

growth

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An uncompromising focus



1981
C.I. Funds



1987
C.I. Sector Fund



1993
100% RSP-eligible
International Funds



1996
Hansberger
Value Series

C.I. Fund Management Inc. is a publicly-traded Canadian corporation that carries on activities primarily through its wholly-owned subsidiaries, C.I. Mutual Funds Inc. and BPI Financial Corporation, with assets under management of \$17 billion.

The Annual and Special Meeting of Shareholders will be held on November 19, 1999 at 2:00 p.m. at the Toronto II Room of the Toronto Hilton, Toronto, Ontario.

on shareholder value.



1997
Harbour Funds



1997
C.I. Segregated
Funds



1998
Signature Funds



1999
BPI Mutual Funds

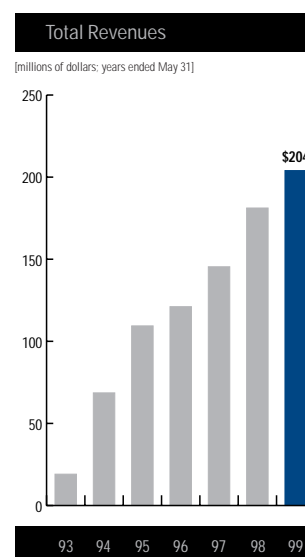
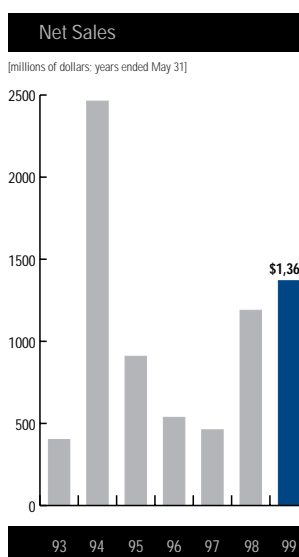
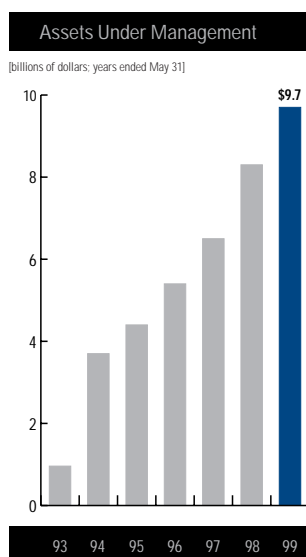


Historical Financial Highlights

Years ended May 31, [in millions of dollars except per share amounts]	1999	1998
Total assets under management, end of year	9,700	8,302
Net sales	1,369	1,189**
Revenue:		
Management fees and other income	157.6	143.8
Redemption fees	14.4	8.4
Expenses charged to mutual funds	32.0	28.9
Total revenues	204.0	181.1
Expenses:		
Selling, general and administrative	48.3	46.5
Investment adviser fees	18.1	16.3
Trailer fees	37.0	34.9
Distribution fees to limited partnerships	9.6	11.3
Amortization of deferred sales commissions	67.3	47.3
Other (including securitization)	2.6	8.5
Total expenses	182.9	164.8
Income before taxes	21.1	16.3
Net income	8.7	8.6
Operating cash flow	89.8	64.4
Earnings per share	0.25	0.24
Operating cash flow per share	2.51	1.80
Shareholders' equity, end of year	126.6	140.2
Shares outstanding, end of year*	36,055,115	36,871,722

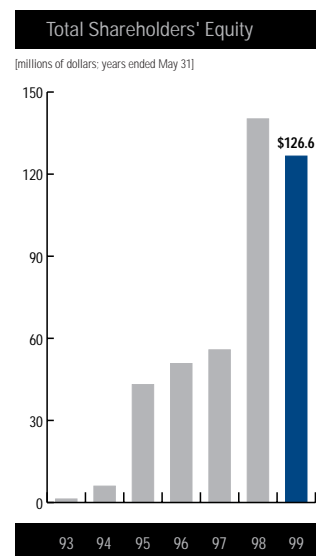
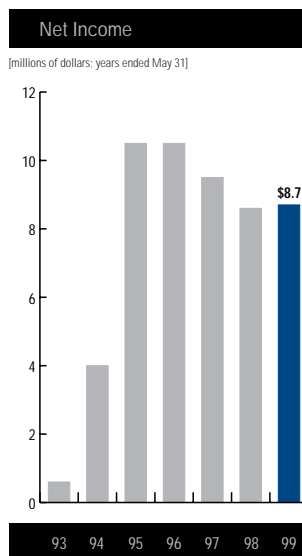
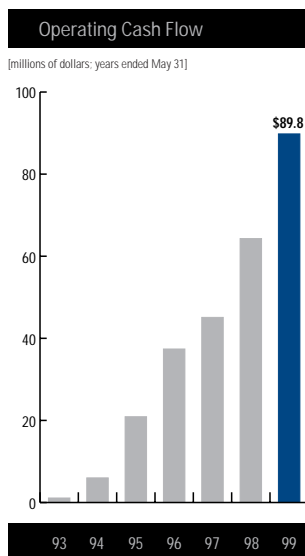
*adjusted for 2 for 1 stock dividend in April 1998

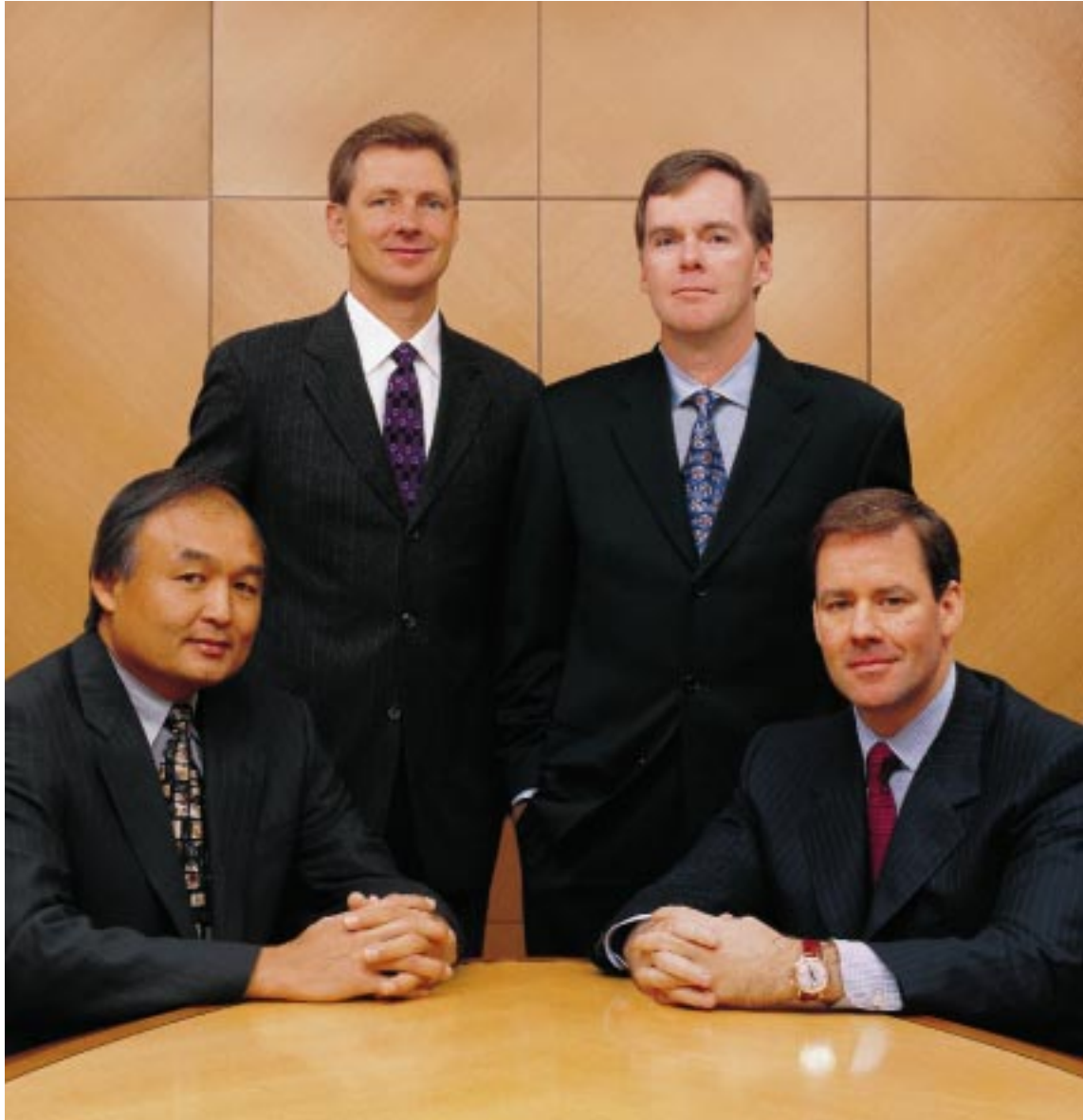
**does not include \$286 million in sales of the closed-end DDJ Canadian High Yield Fund



