CI Financial

2005 ANNUAL REPORT

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CI Financial

CI Financial is a diversified wealth management firm and Canada's third-largest investment fund company. Independent and Canadian-owned, CI provides a comprehensive and innovative selection of top-quality investment products and services. CI has two million clients and more than $70 billion in fee-earning assets (at August 31, 2005). The company operates primarily through subsidiaries CI Investments Inc., which offers the industry's broadest selection of investment funds; Assante Corporation, which provides financial advisory services through a national network of 1,050 advisors; and Skylon Advisors Inc., a manager of structured products. CI has been listed on the Toronto Stock Exchange under the symbol CIX since June 1994 and is a member of the S&P/TSX Composite Index.

CI Investments™ Assante SKYLON ADVISORS INC.

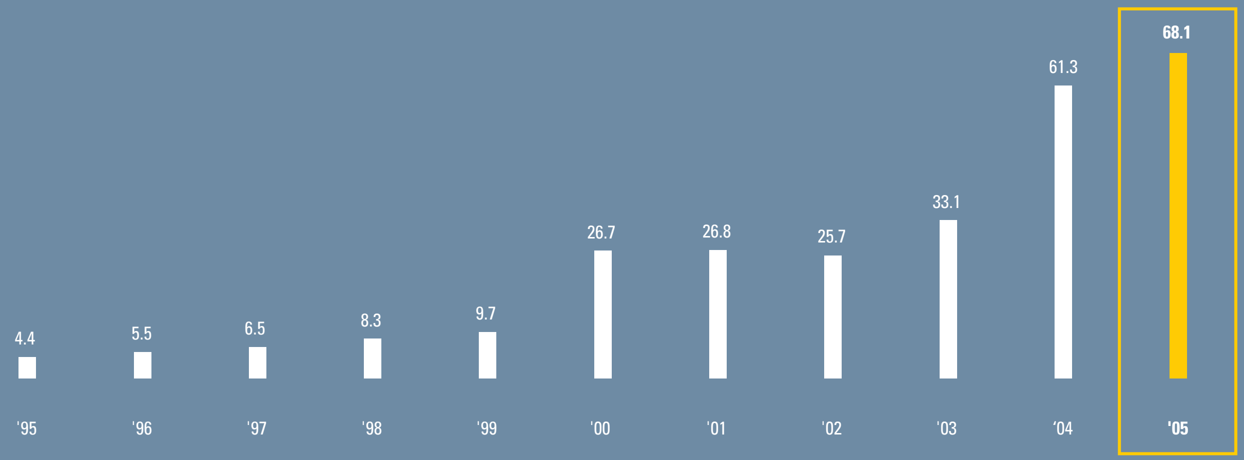
FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MAY 31,

