of $0.10 from our hedging program, and $0.01 from higher MERs as a result of favourable equity market.

We had a tax gain of $0.03 mainly for true-ups related to 2015.

Finally, income on capital generated a net gain of $0.01 for higher investment income, partially offset by lower result iA Auto and Home.

My last comment is on the recent movement that we have seen in long-term interest rates.

First, I want to remind you that intra-year rates don't matter. At the same time, given the drop in rate since the beginning of the year, we feel it's important to give you an update on where we stand at June 30, taking into account investment gains done in the first half of the year.

On slide 11, you can see that the protection that we have in reserves at the end of Q2. In other words, rates can drop 29 bps, or as low as 1.44%. We are monitoring this situation very carefully, and we continue to actively manage our asset portfolio to improve that position.

The movements in rate also had an impact on our capital position. At quarter-end, our solvency ratio was 199% versus 205% at the end of Q1, reflecting mostly the drop in long-term rates during the second quarter. At this level, our ratio remains well within our guidance.

Those are my comments. Operators, we will now take the questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions.) Meny Grauman, Cormark Securities.

Meny Grauman - *Cormark Securities - Analyst*

Maybe you talked about it at your Investor Day, which wasn't so long ago, but just wondering if you have any more (inaudible) potential for a URR cut in terms of just the timing and the quantum that you foresee.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Meny, I don't have no additional information to provide on the URR. At the Investor Day, we disclosed what was ahead of us, and we also mention that we were waiting for one critical information, which is basically what the CIA is going to do on that metric. So, we are almost sure that nothing's going to happen in 2016, and we know that probably some things will be disclosed in 2017 on that metric. So, that's a key information for us, and we are waiting for it.

Meny Grauman - *Cormark Securities - Analyst*

Another competitor that reported today took seemingly a proactive stance when it comes to that. Do you foresee doing anything this year in anticipation of something that will likely come 2017?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

We mentioned that we would like to be ahead of the curve. We mentioned that at the Investor Day. It's still an option. We also mentioned that we want to act in 2016, or 2017. So, the reality is that I would like to have all the cards in my hands, and basically we give you some information when we disclose in the third quarter about what's going to happen at year-end when we have finalize all our experience study, and I do have all that information.

So, at the moment, it's a bit premature for me to give you indication of what we're going to do. We have to wait and see what's going to be all the cards in our hands, basically.

Meny Grauman - *Cormark Securities - Analyst*

If I could just change tracks a little bit and just ask, on the auto finance business, the car loan business, I didn't see any disclosure. But, just in terms of an update on loan originations and anything that you can mention in terms of credit experience during the quarter?

Denis Ricard - *Industrial Alliance Insurance and Financial Services Inc. - EVP, Individual Insurance and Annuities*

Well, first of all, on the loan origination, what I can tell you is that it's going, I would say, better than what we had expected so far, so things are on plan. In terms of credit losses, there's been absolutely no impact in the quarter. When I say impact, I mean a negative impact on the credit losses.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

And with respect to disclosure, Meny, we are working on it, and we expect to add something in Q3.

Operator

Robert Sedran, CIBC World Markets.

Robert Sedran - *CIBC World Markets - Analyst*

Rene, the press release suggested that the weakness in IA Auto and Home related to seasonal factors. And I guess I'm not quite sure why Q2 would have been seasonally weak. Can you add some color to that, please?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Yes, Robert. We just had more fires than usual, basically. That's statistical fluctuations.

Robert Sedran - *CIBC World Markets - Analyst*

So, it's not so much seasonal. It's just bad luck.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

It's just bad luck.

Robert Sedran - *CIBC World Markets - Analyst*

And when I look at the performance over the last couple of years, there's been a little bit of bad luck in this business. And I know in the employee plans when you get on a run on some negative performance, you were able to turn it around and are now on the other side of that. Is there something you can do in this business to restore the profitability on an annual basis? It's been a bit of a drain for the last couple of years.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

For sure, Robert, and we're going to tackle that issue. What you have to keep in mind, if you rememberour disclosure of the Q4, we told you that we had entered into two special partnerships, one with CAA Quebec, and that partnership is creating a kind of (inaudible) drag on us right now because we didn't have the business, and we invest to get basically the business.

And we fully disclosed that element last year when we give you the run rate on that iA Auto and Homesituation for the year. And right now, we are basically working with that run rate. And the only deviationwe got was the one I just told to you, which is the fire situation.

So, we know that there's going to be some -- it's going to take some years to get back to what we expect, but we know that there's going to be a good improvement over the next two.