	1997	1996	1995	1994	1993
	6,516	5,469	4,394	3,733	960
	461	537	909	2,463	402
	114.5	96.6	86.9	56.5	14.7
	4.1	1.4	0.1	—	—
	26.8	22.1	21.6	12.1	4.4
	145.4	120.1	108.6	68.6	19.1
	40.7	34.3	34.9	29.4	9.6
	13.1	11.4	11.2	7.8	2.9
	28.9	24.0	19.9	10.0	2.7
	11.4	11.9	11.9	8.7	2.8
	26.4	11.8	1.2	—	—
	7.4	7.7	10.2	4.8	—
	127.9	101.1	89.3	60.7	18.0
	17.5	19.0	19.3	7.9	1.1
	9.5	10.5	10.5	4.0	0.6 †
	45.1	37.4	20.9	6.0	1.1
	0.29	0.32	0.32	0.15	0.03
	1.37	1.14	0.64	0.23	0.05
	55.8	50.8	43.1	6.0	1.3
	32,784,790	32,959,526	32,970,526	26,770,000	26,610,000

† net income from continuing operations





The Executive Committee: G. Raymond Chang, Stephen A. MacPhail, Peter W. Anderson, William T. Holland

Dear Shareholders,

Fiscal 1999 was signified by an uncompromising focus on growing shareholder value. This is consistent with our corporate objectives of aggressively growing C.I.'s assets while managing our business in a fiscally responsible manner.

As a result, C.I.'s assets under management grew by \$1.4 billion to finish the year at \$9.7 billion and continue C.I.'s strong record of double-digit asset growth since 1990.

Net sales increased 15% from the prior year to \$1.4 billion, even though the industry trend saw net sales down approximately 50%. The momentum in C.I.'s net sales strengthened throughout the year, with C.I. currently ranking second among all Canadian mutual fund companies.

A key factor supporting C.I.'s growth has been our extensive line-up of 100% RSP-eligible international funds. Originally established by C.I. in 1993, total assets in these funds exceeded \$1.5 billion by the end of fiscal 1999 and established C.I. as the industry leader in this product.

The growth in C.I.'s assets under management was reflected in C.I.'s fiscal results. Revenues rose by \$23 million to \$204 million, operating cash flow increased 39% to \$90 million, operating margins were among the highest in the industry, and C.I. continued to be debt-free.

C.I. expanded its investment management expertise and now includes outstanding in-house investment managers for C.I.'s domestic and international

"...CONTINUES C.I.'S STRONG RECORD OF

products. From a base of essentially zero only three years ago, over 70% of C.I.'s funds are now managed internally.

Recently, C.I. announced its intention to form C.I. Global Advisors LLP in partnership with William Sterling (formerly of Credit Suisse Asset Management) and his global asset management team. In addition, recently-acquired BPI Global Asset Management LLP in Orlando, Florida, whose global funds have provided exceptional returns to Canadian investors, further strengthens C.I.'s in-house international management.

C.I. capped this successful year with the acquisition of BPI Financial Corporation in August 1999, and the effect has been substantial. Combined total assets under management are

\$17 billion. The net sales of the combined companies are second-highest in the Canadian mutual fund industry. The cost synergies being achieved by the merger of BPI's operations are significant and are expected to improve C.I.'s financial results immediately.

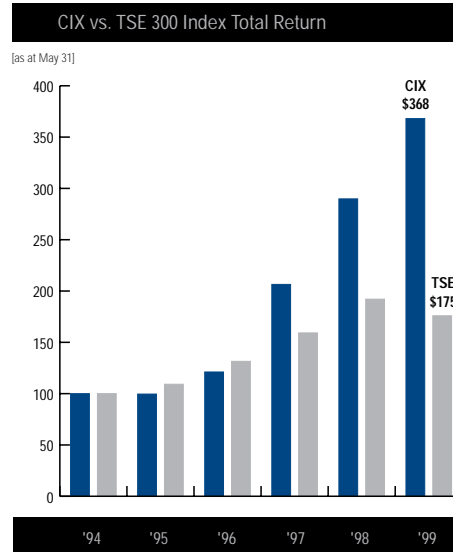
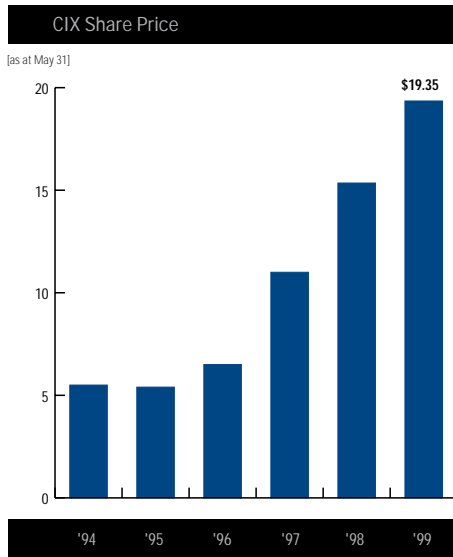
As we look forward to the remainder of fiscal 2000, C.I. is firm in its resolve to continue to grow the company. The management team holds a significant equity stake in C.I., and our actions reflect the interests of all shareholders. Our performance in fiscal 1999 is continued evidence that we are on the right track and we expect that the growth in our assets and profitability continues well into the future.

October 6, 1999

G. Raymond Chang [signed]
*President and
Chief Executive Officer*

William T. Holland [signed]
*Executive Vice-President
and Chief Operating Officer*

DOUBLE-DIGIT ASSET GROWTH SINCE 1990."



Operating Review

Environment

In fiscal 1999, overall assets under management in the mutual fund industry grew by only 7% to total \$346 billion at May 31, 1999. Most of this growth was represented by industry net sales of \$24.3 billion as equity markets were generally unchanged from the prior year. This sharp decline in industry net sales was a major shift from the prior fiscal year.

The year also saw two other major shifts in the mutual fund industry; increased sales concentration among the larger companies; and investor preference for global/international equities, especially 100% RSP-eligible products.

The first shift, a reduction in industry net sales, was due to several factors. A proliferation of new products, especially proprietary products of investment dealers and financial planners that are essentially like mutual fund products but do not get

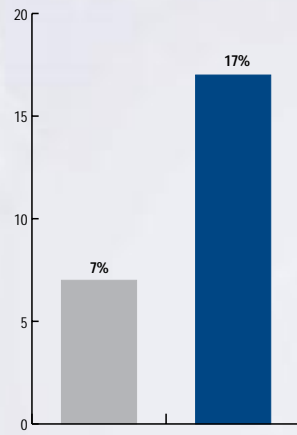
recorded as such, drew investments that would normally be recorded by the mutual fund industry. The investment of maturing GICs into mutual funds had far less effect than in the past five years, while uncertainty about financial markets, especially Year 2000 concerns, has increased the reluctance of investors. These factors combined to create a 50% decline in net industry mutual fund sales compared to the previous year.

The overall decline in mutual fund sales affected fund companies unevenly. Net sales continued to be concentrated among a select group of mutual fund companies, with other fund companies experiencing flat net sales or net redemptions. In fact, many companies showed net sales declines well in excess of the average 50% industry reduction over the previous year.

The second shift, sales concentration among the

1999 Growth Rate In Assets

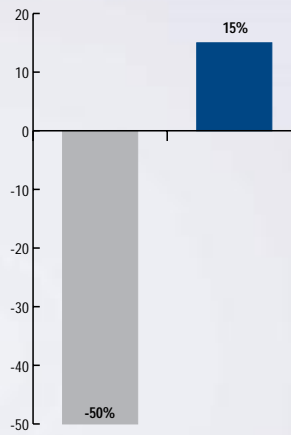
[year ended May 31, 1999]



All IFIC Members C.I.

1999 Growth Rate In Net Sales

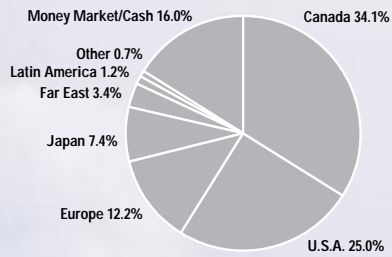
[year ended May 31, 1999]



All IFIC Members C.I.

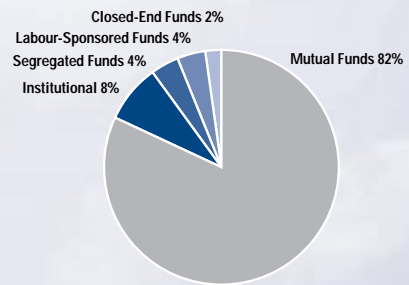
C.I. Funds Geographic Allocation

[as of September 30, 1999]



C.I. Funds Asset Profile

[as of September 30, 1999]



“THE ONLY MAJOR MUTUAL FUND COMPANY TO NEVER EXPERIENCE
A SINGLE MONTH OF NET REDEMPTIONS THROUGHOUT THE 1990s.”

larger fund companies, is one of the most dramatic changes in the business over the last decade. In the early 1990s, many small mutual fund companies could effectively compete for sales as shelf space was expanding and inflows of net money into mutual funds were very high. That has changed. Now, only larger, well-capitalized mutual fund companies have the financial strength to market effectively, the diversity to be attractive to investment dealers and financial planners, and the profile to command the attention of a distribution network that is only willing to promote a limited number of fund families.