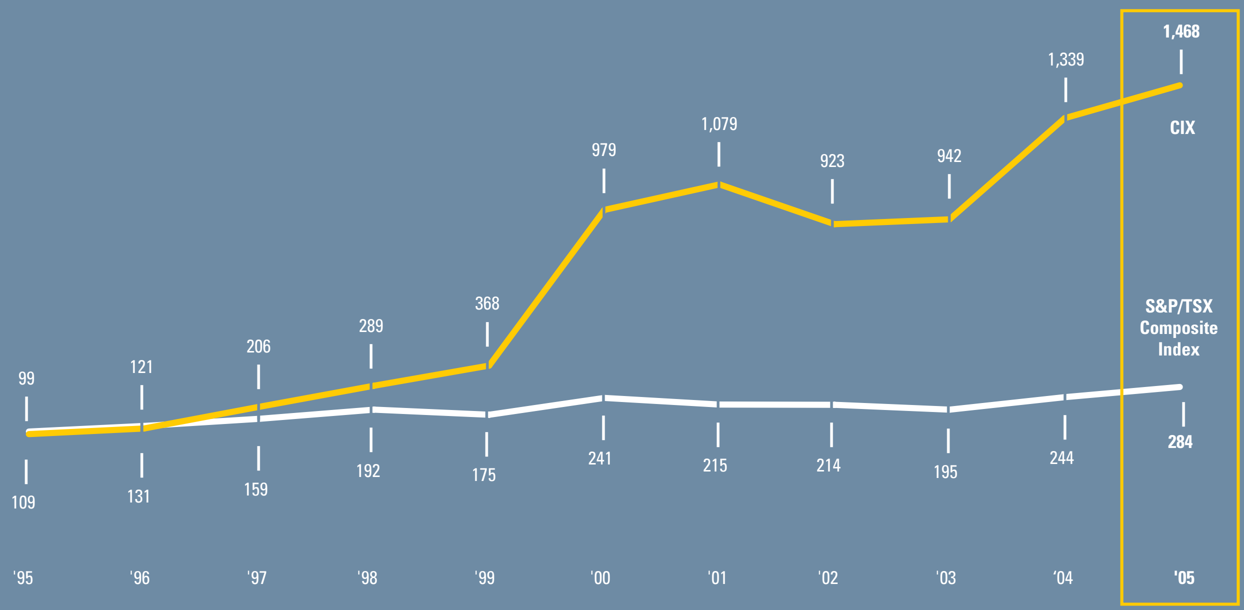
(millions of dollars, except share and per share amounts)	**2005**	2004	% change
Total fee-earning assets, end of year	**68,053**	61,343	+11
Net sales of funds	**1,734**	920	+88
Management fees	**881.8**	710.9	+24
Total revenues	**1,082.3**	844.6	+28
Net selling, general and administrative	**215.3**	147.0	+46
Trailer fees	**250.7**	197.8	+27
Net income	**284.7**	221.1	+29
Operating cash flow*	**389.7**	368.5	+6
Earnings per share	**0.97**	0.82	+18
Operating cash flow* per share	**1.33**	1.37	-3
EBITDA* per share	**1.81**	1.65	+10
Dividends per share	**0.68**	0.41	+66
Shareholders' equity, end of year	**1,472.8**	1,533.9	-4
Shares outstanding, end of year	**286,643,091**	295,199,027	-3

**EBITDA (Earnings before interest, taxes, depreciation and amortization) and operating cash flow are non-GAAP (generally accepted accounting principals) earnings measures; however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these performance measures in analyzing CI's results.*

Fee-earning Assets years ended May 31; $billions



CIX vs S&P/TSX Composite Index Total Return years ended May 31; June 1994 = 100



Dear Shareholders,

Fiscal 2005 was a very successful year, one in which your company achieved record levels of assets, revenues and profitability. It was a year in which we built on the acquisitions we have made over the past two years to solidify our position within the top tier of our industry.

Our principal operating companies, each a leader in its segment, performed well during the year. CI Investments Inc. led the independent fund companies in net sales and posted strong results across its lineup.

WILLIAM T. HOLLAND
Chief Executive Officer
CI Financial

Assante Wealth Management, one of the largest full-service financial planning firms in Canada, has restructured its business and established a strong platform for growth. Our position in this segment was bolstered in fiscal 2005 with the acquisition of IQON Financial Management Inc. and Synera Financial Services Inc.

Skylon Advisors Inc., known for its innovation in structured products, enjoyed particular success in developing and marketing fund-linked notes in co-operation with CI Investments.

We have been making progress at a time when our industry is facing new challenges. Although Canadian mutual fund assets hit an all-time high of $530 billion in June 2005, it is an industry that shows all the signs of being mature. While net sales have improved since the slump of 2002-2003, reaching $13 billion in the first six months of 2005, they are still far below the peak net sales of $52 billion reached in 1997.

Despite this, CI has grown dramatically and considerably advanced its competitive position within the industry. Since 1998, we have increased our fee-earning assets by 750% from $8 billion to $68 billion. We have moved from being the number 15 mutual fund company to the third-largest player in our industry, with a wide range of products. Our results for fiscal 2005 reflect this steady growth.

Financial Achievements

We ended the fiscal year with $68.1 billion in fee-earning assets, an 11% increase year over year that resulted from healthy net sales, the acquisition of IQON and excellent performance by our funds. Our managed retail assets also grew by 11%, to $49.2 billion. This was enough to boost our share in that market slightly, to 8.9% at May 31, 2005.