Yvon Charest - *Industrial Alliance Insurance and Financial Services Inc. - President & CEO*

When Rene mentions some years, it's for the joint venture in which we have initially some cost. As for the claim experience, the guy have done quite of an analysis. Our assessment is just bad luck, so it should not be recurring, because otherwise we will have to fix something.

Operator

Thomas MacKinnon BMO Capital.

Thomas MacKinnon - *BMO Capital Markets - Analyst*

If I was to look at the interest rate story here, we've got significant decline in the Canadian 30-year, but you seem to suggest it started at 216, and you're protected all the way down to 144. Just given the way your sensitivity is in terms of earnings, that would be a little over seven times $31 million, because each 10 bps on the IRR is $31 million. So, are you saying that you've got $223 million of management actions and other things you would have potentially, Rene, to offset if the rates did get down to 144? Is that what you're trying to suggest, that you've already got those things at hand to be able to offset that?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Not exactly, Tom. The decrease in rate was 45 basis point, basically, so that was a decrease that happen in rates. And if you apply that 45 basis point, it's around four times, $130 million. And you see that I haven't offset totally that decrease because my margins moved to 29. So, you have to factor in all these elements in the calculation. And if you do it, you will get a good idea what happen.

Thomas MacKinnon - *BMO Capital Markets - Analyst*

You don't really recalibrate them till an annual basis. 30-year has dropped more than -- if it went down to 144, it would drop significantly more than 40 basis points. It would drop another -- if we went from 216 to 144, would you have enough management action and stuff on your balance sheet to be able to handle that? Because that's what you seem to suggest, that you've got these buffers to take you all the way down to 144. Am I reading that correctly?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

You're reading it correctly. This is an update of what we are at June 30 with the rate at June 30, and with the level of protection that we have at June 30. And it's onlyinvestment-gains driven and interest-rate driven. And I say it just for one purpose. You all know that we retain more mortality risk than the rest of the industry, and you all know that usually in every years, I'm making some mortality gains. I haven't factor any of these element in that presentation.

Yvon Charest - *Industrial Alliance Insurance and Financial Services Inc. - President & CEO*

The way I see it, you know I'm no expert, but our protection went down 14 bps, whereas rates went down 44 bps. So, it means that somehow we have been able to find ways to pay for the 30 bps decrease. And if we say that the IRR volatility is $31 million per 10 bps, it means simply that we have had management action of about $100 million so far this year.

Thomas MacKinnon - *BMO Capital Markets - Analyst*

But, if we went down to 144, you still would have additional management actions at your disposal to offset that? I'm just trying to understand that chart there.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Tom, (inaudible)at the Investor Day, Michel talks about all the tool he had in tool box to do some transaction on this portfolio to create these investment gains and to face this situation. So, that's basically what we said when we mentioned that we are carefully following the situation, and we continue to actively manage our portfolio. We continue to do some investment gains, and we continue to be in a situation that we could improve that positioning.

Thomas MacKinnon - *BMO Capital Markets - Analyst*

A question on the URR and the Actuarial Standards Board's promulgated rate. In your Investor Day, I think you talked about a 20 basis point potential reduction in that promulgated rate, and that maybe you'd stay ahead of the curve. But, now I get the impression that you're sort of going to wait and see what that promulgated rate is, and then really act when the Standards Boards kind of puts that in force, which would be 2017 year-end situation.

So, if it was 20 basis points, and that's $130 million potential hit as it stands right now to your earnings, and that would probably be about a six-point hit to your capital, too. Do you have at your disposal potential investment gains and other management actions to be able to withstand that? And why not attempt to take that now? And why wait until 2017 on that?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

At the Investor Day, I provide the information in the context of these interest rate being low for long. So, I just provide information to the community of what was in front of us, and I split it in two parts, two shots of 20 basis point, one in 2016, one in 2017, and one later on. So, that was the first element I share with everybody.

I also mention that we want to be ahead of the curve. I mentioned that. We have done that in the past, and we want to continue to do that. So, the key point here will be what's going to happen in the next part of the year. We are not there yet. We review our assumption, as you know, in Q3. In November, we give you a flavor, a color on it, when we're going to be there. We'd give you the color.

So, many things could happen in the meantime. We continue to work actively our portfolio. We don't know where the rates are going to be. We don't know what the mortality gain we're going to have. We don't know many other assumptions. So, we'll make up our homeworks, and we'll give you further lights in Q3 in November when we're going to disclose our result.

Right now, we still have all the option on our table. We haven't close any option.

Operator

(Operator instructions.) Gabriel Dechaine, Canaccord Genuity.