This change is driving the current industry consolidation that has been forecast for many years. Smaller firms faced with limited sales growth and rising costs are finding it increasingly difficult to justify their independent status. We expect more industry consolidation over the foreseeable future.

The third shift was the strong demand for global/international equities, especially 100% RSP-eligible products. In the fall of 1998, C.I. had all three of its Canadian equity managers providing top-quartile performance. Generally, this would have led to strong sales the following RSP season. However, increased investor preference for global products, particularly 100% RSP-eligible international funds, began in November of 1998 and grew

continually throughout the RSP season. C.I. has been offering 100% RSP-eligible international funds since 1993 and was able to successfully respond to the demand for 100% RSP-eligible international funds throughout the 1999 RSP season. The rest of the mutual fund industry has recently responded to this demand by developing and launching similar products.

Sales and Marketing

In fiscal 1999, C.I. outpaced the industry both in asset growth and sales, resulting in a 12% market share gain. C.I.'s assets under management increased 17% to \$9.7 billion, a growth rate more than double the average industry growth of 7%. C.I.'s net sales of \$1.4 billion reflected an increase of 15% over the prior year, dramatically ahead of the average 50% decline in net sales across the industry.

C.I.'s success in fiscal 1999 can be attributed to a number of factors. C.I. has actively followed its strategy of offering a wide range of products to investors through one of the largest sales forces in Canada. As brokers and financial planners have reduced the number of fund companies they consider, C.I. continues to aggressively maintain crucial shelf space.

C.I.'s broad product range is market driven. First and foremost, we create products based on the

Fund Families



C.I. FUNDS

A diverse family of Canadian and international equity, bond, balanced and money market funds



C.I. SECTOR FUND

Tax-deferred compounding in classes of Canadian and international shares



HARBOUR FUNDS

Long-term value in Canadian equity, balanced, mid-cap and small-cap funds



100% RSP-ELIGIBLE INTERNATIONAL FUNDS

Global reach with full RSP eligibility



SIGNATURE FUNDS

Low-volatility investments for long-term growth



HANSBERGER VALUE SERIES

Long-term value in global equities



C.I. GUARANTEED INVESTMENT FUNDS (GIFs)

Solid guarantees and a proven approach to growth



BPI FUNDS

Canadian and global equity, balanced, income and money market funds

constant feedback received from clients. Instead of telling investors what is good for them, our philosophy is the opposite. We give our clients the ability to choose among different investment types, investment styles, management themes, specific industries, geographic investments, segregated products, and tax-efficient investments. This has made C.I. the only major mutual fund company to never experience a single month of net redemptions throughout the 1990s.

C.I. continued to expand its product offerings in fiscal 1999. Among its domestic funds, C.I. added the Signature Funds managed by Wally Kusters to complement the family of C.I. funds managed by J. Zechner Associates and the Harbour Funds managed by Gerald Coleman and Stephen Jenkins. In addition, C.I. expanded its segregated fund lineup with C.I. Guaranteed Investment Funds created with Transamerica Life Insurance Company of Canada.

Among global products, C.I. increased its offerings with C.I. Global Boomernomics® Fund, C.I. Global Energy Fund, C.I. Japanese Fund, and C.I. Global Biotechnology Fund.

C.I.'s popular 100% RSP-eligible international funds were improved to make them the most cost-effective in the industry. The product line was also expanded to include a number of C.I.'s industry-

specific sector funds. C.I. continues to be the market leader in 100% RSP-eligible international funds with \$2 billion of assets under management in these funds alone (as at October 1999).

C.I. recently launched a new customized wrap program called the Insight Program™. This product was developed so financial planners could offer customized investment pools to their higher net worth clients. Insight™ is a comprehensive wealth management program, providing financial planners with a complete package including asset allocation, investment management, and administration. This diversification into non-traditional mutual fund products is key to maintaining relations with our distribution network whose clients require innovative and attractive alternatives.

Portfolio Management

In fiscal 1998, C.I.'s in-house management of assets commenced with the launch of the Harbour Funds under Gerald Coleman. By May 1998, approximately 17% of C.I.'s assets under management were managed in-house. Since that date, two events have significantly increased C.I.'s in-house managed assets.

First, C.I. has announced its intention to form C.I. Global Advisors LLP, in partnership with William Sterling and his global management team, to

Portfolio Management



DOMESTIC ADVISERS

Harbour Funds

Lead Managers Gerald Coleman and Stephen Jenkins of C.I. Mutual Funds Inc.
Assets of \$1.4 billion in seven funds

Signature Funds

Lead Manager Wally Kusters of C.I. Mutual Funds Inc.
Assets of \$0.8 billion in twelve funds

C.I. Funds

Advised by J. Zechner Associates Inc.
Assets of \$1.7 billion in six funds

BPI Funds

Advised by BPI management team, Wally Kusters and C.I. Mutual Funds Inc.
Assets of \$2.4 billion in seven funds



GLOBAL ADVISERS

C.I. Funds

Advised by C.I. Global Advisors LLP
Assets of \$3.9 billion in six funds

BPI Global Funds

Advised by BPI Global Asset Management LLP
Assets of \$1.9 billion in six funds

Hansberger Value Series

Advised by Hansberger Global Investors, Inc.
Assets of \$0.6 billion in six funds

C.I. Funds

Primarily industry-specific funds advised by Credit Suisse Asset Management, LLC
Assets of \$2.0 billion in fifteen funds

“THE COMBINED SALES OF C.I. AND BPI IN CALENDAR 1999 ARE CURRENTLY THE SECOND-HIGHEST IN THE INDUSTRY...”

manage global and other products. Majority-owned by C.I., \$3.9 billion (as at October 1999) of C.I.'s assets under management are managed by C.I. Global Advisors including many of C.I.'s fastest-growing funds.

In conjunction with C.I. Global Advisors, Trilogy Advisors, LLC has been formed to provide money management services to U.S. and international institutions, pension funds, and mutual funds. C.I. is a significant equity participant and we expect the exceptional profile of William Sterling to help this business grow rapidly.

Second, C.I. acquired BPI Financial Corporation, all of the assets of which are managed in-house or through majority-owned BPI Global Asset Management. Following the completion of this acquisition in August, 1999, C.I. now has approximately 70% of total assets under in-house management.

Acquisition of BPI Mutual Funds

In August 1999, C.I. Fund Management Inc. acquired all the shares of BPI Financial Corporation and its 100% stake in BPI Capital Management Corporation.

At the time of the acquisition, BPI Capital Management Corporation had approximately \$6.3 billion in assets under management represented by mutual funds (\$4,400 million), labour-sponsored funds (\$485

million), closed-end funds (\$133 million), and institutional assets (\$1,250 million).

This acquisition has made C.I. Fund Management Inc. the 10th-largest mutual fund company in Canada, and increased C.I.'s market share by over 40%. The combined sales of C.I. Mutual Funds and BPI Mutual Funds in calendar 1999 (as of October 1999) are the second-highest in the industry and the highest among the publicly-traded companies.

This acquisition was attractive for a number of reasons:

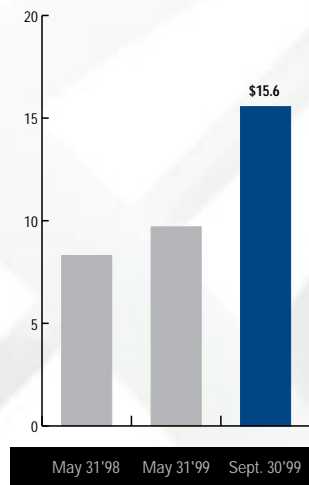
- a) C.I. and BPI had similar operating structures. This combination creates the opportunity for significant cost savings and improved available cash flow from the BPI assets.*
- b) BPI offered a line-up of international funds managed by Orlando-based BPI Global Asset Management with substantial sales momentum due to their strong performance.*
- c) BPI's majority stake in BPI Global Asset Management also included a fast-growing institutional asset management business.*

Over the course of fiscal 2000, C.I. will be fully integrating the operations of BPI into C.I., including all administrative functions, to provide incremental benefits to shareholders in the current year.