Our net sales at CI Investments and Assante rose 215% in fiscal 2005 to $1.64 billion – making CI the top-selling independent fund company at a time when the banks, with their huge branch networks, are dominating the net new sales figures.

CI's annual revenues surpassed the billion-dollar mark for the first time, rising 28% to $1.1 billion. Net income was $284.7 million, up 29% from $221.0 million in fiscal 2004. Earnings per share rose 18% to $0.97. CI's operating cash flow increased 6% to $389.7 million.

Investors who are familiar with us have come to understand our focus on building the value of the company. Our share price at May 31, 2005, was $17.30, which represents a 9.6% return for the year including dividends. CI stock has been a top performer over the longer term as well. From June 1994, when CI went public, to May 31, 2005, CI shares posted a total return of 1,368% – making it the eighth-best-performing stock on the entire S&P/TSX Composite Index.

Shareholders have benefited from the tremendous growth in CI's free cash flow over the years. Given our maturing industry, CI produces more cash than it needs to finance its growth. We have returned cash to shareholders through share buybacks and dividends.

In fiscal 2005, CI repurchased 8.6 million shares at an average price of $17.24. Over the past 10 years, we have bought back $520 million worth of shares at an average price of $9.58 – certainly one of the best investments we have ever made.

CI's dividend during the fiscal year of $0.675 represents an increase of 67% from the prior year and 133% from fiscal 2003. This record was enough to place us at the top of a *Globe and Mail* survey published in November 2004, which found that CI had the highest dividend growth rate over three and five years of all companies listed on the S&P/TSX Index. CI was also named a "Mergent Canadian Dividend Achiever," which recognizes companies that have increased their regular annual dividend payments for the last five or more consecutive years. In July, we announced a further 20% increase in the dividend, to $0.72 per share a year.

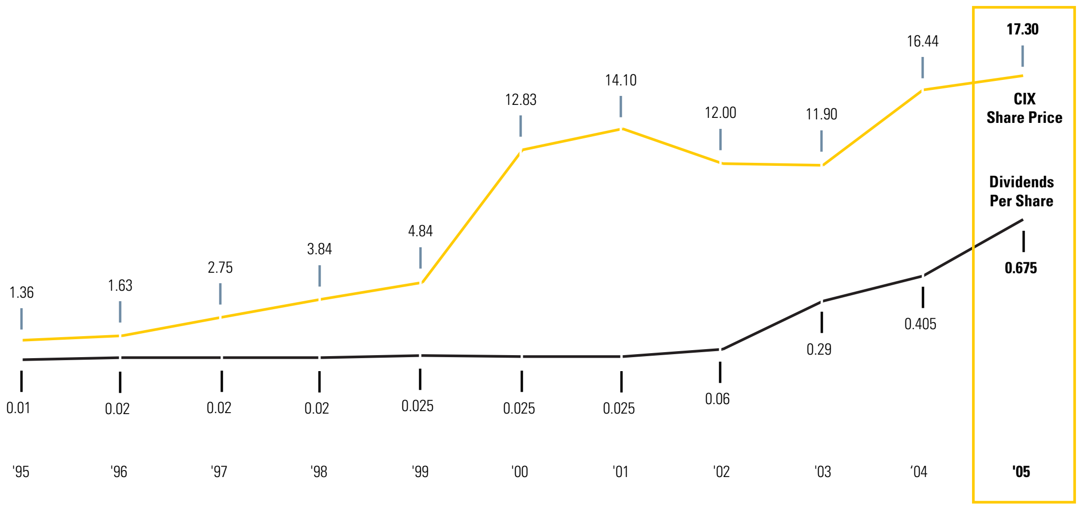
In January 2005, CI became one of the first Canadian companies apart from income trusts to pay its dividend on a monthly basis. We took this step to help the growing number of investors who rely on their investments to provide a consistent income.

Operational Achievements

Underlying these impressive financial results were operational achievements across our organization. We would like to mention just a few highlights. You can read more in the following sections of this Annual Report.