Gabriel Dechaine - *Canaccord Genuity - Analyst*

Just on the MCCSR, maybe I just miscalculated the sensitivity, but the decline from rates this quarter was negative by six percentage points. Was there anything unusual in there that caused it to be a bit more acute, or am I just doing the math wrong?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

I think, Gabriel, you done the math wrong, because it's totally align with what we publish in our capital matrix. So, the thing that could have been different here is if we have some seg fund, I would say, noise, and we didn't have any in the quarter. So, if you pick the capital matrix that we disclose at year-end and you applythe decrease we had seen in rates, you would be pretty close to what we disclose.

Gabriel Dechaine - *Canaccord Genuity - Analyst*

Then, the Group insurance business, looks like we're running consistent experience gains now for a few quarters. Group LTD was good again this quarter. What's the outlook for 2017? Are we going to see -- is it too soon to expect that you're going to have higher expected profits in 2017 because you've fixed the business completely, so now you can kind of re-rate your profit expectations?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Definitely too soon, Gabriel. This is something we're going to share with you in January when we publish the fourth quarter. That being said, we are very pleased with the result, because it's the second quarter in a row with very good result, very strong result. We are well ahead of our plan this year with respect to that, and we finally start to seeing the traction of all the efforts that we have done in that segment.

So, we are very pleased with it. We still working it, and we would like to continue to pile additional quarter like that before declaring that we are off the bushes.

Gabriel Dechaine - *Canaccord Genuity - Analyst*

And then just my last one, a follow-up on Tom's. I'm hoping to clear up -- we can simplify this just a little bit -- what was the long-term interest rate, or the IRR rate at year-end? What is it today? And from today's rate, you're saying you have some tools to get you from that rate to 144 basis points. Can you walk me through that, just very high level?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

At year-end, the IRR was 217. That was the rate at year-end. We close the quarter-end at 172, 173 or 172, so it's basically 45 basis point decline. And this is what Yvon has used to mention that you see that my protection has basically reduced by 14 basis point.

And then you get back to the math that he has done, saying that we have headwinds basically of 30 basis points, so that we have management action that offset these headwinds of 30 basis point. And we continue to work our portfolio to improve our position with respect to that.

Gabriel Dechaine - *Canaccord Genuity - Analyst*

I'm just going to throw it out there, but if we go below 144 basis points, what if the long-term yield is (inaudible) percentage point? I'd hate to think of that, but who knows? Can you absorb that?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

You get back to the presentation that Michel has done at the Investor day, where we explained to you all the elements that we have in our toolbox to face the situation. I feel extremely pleased to be in this position June 30, very pleased about that. I feel ahead of the curve. And we continue to take position with respect to that, and I think it's a very good outcome.

Operator

(Operator instructions.) Peter Routledge, National Bank Financial.

Peter Routledge - *National Bank Financial - Analyst*

Kind of a theoretical question about how you'll manage your capital. Your solvency is down to 199, but you also have as low a leverage ratio as I can remember you having. So, there's plenty of capacity for sub-debt and pressure issuances to boost solvency ratio.

An alternative way would be to create a holding company structure and do what your peers do, issue senior debt, and downstreams equity into an operating company. Have you thought of that, and will you?

Yvon Charest - *Industrial Alliance Insurance and Financial Services Inc. - President & CEO*

We have look at it. It'd be legally possible to do that. What we have to consider is the following. Our S&P rating at the holding company is single-A plus, and I told you in the past that none of the Big Three at the holding company have a better rating than us. So, if we were to have a structure similar than them, the key question for us is that what would be the rating at the operating company level, and would that rating be good enough, at the end of the day, to have a better cost versus reward.

So, we concluded after looking at it that we're better off to continue with the current structure for the foreseeable future.

Peter Routledge - *National Bank Financial - Analyst*

Maybe for Rene, just on the hedging experience, I guess I'm having difficulty forecasting hedging gains and losses over the last four or five quarters, just given the volatility. Could you provide any guidance as to what might cause sizable hedging experience loss versus a sizable gain? What should I be looking for?

Michel Tremblay - *Industrial Alliance Insurance and Financial Services Inc. - EVP and Chief Investment Officer*

It would be uneasy to come with the very specific guidance. We gave in the past some qualitative guidance. The first one is on the volatility. If the volatility of the market, both on the stock market and interest rates, is lower than what we expect for the long-term average, we're going to produce a gain. If it's higher, we're going to produce a loss. It's built in the process.

The second one is the basis risk, the risks that are unhedged. And we said that, generally speaking, when the market is up, we're going to gain. When it is down, we're going to lose. So, this is the qualitative guidance we've given, and it would be, I think, unsafe at this moment to give a more precise guidance than this one.

Peter Routledge - *National Bank Financial - Analyst*

So it's lower vol and -- so, steadily increasing equity markets produce hedging gains.