Acquisition of BPI Mutual Funds

C.I. Assets Under Management

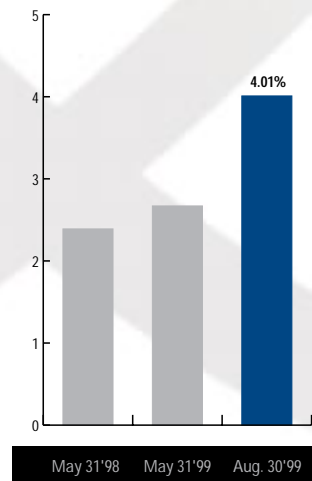
[billions of dollars]



*excludes \$1.3 billion in institutional assets

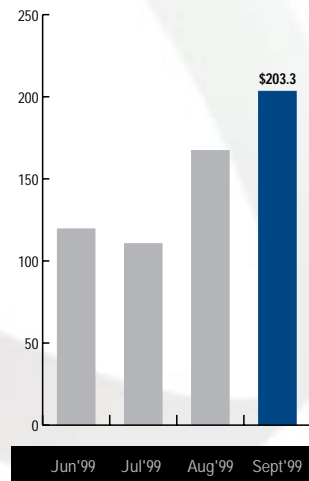
C.I. Market Share

[as percentage of IFIC members]



C.I. Net Sales

[millions of dollars]



Management's Discussion and Analysis

SUMMARY OF FINANCIAL POSITION

Years ended May 31, [millions of dollars except per share amounts]	1999	1998	% change
INCOME STATEMENT DATA			
Revenue			
Management fees	154.1	140.3	+9.8
Redemption fees	14.4	8.4	+71.4
Administration fees and other income	3.5	3.5	0.0
Expenses charged to mutual funds	32.0	28.9	+10.7
Total revenues	204.0	181.1	+12.6
Operating Expenses			
Selling, general and administrative	48.3	46.5	+3.9
Investment adviser fees	18.1	16.3	+11.0
Trailer fees	37.0	34.9	+6.0
Commission Related Expenses			
Net fees paid to securitization	0.6	7.4	-91.9
Distribution fees to limited partnerships	9.6	11.3	-15.0
Amortization of deferred sales commissions	67.3	47.3	+42.3
Other items	2.0	1.1	+81.8
Income before taxes	21.1	16.3	+29.4
Net income	8.7	8.6	+1.2
Earnings per share	0.25	0.24	+4.2
Operating cash flow	89.8	64.4	+39.4
Operating cash flow per share	2.51	1.80	+39.4
Shareholders' equity, end of year	126.6	140.2	-9.7
ASSET MANAGEMENT DATA			
Average net assets under management	8,086	7,175	+12.7
Total assets under management, end of year	9,700	8,302	+16.8
Total gross sales	2,611	2,420	+7.9
Total redemptions	1,242	1,231	+0.9
Total net sales	1,369	1,189	+15.1

OVERVIEW OF BUSINESS

The principal business of C.I. Fund Management Inc. is the management, marketing, distribution, and administration of mutual funds and other investment products for Canadian investors through its wholly-owned subsidiary C.I. Mutual Funds Inc. ("C.I."). At May 31, 1999, C.I. managed \$9.7 billion in assets in 58 domestic and international mutual funds, 23 segregated funds, one labour-sponsored fund, and one closed-end fund. C.I. markets its funds to Canadian retail investors through approximately 15,000 investment and mutual fund dealers representing over 650,000 retail investment accounts owning C.I. mutual funds and over 3,500 life-licensed insurance representatives with agreements allowing for the sale of C.I.'s segregated funds.

In order to offer a broad range of domestic and international funds to Canadian investors, C.I. utilizes the expertise of external and internal investment advisers. The investment advisers to C.I.'s international mutual funds are Credit Suisse Asset Management (formerly BEA Associates) of New York and Hansberger Global Investors of Ft. Lauderdale. The advisers to C.I.'s domestic funds are J. Zechner Associates and C.I.'s in-house asset management division, both of Toronto. The investment adviser for C.I.'s labour-sponsored fund, the C.I. Covington Fund, is Covington Capital

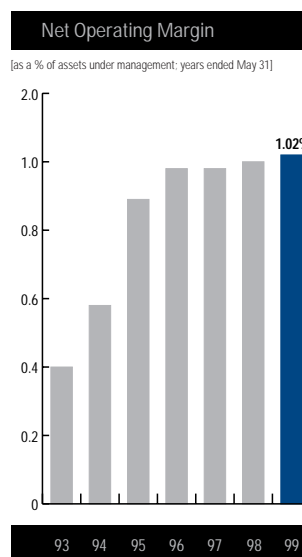
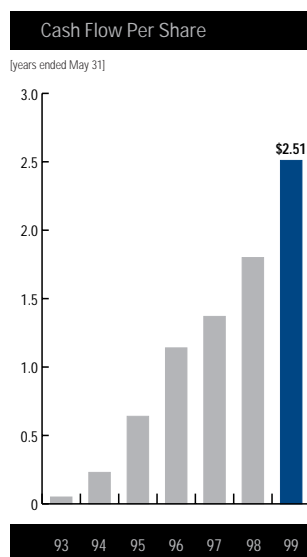
Corporation, Toronto and for DDJ Canadian High Yield Fund (a closed-end investment trust) is DDJ Capital Management, LLC, Wellesley, Massachusetts.

Increasing C.I.'s assets under management requires maintaining an attractive product line in combination with good fund performance and continuous support to investment dealers, mutual fund dealers, and insurance agents. Over the years, C.I. has consistently developed new products for investors such as the sector-specific funds, global funds, segregated funds, and a labour-sponsored fund.

In fiscal 1999, C.I. introduced three major new products. In July 1998, C.I. launched the C.I. Global Boomernomics® Fund, whose investment mandate is based upon the changing global demographics.

In December 1998, the Signature Canadian Fund and the Signature Canadian Balanced Fund were launched. Wally Kusters of C.I. is the primary investment adviser to these funds.

In February 1999, C.I. launched the C.I. Guaranteed Investment Funds in conjunction with Transamerica Life Insurance Company of Canada. These funds are similar to mutual funds, yet offer guaranteed principal at death of the annuitant or maturity of the investment. These funds complement the C.I. Segregated Funds



launched in the prior year. For both families of funds, the guarantees are the responsibility of the insurance company directly or through a major international reinsurer to eliminate C.I.'s exposure to this risk.

REVENUES

The majority of C.I.'s revenues are earned from the management services it provides as fund manager. The key determinant of C.I.'s revenue is the level of assets under management which, in turn, is determined by market returns and net sales (gross sales less redemptions) of the funds. Management fees charged by C.I. to the funds range up to 2.25% of the average net asset value of the funds. The mix of funds managed by C.I. will also affect revenues. Emerging markets funds tend to generate the highest management fees with bond and money market funds being the lowest. The mix of C.I.'s funds is determined by the relative performance of the funds and net sales of each of the funds.

A key factor influencing net sales of the funds is fund performance. In addition, prevailing market conditions help determine the effectiveness of sales and marketing campaigns with investment and mutual fund dealers.

C.I. also earns revenues from redemption fees. Investors are subject to redemption fees when mutual

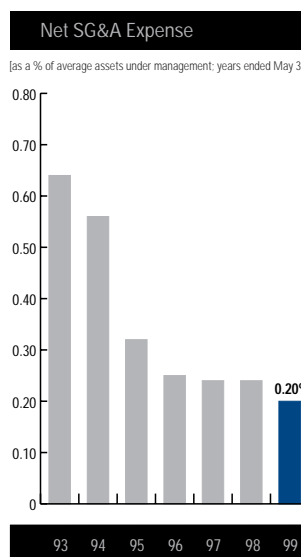
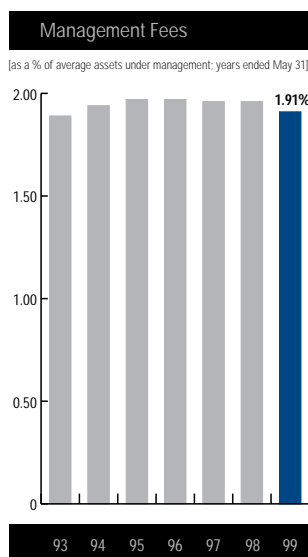
funds are purchased on a deferred sales charge basis and the investment is redeemed within seven years. Redemption fees are calculated as a percentage of the initial value of the funds sold and start at 5.5%, declining to zero after seven years.

C.I. is responsible for the administration of the funds and incurs expenses on behalf of the funds. C.I. recovers most operating expenses by charging an administration fee to the funds which is recognized as revenue. As these revenues represent a recovery of expenses, they do not affect the overall profitability of C.I.

C.I.'s third party administration business, through its subsidiary InfoWise Inc., generates revenue by providing back office administrative services to other financial services companies. At May 31, 1999, InfoWise had agreements with a number of outside parties. During fiscal 1999, revenues from InfoWise were not material to C.I.'s overall business.

EXPENSES

C.I. incurs certain key expenses in conjunction with the management, marketing, and distribution of the funds. These expenses constitute the majority of its expenses outside those operational expenses incurred on behalf of, and recovered from, the funds. These expenses include investment management expenses,



marketing expenses, trailer fees and selling commissions paid to financial advisers.

Advisory fees paid to investment advisers are generally paid on the basis of a percentage of assets under management. C.I.'s advisers have different fee agreements and therefore the mix of funds will affect the overall expense level.

Operating expenses, net of those recovered from the funds, (referred to as net selling, general and administrative expenses) are primarily marketing expenses. In general, marketing expenses are managed in proportion to C.I.'s assets under management and increase as assets under management increase.