We have already made note of the strong sales at CI Investments during the year. It's worthwhile mentioning that sales were well diversified among funds, product types and portfolio management groups.

CIX Share Price and Dividends Per Share ▯ years ended May 31 (adjusted for stock splits) : $



Much has been made of the fact that industry sales have been dominated by income and balanced products, but CI also has several equity funds among its top sellers. One product that was particularly successful in fiscal 2005 was fund-linked notes, which were developed in conjunction with Skylon. A number of these notes raised $597 million during the year.

One of the key drivers of sales at CI Investments has been its strong ties with a variety of distribution channels. While CI has enhanced and strengthened all of these ties over the past year, our relationship with Sun Life Financial's 4,000 Clarica agents and managers has become increasingly productive. Under this alliance, which was established in 2002, CI is a preferred supplier of wealth management products to the Clarica sales force.

Another key driver of sales is, of course, fund performance. CI Investments has enjoyed strong performance overall, and one of the best measures of this quality is Morningstar Canada's five-star ratings. At May 31, 2005, CI Investments led the industry with 54 funds with the top rating, while the second-place firm had 18.

At Assante, the asset management business enjoyed decent growth in fiscal 2005, with respectable net sales and performance within its own managed portfolio programs. Over the past year, we made significant improvements to those programs through various portfolio management changes and by transferring their administration to the CI system from a third-party service provider, which led to substantial reductions in their operating costs.

On the dealership side of the Assante business, we have updated and consolidated the back office procedures and systems – providing the base for increased efficiency and a higher level of service to advisors and clients. We also expanded our support to advisors by offering a wider range of insurance products, additional access to tax, legal, insurance and estate planning experts, and increased opportunities for professional and business development.

Perhaps one of our most important operational achievements is our continued focus on efficiency and cost control throughout our organization. This discipline not only benefits our shareholders, but the investors in the CI and Assante funds. As a result of our increasingly efficient fund administration, we have steadily reduced the operating expenses of our funds over the past decade. In fiscal 2005, operating expenses as a percentage of assets were just 24.5 basis points, down from 39.6 basis points in 1999.

We believe that CI has the industry's lowest operating costs, and we will tell you more later about how we are capitalizing on this competitive advantage.

A Strategy for Today and the Future

CI's strategy has been consistent over many years and it has guided the company's continued growth through both the "boom" years and the difficult years of the extended bear market. This strategy has four defining elements: the achievement of scale; a diverse lineup of products and portfolio managers; multiple distribution channels; and operational excellence.

By achieving **scale**, CI has gained an important competitive advantage. We are able to devote more resources to all aspects of our business, while benefiting enormously from economies of scale. Our funds' low operating expenses are but one example of this principle at work.

CI's **product lineup is extensive in its variety**, as it includes mutual and segregated funds, hedge funds, fund-linked notes, closed-end funds, and asset allocation services and portfolio products, such as Portfolio Series and Assante's Optima Strategy and Artisan Portfolios. Within those products, we offer a wide range of leading portfolio managers representing the full spectrum of investment approaches. In the wealth planning business, Assante provides a full slate of services.

This diversity has attracted advisors' support, as it makes it easier for them to meet their clients' needs in one place. It has ensured that CI is not reliant on any one product or portfolio manager for its sales, and it has meant that CI has products available to meet investors' preferences as they change.

CI views **multiple distribution channels** as being critical to the company's future. We have developed new avenues for growth through, for example, our successful participation in third-party fund programs at other financial institutions and our rewarding relationship with Clarica. With the acquisitions of Assante and IQON, CI gained a significant presence in this segment of the business.