Michel Tremblay - *Industrial Alliance Insurance and Financial Services Inc. - EVP and Chief Investment Officer*

Yes, two parts. If the volatility of stock market and interest rates is lower than long-term average, which is our expectation, we're going to win. And secondly, on the risks that are unhedged, the basis risk, if the markets are going up, we're going to win. If they're going down, we're going to lose. That's the qualitative guidance we've given in the past. It's still more or less the same at this time.

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

And Peter, on the quantitative side, the only thing we have done is to give you slide 16 that give you an idea of what we had as an experience over the time. And it's almost impossible to bet what's going to be.

Operator

(Operator instructions.) Sumit Malhotra, Scotiabank.

Sumit Malhotra - *Scotiabank - Analyst*

Just looking at the quarter-over-quarter change, I think you're down from 17 to 13 in strain. And the only comment I saw in the documents was higher sales in Canada and the US. Just maybe looking for some more color there. I'm guessing it's business mix. What exactly was the key change quarter-over-quarter that helped drive that increase?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

Sumit, that's the seasonality factors, because our guidance in the market is 15 plus-minus 5%. And in the first quarter, it's plus 5%, and in the last quarter for the Q4, it's minus 5%. So, the reality the strain guidance is 20% in the first quarter, 15% in the second, 15% in the third, and 10% in the fourth. So, this is the reason why you have see the quarter-to-quarter differences, that because of seasonality of our expenses, because of all the RRSP season that we have. We sell less life insurance usually in the first quarter, and we sell more in other quarters.

Yvon Charest - *Industrial Alliance Insurance and Financial Services Inc. - President & CEO*

This being said, when Rene mentioned in his note that the main reason is volume, it just because that we sold so much in Q2 versus expectation that we were able to absorb our fixed costs with much more policies, and that has an impact. And this is why we like the idea that sales are going up in both countries, because just the volumes would help automatically the strain in percentage of premiums.

Sumit Malhotra - *Scotiabank - Analyst*

Just to keep it simple, I've always kept in my rule of thumb that, when you have a situation where rates are falling, your strain is going to go higher unless you take pricing actions or change the mix of business. And I know it's simplistic, but I only bring it up because you guys have been immune to that certainly over the last year. So, with this renewed drop that we've had in yields, is there anything that makes you somewhat concerned that the trend you've had in strain improvement is somewhat at risk?

Rene Chabot - *Industrial Alliance Insurance and Financial Services Inc. - EVP, CFO and Chief Actuary*

The answer is no. We watch very carefully that situation, Sumit. And as you know, we froze our interest rate scale at year-end for the reserving process, and it has an impact on both, all our year -- all our quarter-end reserve valuation, as well as the strain valuation.

So, what's going to happen is that, when we're going to be at year-end 2016, we're going to reset the clock, and then we will -- going to put everything into the equation, the new interest rate environment, the new mortality environment, the new asset portfolio that we're going to have, and then we'll provide a guidance to the marketplace with respect to what's going to be the strain in 2017.

We'd mentioned to you at the Investor Day that the next target for us is 10%. And even if these rates have been lower this year, we keep track with that target for the next future years.

Sumit Malhotra - *Scotiabank - Analyst*

Carl, you gave us the helpful hint that you're looking to have mutual fund net sales positive on a full-year basis in 2017, so clearly want to pay attention to the trend in that regard. Was happy to see that, at least on a gross basis, the mutual fund sales were stronger this quarter. I know markets were better, but historically with RRSP season, Q1 has been your strongest period. So, to see Q2 look better was positive.

Is there any specifics you can provide me with? Was this just market-driven, or are you starting to see some of the distribution investments and improved performance start to come through?

Carl Mustos - *Industrial Alliance Insurance and Financial Services Inc. - President, iA Clarington*

We were pleased, too, with our improved gross sales in Q2 over Q1 against what would be a RRSP trend. I think the big driver, though, was really our performance improvement across our lineup. We had quite a significant relative performance improvement that was recognized in the marketplace. And some of the new products that we launched that speak to the income theme that we talked about at our iA Day, are getting traction, as well as our managed solution that we launched for our affiliates. So, we're quite encouraged.

Now, it's early days, and it was a modest increase. I think what we're most excited about is the decline in redemptions that we've experienced over this timeframe, which we think is a really good indicator and bodes well, going forward.

Operator

And sir, I see there's no further question at this time. I will now turn the call back to you.

Grace Pollock - *Industrial Alliance Insurance and Financial Services Inc. - Director of IR*

Thank you. So, this concludes our conference call today. If you have further questions on today's results, you can reach us at 418-780-5945. And we thank you for joining us today.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation, ask that you please disconnect your lines.