Trailer fees are paid out to investment and mutual fund dealers and life insurance agents to assist them in providing ongoing support to the investors in C.I. funds. Trailer fees are calculated as a percentage of assets and will vary with overall assets under management.

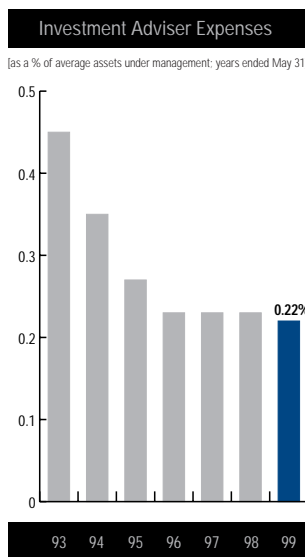
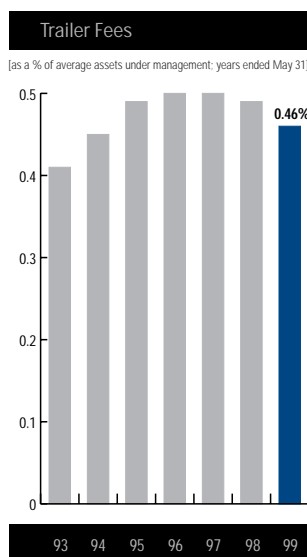
C.I. monitors its operating profitability by measuring the operating margin calculated as a percentage of assets under management. C.I.'s operating margin is defined as management fees from C.I.'s funds less investment adviser fees, trailer fees, and selling, general and administrative expenses net of expenses recovered from the funds, calculated as a percentage of

average assets under management. This allows C.I. to manage profitability when changes in the market value of assets under management affect revenue flows and permits adjustments to discretionary expenditures to maintain its margins.

Commissions paid to investment and mutual fund dealers and life insurance agents on the sale of funds on a deferred sales charge basis vary directly with the level of sales. For financial reporting purposes, these deferred sales commissions are amortized evenly over the 36 months immediately following the sale of the funds. C.I. has financed sales commissions with its own cash resources since January 1, 1995.

Commissions incurred prior to January 1, 1995 were financed by limited partnerships or a securitization vehicle. The expenses to C.I. for commissions financed by limited partnerships are reported as distribution fees paid to limited partnerships and are calculated as a percentage of the assets where commissions were specifically financed by the limited partnerships. The effective amortization period for commissions financed by limited partnerships is the life of the limited partnership of 15 to 20 years.

The expense to C.I. for commissions financed by the securitization is reported as net fees paid to securitiza-



tion and reflects an effective amortization period for the commissions of seven years, the life of the securitization vehicle. In June 1998, C.I. repurchased all the outstanding notes issued by the securitization vehicle. The remaining effective unamortized commissions are being amortized over the period ending February 28, 2001 and are included in the amortization of C.I.'s deferred sales commissions.

YEAR ENDED MAY 31, 1999 COMPARED WITH YEAR ENDED MAY 31, 1998

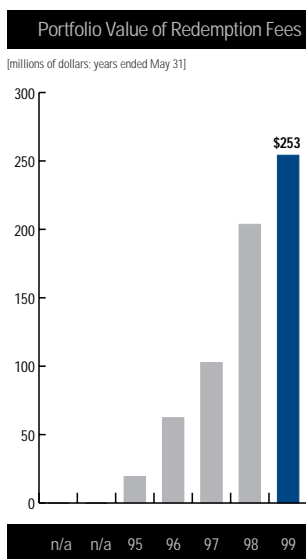
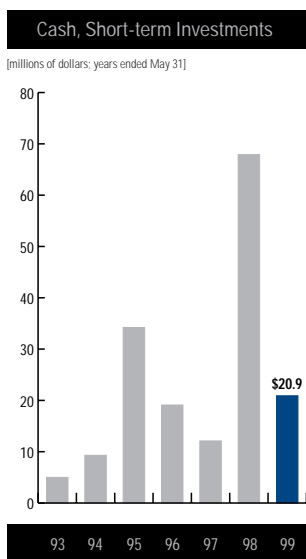
Assets under management (including C.I. Covington Fund and DDJ Canadian High Yield Fund) increased from \$8,302 million at May 31, 1998 to \$9,700 million at May 31, 1999, an increase of \$1,398 million or 17%. Average mutual fund assets under management were \$8,086 million in fiscal 1999, an increase of 13% from \$7,175 million for the same period in fiscal 1998. As most of C.I.'s revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of C.I.'s financial results.

The growth in assets under management was a result of net sales (gross sales less redemptions) of \$1,369 million and an overall performance increase of \$29 million. This compares to fiscal 1998, when the annual growth in assets under management was

\$1,786 million or 27%, comprised of net sales of \$1,189 million, \$286 million from the sale of the closed-end DDJ Canadian High Yield Fund and an overall performance increase of \$311 million.

Gross sales of the funds were \$2,611 million for the year ended May 31, 1999 compared to \$2,420 million for the same period in 1998. (1998 sales do not include \$286 million in sales of the closed-end DDJ Canadian High Yield Fund that are included in C.I.'s assets under management.) Net sales (gross sales less redemptions) were \$1,369 million for the year ended May 31, 1999 compared to \$1,189 million for the same period in 1998, an increase of 15%. The increase in C.I.'s net sales from 1998 reflected the increased popularity of C.I.'s global and 100% RSP-eligible international funds. Redemptions of C.I.'s funds were \$1,242 million in fiscal 1999 compared to \$1,231 in fiscal 1998. Overall, C.I.'s redemption rate as a percentage of average assets under management declined from 17.3% in fiscal 1998 to 15.5% in fiscal 1999. Of the C.I. funds financed on a deferred sales charge basis (which represented 85% of mutual fund assets at May 31, 1999) the redemption rate was 8.4% in fiscal 1999, down from 9.4% in fiscal 1998.

Total revenues increased to \$204.0 million for the year ended May 31, 1999 from \$181.1 million for the



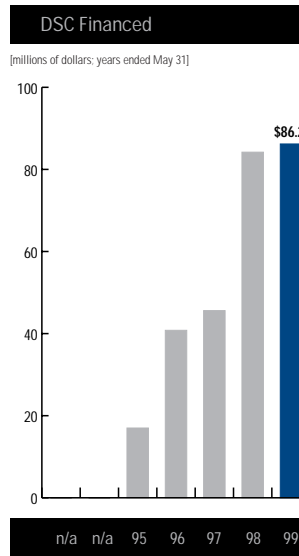
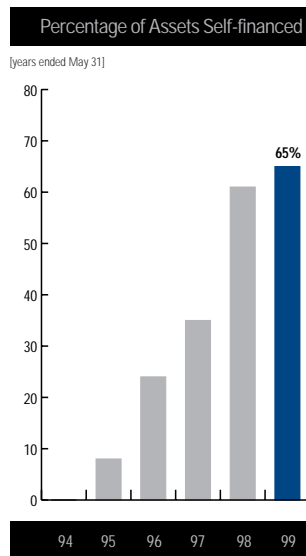
same period in 1998. Revenues from management fees rose by 10% to \$154.1 million for the year ended May 31, 1999 from \$140.3 million in 1998. As a percentage of average assets under management, management fees charged to mutual funds were 1.91% for fiscal 1999, down from 1.96% in fiscal 1998, due to changes in asset mix. Administration fees and other income (which include administrative fees, interest, and investment income) decreased from \$3.5 million to \$3.4 million due to higher investment gains and interest income earned in fiscal 1998. Though redemptions of C.I.'s funds were unchanged in fiscal 1999 from 1998, redemption fees rose from \$8.4 million in fiscal 1998 to \$14.4 million due to C.I. initiating the self-funding of commissions in January 1995 and therefore retaining the right to any redemption fees paid. By having repurchased C.I.'s securitization vehicle, C.I. FEES Trust, C.I. gained unfettered rights to all redemption fees on those assets.

Revenues represented by expenses recovered from the funds rose to \$32.0 million for the year ended May 31, 1999 from \$28.9 million in 1998. This increase was from higher assets under management and the cost of continuing to improve C.I.'s administrative systems, including costs associated with ensuring all systems are Year 2000 compliant.

Net fees paid to C.I.'s securitization vehicle (the "Trust") (which represents principal and interest payments and certain expenses of the Trust, net of redemption fees) were \$556,000 for the year ended May 31, 1999 compared to \$7.4 million for the year ended May 31, 1998. The decrease reflects C.I. having repurchased the securitization in full in June 1998.

Total net operating expenses (net selling, general and administrative expenses, investment adviser fees, and trailer fees) for the year ended May 31, 1999 increased by \$2.5 million or 4% to \$71.3 million from \$68.8 million in 1998.

Selling, general and administrative expenses (net of expenses recovered from the funds for activities carried out in support of the funds) were \$16.2 million, down from \$17.6 million in the prior fiscal year. This reduction in costs was from C.I. focussing more of its marketing expenditures on sales staff and less on general advertising in combination with not having the costs incurred in fiscal 1998 associated with launching the Harbour Funds and the C.I. Segregated Funds. As a percentage of assets under management, the net selling, general and administrative expenses were 0.20% in fiscal 1999, down from 0.24% in fiscal 1998.