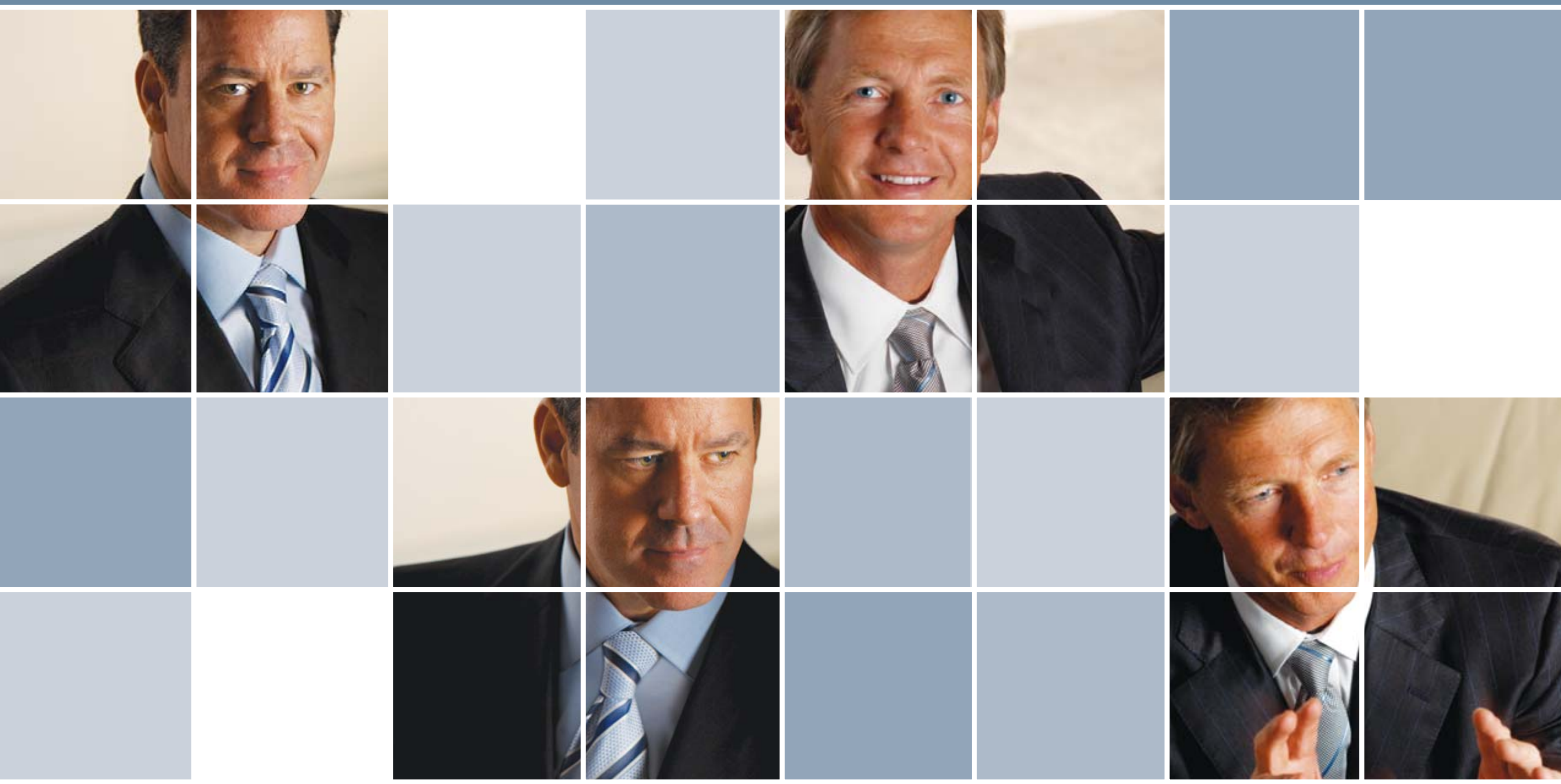
Operational excellence refers not only to our considerable expertise and efficiency in fund administration, but to the excellence we achieved in all of our operations, including fund performance, our high level of customer service and the strength of our brand.

Our Plans for Fiscal 2006

CI is beginning fiscal 2006 in its strongest position in six years. In the first two months of the year, net sales have been strong and our fee-earning assets hit a new high. We continue to execute our strategy, enhancing CI's growth, profitability and competitiveness.

As an example, we are implementing a ground-breaking proposal to establish fixed operating expenses for our CI and Assante mutual funds. This is significant for the industry because operating costs vary widely between funds and companies, and are not known by investors until after the fact. Our investors will know in advance what they are paying. In addition, we are setting the operating expenses at levels that are significantly lower than the funds' actual average operating expenses for calendar year 2004. We believe that our operating expenses are the lowest in the industry and that most of our competitors will be unable to match our efficiency.