Investment adviser fees increased from \$16.3 million in fiscal 1998 to \$18.1 million in fiscal 1999 due to increased assets under management. However, as a percentage of average assets under management, investment adviser fees were 0.22% versus 0.23% in fiscal 1998 because of higher levels of in-house managed funds. Trailer fees increased from \$34.9 million to \$37.0 million due to increased assets under management. As a percentage of average assets, trailer fees were 0.46% of assets under management at May 31, 1999 compared to 0.49% in the prior fiscal year.

C.I.'s operating margin (measured as management fees less the net operating expenses described above, as a percentage of mutual funds under management) was 1.02%, up from 1.00% in the prior fiscal year.

Distribution fees to limited partnerships totalled \$9.6 million, down from \$11.3 million in fiscal 1998. As a percentage of average assets, distribution fees to limited partnerships declined from 0.16% to 0.12%, reflecting a lower percentage of C.I.'s overall assets under management financed by limited partnerships. The marginal cost of the distribution fees to limited partnerships at May 31, 1999 was approximately 0.10% of assets under management as these assets continue to decline on a percentage basis relative to C.I.'s self-financed assets.

Amortization of deferred sales commissions represented C.I.'s largest expense increase, rising from \$47.3 million in fiscal 1998 to \$67.3 million in fiscal 1999. The \$67.3 million amortization in fiscal 1999 includes \$4.9 million in amortization of the excess of the purchase price over fair value of net assets acquired for the acquisition of the Trust (nil in fiscal 1998).

Net income for the year ended May 31, 1999 was \$8.7 million compared to \$8.6 million in the same period in 1998. Though operating earnings were up substantially from fiscal 1998, the impact of the additional \$20 million in amortization of sales commissions had the effect of reducing net earnings.

FINANCING AND LIQUIDITY

C.I.'s capital requirements are primarily to fund commissions arising from the sale of funds on a deferred sales charge basis. In fiscal 1999, C.I. financed \$86.2 million in sales commissions, up from \$84.2 million in fiscal 1998. In addition, during fiscal 1999, C.I. used \$25.1 million to repurchase 1.8 million common shares at an average price of \$13.62 per share. This compares to \$23.1 million used to repurchase 1.6 million common shares at an average price of \$14.06 per share in fiscal 1998. On May 31, 1999, the closing price per share for C.I. common shares was \$19.35. In addition, in June 1998, C.I. repurchased the notes issued under its securitization vehicle at a total cost of \$28.7 million.

These funding requirements were met by cash, short-term investments and marketable securities of \$67.9 million at May 31, 1998, operating cash flow in fiscal 1999 of \$89.8 million (up from \$64.4 million in 1998) and the issuance of 1.0 million common shares from the exercise of stock options at an average price of \$6.28 per share for total gross proceeds of \$6.5 million.

At May 31, 1999, C.I. had cash, short-term investments and marketable securities totalling \$20.9 million (\$67.9 million at May 31, 1998) and an undrawn \$75 million line of credit with a Canadian chartered bank.

Since January 1, 1995, C.I. has used internally generated cash flow, proceeds from the issue of common shares, and existing cash resources to finance sales commissions. As a result, by May 31, 1999, 67% of mutual fund assets were financed by C.I.'s cash resources, up from 61% financed by cash resources at May 31, 1998. C.I. has no debt associated with these self-financed assets. The self-financed assets had a current redemption value of \$253 million (\$7.02 per share) at May 31, 1999 compared to \$203 million (\$5.52 per share) at May 31, 1998. At May 31, 1999, 18% of C.I.'s assets were financed by limited partnerships, down from 24% at May 31, 1998. The front-end load sales assets at May 31, 1999 were 15% of mutual fund assets under management, unchanged from the prior year.

Capital expenditures incurred during the year ended May 31, 1999 totalling \$2.1 million were primarily for computer hardware and software related to the improvement of systems technology and additional space requirements. Depreciation charges on these assets are generally recoverable from the funds.

OUTLOOK

At July 6, 1999, C.I.'s total assets under management totalled \$10,450 million, up 24% from the average level of assets in fiscal 1999. In June 1999, net sales of C.I.'s funds were \$120 million, up 152% from June 1998. Should assets remain at this level or, as expected, continue to grow during fiscal 2000, C.I.'s total revenues, operating cash flow and underlying profitability will increase significantly from fiscal 1999.

THE YEAR 2000 ISSUE

C.I. realizes the importance of the Year 2000 issue and has taken the necessary steps to address the problem. Like many organizations, C.I. is highly dependent on computer systems, both those that are operated internally, as well as those operated by external service providers, to ensure optimal operations. C.I.'s Year 2000 project was initiated in 1997 to review its systems and implement any procedures necessary to eliminate or significantly reduce the Year 2000 risk. The project has been staffed with highly skilled individuals and supplied with the necessary technology. C.I.'s Year 2000 review included assessing the limited number of systems that are operated internally. Essentially all of C.I.'s Year 2000 testing was successfully completed prior to June 30, 1999. Accordingly, while C.I. will continue to be involved in Year 2000 testing throughout the remainder of the year, its efforts will be focused mainly on continued participation in industry-wide evaluations rather than its own internal testing.

The primary systems used by C.I. are relatively new. All of C.I.'s mission critical systems are operated internally, have been fully tested and are Year 2000 compliant. In addition, service contracts entered into by C.I. that involve computer systems generally include Year 2000 compliance provisions. While some of the commercial software used by C.I. will be replaced during

the period June 1999 to December 1999, this will be done as part of C.I.'s previously scheduled software upgrading process. Contingency plans to deal with the Year 2000 issue are currently being developed and are expected to be in place by November 15, 1999. C.I. believes that, to the extent it is an operating expense of the company, the anticipated expenditures of any required remediation of such systems will not be material and that such remediation will be completed before such systems are at risk of a Year 2000 issue.

C.I. is working with certain corporate affiliates and external service providers, upon which it is dependent, to ensure such affiliates and service providers are taking steps to address their Year 2000 issues. Although C.I. is using reasonable efforts to monitor the Year 2000 compliance of its service providers, a failure of key service providers to address their Year 2000 issue in a timely manner may have a material adverse effect on C.I.'s ability to manage its operations.

While C.I.'s efforts to address the Year 2000 issue are proceeding expeditiously, there can be no guarantee that deficiencies in the systems of other entities on which C.I. is dependent will not have an adverse effect on our operations. Although the Year 2000 issue is an additional business risk that must be taken into account when investing, C.I.'s investment advisers are considering the impact of the Year 2000 on their respective portfolios as one of the factors influencing investment decisions.

Management's Report to Shareholders

Management of C.I. Fund Management Inc. is responsible for the integrity and objectivity of the consolidated financial statements and all other information contained in the Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and are based on management's best information and judgement.

In fulfilling its responsibilities, management has developed internal control systems and procedures designed to provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with appropriate authorization, and that accounting records may be relied upon to properly reflect the Corporation's business transactions.

The Audit Committee of the Board of Directors is composed of outside directors who meet periodically and independently with management and the auditors to discuss the Corporation's financial reporting and internal control. The Audit Committee reviews the results of the audit by the auditors and their audit report prior to submitting the consolidated financial statements to the Board of Directors for approval. The external auditors have unrestricted access to the Audit Committee.

Management recognizes its responsibility to conduct the Corporation's affairs in the best interests of its shareholders.

G. Raymond Chang [signed]
President and Chief Executive Officer

Stephen A. MacPhail [signed]
*Executive Vice-President
and Chief Financial Officer*

July 7, 1999

Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholders of **C.I. Fund Management Inc.**

We have audited the consolidated balance sheets of **C.I. Fund Management Inc.** as at May 31, 1999 and 1998 and the consolidated statements of income and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at May 31, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada,
July 2, 1999

Ernst & Young LLP [signed]
Chartered Accountants

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

As at May 31,	1999 \$	1998 \$
ASSETS		
Current		
Cash and short-term investments	9,285,190	61,382,122
Marketable securities, at cost which approximates market value	11,647,511	6,485,217
Accounts receivable and prepaid expenses	5,883,685	5,503,477
Income taxes recoverable	1,537,266	771,718
Total current assets	28,353,652	74,142,534
Advance to C.I. FEES Trust [note 4]	—	748,195
Capital assets [note 5]	6,514,821	6,333,446
Deferred sales commissions, net of accumulated amortization of \$99,559,772 [1998 - \$86,814,096]	134,271,371	100,757,662
Other assets [note 6]	7,872,515	7,397,953
	177,012,359	189,379,790
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	16,974,753	15,520,418
Total current liabilities	16,974,753	15,520,418
Deferred lease inducement	1,922,927	2,108,736
Deferred income taxes	31,487,723	31,595,544
Total liabilities	50,385,403	49,224,698
Shareholders' equity		
Share capital [note 8]	130,350,843	130,423,379
Retained earnings (deficit)	(3,723,887)	9,731,713
Total shareholders' equity	126,626,956	140,155,092
	177,012,359	189,379,790

See accompanying notes

On behalf of the Board:

G. Raymond Chang [signed]

Director

William T. Holland [signed]

Director

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

Years ended May 31,	1999 \$	1998 \$
REVENUE		
Management fees	154,085,314	140,288,115
Administration fees and other income	3,448,846	3,590,609
Expenses charged to mutual funds	32,039,431	28,876,570
Redemption fees	14,405,728	8,382,570
Total revenue	203,979,319	181,137,864
Net fees paid to securitization [note 4]	(556,000)	(7,389,561)
	203,423,319	173,748,303
EXPENSES		
Selling, general and administrative	48,280,548	46,469,561
Investment adviser fees	18,089,245	16,328,550
Trailer fees	36,970,991	34,904,411
Distribution fees to limited partnerships	9,637,888	11,258,940
Amortization of deferred sales commissions	67,325,751	47,344,212
Other	2,004,448	1,106,421
	182,308,871	157,412,095
Income before income taxes	21,114,448	16,336,208
Provision for income taxes		
Current	956,086	1,236,160
Deferred	11,411,953	6,549,437
	12,368,039	7,785,597
Net income for the year	8,746,409	8,550,611
Retained earnings, beginning of year	9,731,713	23,640,610
Share issue expense, net of income taxes	—	(2,312,460)
Cost of shares repurchased in excess of stated value [note 8]	(18,588,597)	(17,308,250)
Dividends	(3,613,412)	(2,838,798)
Retained earnings (deficit), end of year	(3,723,887)	9,731,713
Earnings per share	0.25	0.24
Fully diluted earnings per share	0.24	0.23

See accompanying notes

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31,	1999 \$	1998 \$
OPERATING ACTIVITIES		
Net income for the year	8,746,409	8,550,611
Add items not involving cash		
Depreciation and amortization	1,911,048	1,585,701
Deferred income taxes	11,411,953	6,549,437
Amortization of deferred sales commissions	67,325,751	47,344,212
Other	380,000	380,000
Operating cash flow	89,775,161	64,409,961
Net change in non-cash working capital balances related to operations	(988,107)	2,750,447
Cash provided by operating activities	88,787,054	67,160,408
INVESTING ACTIVITIES		
Additions to capital assets, net	(2,121,985)	(2,092,067)
Purchase of marketable securities, net	(5,162,294)	(2,184,897)
Sales commissions	(86,177,238)	(84,168,497)
Purchase of C.I. FEES Trust notes, net of cash	(24,288,365)	—
Other assets	(859,559)	(310,000)
Cash used in investing activities	(118,609,441)	(88,755,461)
FINANCING ACTIVITIES		
Repayment of advance to C.I. FEES Trust	—	1,251,805
Repurchase of share capital [note 8]	(25,120,658)	(23,143,347)
Issue of share capital [note 8]	6,459,525	104,062,492
Share issue expenses	—	(4,175,650)
Cash provided by (used in) financing activities	(18,661,133)	77,995,300
DIVIDENDS PAID	(3,613,412)	(2,838,798)
Net increase (decrease) in cash during the year	(52,096,932)	53,561,449
Cash and short-term investments, beginning of year	61,382,122	7,820,673
Cash and short-term investments, end of year	9,285,190	61,382,122
Operating cash flow per share	2.51	1.80
Fully diluted operating cash flow per share	2.32	1.68

See accompanying notes

Notes to Consolidated Financial Statements

MAY 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are summarized as follows:

Basis of presentation

The consolidated financial statements include the accounts of C.I. Fund Management Inc. [the "Corporation"], C.I. Mutual Funds Inc. ["CIMF"] and its wholly-owned subsidiaries, InfoWise Inc., Canadian International GP Limited and C.I. Fund Services Inc. The accounts of C.I. FEES Trust [the "Trust"] have been consolidated from June 29, 1998.

Hereinafter, the Corporation and its subsidiaries are referred to as the Corporation.

Investment in limited partnership

The investment in limited partnership is being amortized over its estimated life using a 10% annual diminishing balance basis. Amortization of the investment in limited partnership is included in other expenses in the consolidated statements of income and retained earnings (deficit). The carrying value of the investment approximates market value based on the net present value of estimated future cash flows.

Short-term investments

Short-term investments are carried at cost which approximates market value and include investments in demand notes and C.I. Money Market Fund.

Capital assets

Capital assets are recorded at cost less accumulated depreciation and amortization. These assets are depreciated or amortized over their estimated useful lives as follows:

Computer hardware	30% diminishing balance or straight-line over four years
Computer software	50% straight-line or straight-line over four years
Office equipment	20% diminishing balance
Leasehold improvements	straight-line over the term of the lease

Revenue recognition

Management fees are based upon the net asset value of the respective funds and are recognized on an accrual basis.

Administration fees are recognized as earned.

Redemption fees payable by unitholders of deferred sales charge mutual funds, the sales commission of which was financed by the Corporation, are recognized as revenue on the trade date of the redemption of the applicable mutual fund securities.

Deferred sales commissions

Commissions paid on sales of deferred sales charge mutual funds represent commissions paid by the Corporation to brokers and dealers, and are recorded on the trade date of the sale of the applicable mutual fund securities. These commissions are deferred and amortized over 36 months from the date recorded.

Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income.

Goodwill

Goodwill is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over 40 years.

Earnings and operating cash flow per share

Earnings and operating cash flow per share have been computed using the weighted average number of common shares outstanding. Fully diluted earnings and operating cash flow per share have been computed using the weighted average number of common shares outstanding assuming exercise of stock options.

Deferred lease inducement

Lease inducements are deferred and amortized over the term of the lease.

2. OPERATIONS

The Corporation is incorporated under the laws of Ontario. The primary business of the Corporation is the marketing, management and administration of the C.I. Mutual Funds which consist of the following:

Fund	Month of establishment of Fund
C.I. Pacific Fund	October, 1981
C.I. Global Fund	February, 1986
C.I. Sector Fund Limited	July, 1987
C.I. Money Market Fund	October, 1990
Hansberger European Fund	September, 1991
C.I. Emerging Markets Fund	September, 1991
C.I. World Bond Fund	August, 1992
C.I. American Fund	August, 1992
C.I. Canadian Balanced Fund	January, 1993
C.I. Canadian Bond Fund	January, 1993
C.I. Canadian Growth Fund	January, 1993
C.I. Global Bond RSP Fund	August, 1993
C.I. Global Equity RSP Fund	August, 1993
C.I. Latin American Fund	September, 1993
Hansberger Asian Fund	September, 1993
C.I. Global High Yield Fund	June, 1994
C.I. International Balanced Fund	September, 1994
C.I. Canadian Income Fund	October, 1994
C.I. International Balanced RSP Fund	October, 1994
C.I. US Money Market Fund	January, 1995
C.I. American RSP Fund	October, 1995
Hansberger Value Fund	June, 1996
Hansberger International Fund	June, 1996
Hansberger Global Small Cap Fund	June, 1996
Hansberger Developing Markets Fund	June, 1996
Harbour Mid-Cap Fund	October, 1996

Fund	Month of establishment of Fund
C.I. Dividend Fund	October, 1996
C.I. Canadian Resource Fund	April, 1997
Harbour Fund	June, 1997
Harbour Growth & Income Fund	June, 1997
Harbour Explorer Fund	October, 1997
C.I. Global Boomernomics® RSP Fund	October, 1998
Signature Canadian Balanced Fund	December, 1998
Signature Canadian Fund	December, 1998

The Corporation also markets, manages and administers the C.I. Segregated Funds and the C.I. Guaranteed Investment Funds.

In addition to management fees derived from the Funds, the Corporation recovers administrative expenses incurred on behalf of the Funds relating to their operation.

The Corporation employs the services of various investment advisers to act as advisers with respect to the investment portfolios of the Funds.

In certain cases, the Corporation has granted the rights to arrange for the distribution of the securities of the Funds sold on a deferred sales charge basis to certain limited partnerships [note 3] and the Trust [note 4].

In addition to commissions paid to dealers on the sale of securities of the Funds by the Corporation, certain limited partnerships and the Trust, the Corporation pays fees ["trailer fees"] to dealers to provide ongoing services to investors in Fund securities. These trailer fees range up to 1% per annum of the average net asset value of the underlying securities of the Funds and are payable monthly or quarterly.

3. LIMITED PARTNERSHIPS

During the period up to January 21, 1994 and from June 10, 1994 to December 31, 1994, selling commissions on sales of securities of the Funds under the deferred sales charge method were financed by various limited partnerships. In return, the limited partnerships receive any redemption fees paid with respect to the related securities and the Corporation is obligated to pay the limited partnerships an annual fee of up to 0.6% of the net asset value of the securities sold so long as such securities remain outstanding and the applicable partnership has not been wound up. As at May 31, 1999, the net asset value of securities of the Funds financed by the limited partnerships was \$1,757 million [1998 - \$1,985 million].