As part of this, we have taken a leadership position in the industry in highlighting the pernicious effects of the GST, which the federal government charges on the operation of mutual funds. It is, in effect, a tax on Canadians' retirement savings.



WILLIAM T. HOLLAND
Chief Executive Officer
CI Financial

STEPHEN A. MACPHAIL
President and Chief Operating Officer
CI Financial

We are also introducing new products and services to meet the changing needs of our clients. While a number of initiatives are underway at CI Investments, Assante and Skylon, we would make note of the July launch of Assante's Institutional Managed Portfolios, an advanced investment program for affluent investors. It's an important step in strengthening Assante's product lineup.

CI is well positioned for continued growth. We will also acquire other companies if the combination makes sense. As we have said in the past, our ability to quickly integrate acquired companies is an important competitive advantage.

Ultimately, CI only achieves success when our clients achieve success. We are very serious about our fiduciary duty to the investors in our funds and to our wealth planning clients. This is what drives our ongoing efforts to enhance our portfolio management expertise, upgrade our technology and our administrative processes, expand our services and improve our operations across the board.

Finally, you will have noticed from the cover of this report that we have adopted the name CI Financial. This name reflects a new stage in CI's evolution – our development into a diversified wealth management firm and a holding company for a varied range of financial services businesses.

In closing, we extend our sincere thanks to our employees for their dedication and hard work, to our shareholders for their encouragement and support and, most importantly, to our clients for entrusting us with their savings.

WILLIAM T. HOLLAND
Chief Executive Officer

STEPHEN A. MACPHAIL
President and Chief Operating Officer

HISTORICAL FINANCIAL HIGHLIGHTS

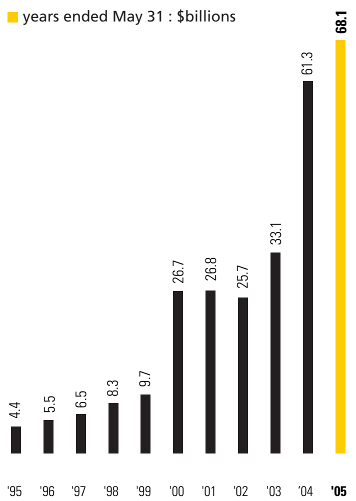
YEARS ENDED MAY 31,

(millions of dollars, except share and per share amounts)	**2005**	2004	2003	2002
Total fee-earning assets, end of year	**68,053**	61,343	33,084	25,713
Net sales of funds	**1,734**	920	(596)	481
REVENUE				
Management fees and other income	**1,035.1**	798.4	525.9	407.0
Redemption fees	**47.1**	43.4	50.3	41.1
Performance fees	**0.1**	2.8	0.1	1.1
Total revenues	**1,082.3**	844.6	576.2	449.2
EXPENSES				
Net selling, general and administrative	**215.3**	147.0	111.1	56.3
Trailer fees	**250.7**	197.8	147.4	97.8
Distribution fees to limited partnerships	**4.4**	5.6	6.8	10.6
Amortization of deferred sales commissions	**55.2**	34.0	169.9	201.6
Other (including securitization and minority interest)	**108.8**	68.5	21.0	24.1
Total expenses	**634.4**	452.9	456.2	390.4
Income taxes	**163.2**	170.7	49.0	22.0
Income before amortization of goodwill	**284.7**	221.0	71.0	36.8
Net income [loss]	**284.7**	221.0	71.0	(61.4)
Operating cash flow*	**389.7**	368.5	245.6	222.8
Earnings per share before amortization of goodwill	**0.97**	0.82	0.32	0.21
Operating cash flow* per share	**1.33**	1.37	1.09	1.27
EBITDA* per share	**1.81**	1.65	1.32	1.51
Dividends** per share	**0.68**	0.41	0.29	0.06
Shareholders' equity, end of year	**1,472.8**	1,533.9	632.7	56.8
Shares outstanding, end of year**	**286,643,091**	295,199,027	235,525,648	170,785,428