4. C.I. FEES TRUST

During the period from January 21, 1994 to June 9, 1994, selling commissions on sales of securities of the Funds under the deferred sales charge method were paid by the Trust which the Trust financed by the issuance of notes repayable with interest over a period of 7 years. The notes mature on February 1, 2001 and the interest rate on the notes is 6.65%. The outstanding balance of the notes as at May 31, 1998 was \$29,128,525. The Trust has assumed responsibility for providing transfer agency functions, accounting services, daily valuation and investor reporting services for the securities financed. In return, the Trust receives any redemption fees paid with respect to the financed securities and receives annual distribution and administrative fees totalling a maximum of 1.35% of the net asset value of the outstanding financed securities.

The Trust has entered into a sub-administration agreement with the Corporation to provide the above services. In return, the Corporation receives a fee equal to the above fees earned by the Trust net of required interest and principal payments on the notes and any other expenses of the Trust. The Corporation's fees from the Trust, which are recognized in income on

an accrual basis, are not payable by the Trust unless certain financial ratios are maintained in the Trust.

On June 29, 1998, the Corporation purchased all of the outstanding notes of the Trust for a purchase price of \$28,685,146. This transaction, which conferred a beneficial interest in the Trust to the Corporation, has been accounted for as a purchase as follows:

	\$
Net assets acquired, at fair value [including cash of \$4,396,781]	2,503,150
Tax benefit of unrecognized losses	11,519,774
Excess of the purchase price over fair value of net assets acquired	14,662,222
Purchase price	28,685,146

The excess of the purchase price over fair value of net assets acquired has been included in deferred sales commissions and is being amortized on a straight-line basis over the remaining term of the notes purchased.

5. CAPITAL ASSETS

Capital assets consist of the following:

	May 31, 1999		May 31, 1998	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
	\$	\$	\$	\$
Computer hardware and software	11,060,939	7,705,864	9,498,564	6,231,400
Office equipment	2,440,696	1,249,051	2,110,759	1,030,690
Leasehold improvements	3,036,369	1,068,268	2,806,696	820,483
	16,538,004	10,023,183	14,416,019	8,082,573
Less accumulated depreciation and amortization	10,023,183		8,082,573	
Net book value	6,514,821		6,333,446	

6. OTHER ASSETS

Other assets consist of the following:

	1999	1998
	\$	\$
Investment in limited partnership	2,281,463	2,581,463
Contingency fund deposits	20,000	20,000
Goodwill, net of accumulated amortization	129,493	134,490
Long-term portfolio investment, at cost	4,422,000	4,422,000
Other	1,019,559	240,000
	7,872,515	7,397,953

The long-term portfolio investment represents an investment in a public company which had a quoted market value of \$9,047,500 as at May 31, 1999.

7. CREDIT FACILITY

The Corporation has arranged a credit facility with a Canadian chartered bank for general corporate purposes for \$75 million which expires on October 28, 1999. Amounts borrowed under this facility bear interest at prime or bankers' acceptance rates plus 0.375% to 0.625%, depending on the amounts borrowed and when the facility is drawn. The facility is secured by all property currently owned or acquired in the future by CIMF and a general guarantee by the Corporation. As at May 31, 1999 this facility is undrawn.

8. SHARE CAPITAL

Details with respect to share capital are as follows:

	Common shares	
	Number of shares	Stated value \$
Authorized		
Unlimited preference shares		
Unlimited common shares		
Issued		
(reflects 2 for 1 stock split in April 1998)		
May 31, 1997	32,784,790	32,195,984
Issue of share capital	5,080,000	100,330,000
Share repurchase	(1,646,200)	(5,835,097)
Exercise of stock options	653,132	3,732,492
May 31, 1998	36,871,722	130,423,379
Share repurchase	(1,844,983)	(6,532,061)
Exercise of stock options	1,028,376	6,459,525
May 31, 1999	36,055,115	130,350,843

In November 1997, the Corporation completed a public offering of 5,080,000 common shares for gross proceeds of \$100,330,000. The expenses of the offering net of income taxes were charged to retained earnings.

On April 8, 1998, the Board of Directors approved a 2 for 1 stock split of the common shares of the Corporation. The stock split was effected by declaring a stock dividend of one additional common share for each common share of the Corporation issued and outstanding on the dividend record date of April 21, 1998.

The Corporation has established an incentive stock option plan [the "Plan"] for the executives, key employees and directors of the Corporation. The maximum number of common shares that may be issued under the Plan is 5,540,426. As at May 31, 1999, there are 3,493,202 common shares reserved for issue on exercise of stock options. These options may be exercised at prices ranging from \$5.375 to \$19.50 per common share with a total exercisable value of \$42,927,936 and expire at dates up to 2006.

During fiscal 1999, 1,844,983 common shares [1998 - 1,646,200] were repurchased under a normal course issuer bid at an average cost of \$13.62 per share [1998 - \$14.06] for a total consideration of \$25,120,658 [1998 - \$23,143,347]. Retained earnings was reduced by \$18,588,597 [1998 - \$17,308,250] for the cost of the shares in excess of their stated value.

9. INCOME TAXES

The components of the Corporation's effective income tax provision rates are as follows:

	1999	1998
	%	%
Combined Canadian federal and provincial income tax rate	44.6	44.6
Increase in taxes resulting from:		
Non-deductible amortization	10.4	—
Large corporations tax	2.4	2.3
Other	1.2	0.8
Effective income tax rate	58.6	47.7

The non-deductible amortization relates to the excess of the purchase price over fair value of the net assets acquired of the Trust [note 4].

10. LEASE COMMITMENTS

The Corporation has entered into leases relating to the rental of office premises and computer equipment. The future minimum annual rental payments under such leases are as follows:

Year ending May 31	\$
2000	1,486,137
2001	1,108,544
2002	937,980
2003	493,192
2004	485,203
2005 and thereafter	2,156,755

11. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 1999 consolidated financial statements.

Corporate Directory

C.I. FUND MANAGEMENT INC. DIRECTORS AND OFFICERS

G. Raymond Chang <i>President, Chief Executive Officer and Director</i>	William T. Holland <i>Executive Vice-President, Chief Operating Officer and Director</i>	Ronald D. Besse <i>Chairman of the Board and Director</i>	George W. Oughtred <i>Director</i>
Stephen A. MacPhail <i>Executive Vice-President and Chief Financial Officer</i>	Michael J. Killeen <i>General Counsel and Corporate Secretary</i>	A. Winn Oughtred <i>Director</i>	David J. Riddle <i>Director</i>

C.I. MUTUAL FUNDS INC. MANAGEMENT

Executive

G. Raymond Chang <i>President and Chief Executive Officer</i>	William T. Holland <i>Executive Vice-President and Chief Operating Officer</i>	Stephen A. MacPhail <i>Executive Vice-President and Chief Financial Officer</i>	Peter W. Anderson <i>Executive Vice-President, Sales and Marketing</i>
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Marketing

Scott Pehleman <i>Senior Vice-President</i>	Marcelo A. Donato <i>Vice-President</i>	Julie A. Warren <i>Vice-President</i>
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Sales

Ontario		Western Provinces	Quebec and Eastern Provinces
Howard J. Atkinson <i>Senior Vice-President</i>	Sean Hayes <i>Vice-President</i>	Robert J. Costigan <i>Senior Vice-President</i>	Alain Ruel <i>Senior Vice-President</i>
Thomas V. Caswell <i>Senior Vice-President</i>	Ron Bowes <i>Vice-President</i>	Derek J. Green <i>Senior Vice-President</i>	Sylvain Rivard <i>Senior Vice-President</i>
John Dale <i>Senior Vice-President</i>	Michael Warus <i>Vice-President</i>	Dave M. Rupert <i>Senior Vice-President</i>	Patrick LeFrancois <i>Vice-President</i>
K. Michael Kelly <i>Senior Vice-President</i>		Karl Palmen <i>Vice-President</i>	Patrick Flemming <i>Vice-President</i>
David R. McBain <i>Senior Vice-President</i>		Roy Ratnavel <i>Vice-President</i>	
Carey W. McIntee <i>Senior Vice-President</i>		Nigel Stewart <i>Vice-President</i>	
Kevin Bonello <i>Vice-President</i>		Tracy C. Wood <i>Vice-President</i>	

Operations and Corporate

Ian T. Madill <i>Senior Vice-President, Administration</i>	Michael J. Killeen <i>General Counsel and Corporate Secretary</i>	Munir T. Issa <i>Senior Vice-President, Information Systems</i>	Lorraine P. Blair <i>Vice-President, Human Resources</i>
Mark MacLeod <i>Vice-President, Client Services</i>	Douglas J. Jamieson <i>Vice-President, Finance</i>	David C. Pauli <i>Vice-President, Financial Operations</i>	Greg Shin <i>Vice-President, Fund Accounting</i>

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TRADING SYMBOL

C.I. Fund Management Inc.
trades on The Toronto Stock
Exchange under the symbol
"CIX".

This Annual Report can be downloaded from C.I.'s website at www.cifunds.com



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