**EBITDA (Earnings before interest, taxes, depreciation and amortization) and operating cash flow are non-GAAP (generally accepted accounting principles) earnings measures, however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these performance measures in analyzing CI's results.*

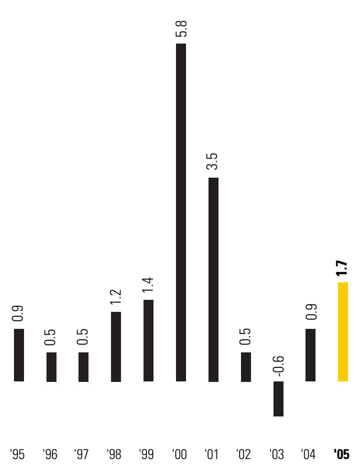
Fee-earning Assets

years ended May 31 : $billions



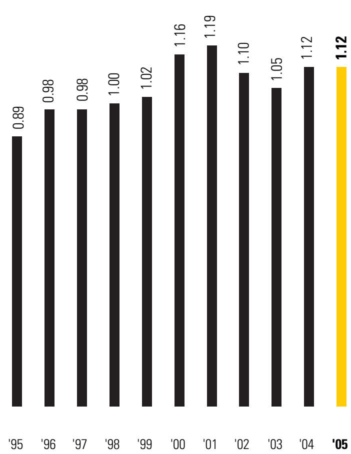
Net Sales

years ended May 31 : $billions



Net Operating Margin

years ended May 31 : % of average AUM

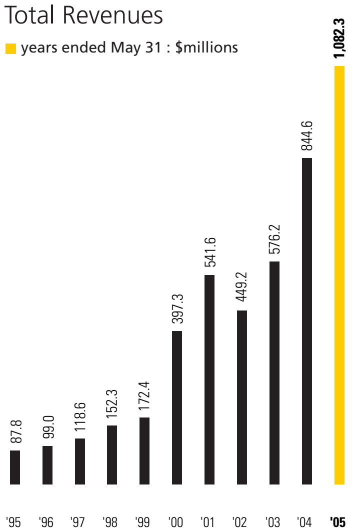


2001	2000	1999	1998	1997	1996	1995
26,834	26,678	9,700	8,302	6,516	5,469	4,394
3,468	5,843	1,369	1,189	461	537	909
510.3	353.4	158.0	143.9	114.5	97.6	87.6
28.7	22.5	14.4	8.4	4.1	1.4	0.1
2.6	21.4	—	—	—	—	—
541.6	397.3	172.4	152.3	118.6	99.0	87.8
67.7	54.8	34.3	33.9	27.0	23.6	24.5
115.6	79.1	37.0	34.9	28.9	24.0	19.9
16.2	16.4	9.6	11.3	11.4	12.9	12.7
183.9	117.8	67.3	47.3	26.4	11.8	1.2
33.8	21.1	3.0	8.5	7.4	7.7	10.2
417.2	289.2	151.2	135.9	101.1	80.0	68.5
34.3	51.3	12.4	7.7	8.0	8.5	8.8
90.1	56.8	8.8	8.6	9.5	10.5	10.5
11.5	(2.1)	8.7	8.6	9.5	10.5	10.5
291.9	230.0	89.8	64.4	45.1	37.4	20.9
0.49	0.33	0.06	0.06	0.07	0.08	0.08
1.60	1.34	0.63	0.45	0.34	0.28	0.16
1.75	1.38	0.64	0.46	0.35	0.25	0.17
0.025	0.025	0.025	0.02	0.02	0.02	0.01
260.8	292.1	126.6	140.2	55.8	50.8	43.1
180,684,728	182,829,928	144,220,460	147,486,888	131,139,160	131,838,104	131,882,104

***Adjusted for two-for-one stock splits in April 1998, January 2000 and November 2000.*

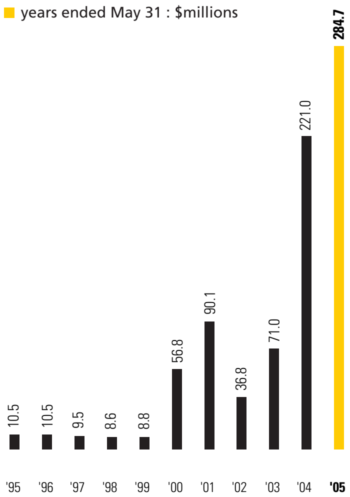
Total Revenues

years ended May 31 : $millions



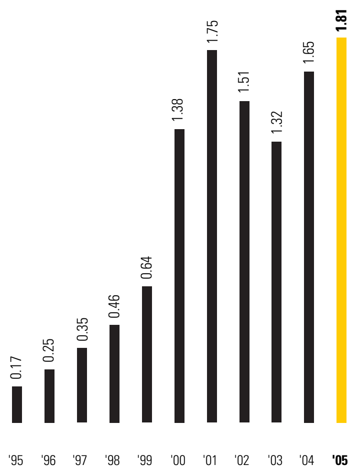
Income Before
Amortization of Goodwill

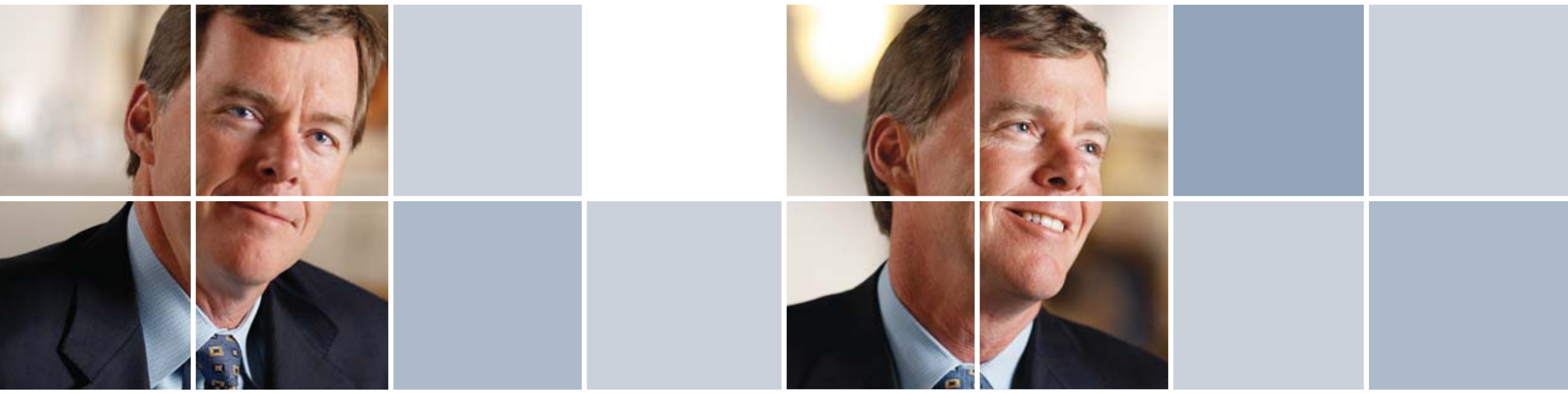
years ended May 31 : $millions



EBITDA* Per Share

years ended May 31 :





PETER W. ANDERSON
President and Chief Executive Officer
CI Investments

Our Company

CI Investments is one of Canada's largest investment management companies, with more than $40 billion in assets under management (as of August 31, 2005). We began managing money in 1965, and have a successful track record of anticipating and responding to the changing needs of Canadian investors.

We offer a wide selection of leading portfolio management teams and we make their expertise available through a broad range of products and services, including mutual funds, segregated funds, structured products, alternative investments and asset allocation programs. We have the industry's broadest selection of investment funds, marketed under the CI, Harbour, Signature, Synergy, Portfolio Series and Sun*Wise* brands.

In June 2005, we changed our name to CI Investments Inc. from CI Mutual Funds Inc. to better reflect our diverse lineup of investment options and our continuing commitment to providing Canadians with innovative and high-quality investments that will help them meet their financial goals.

Our Strategy

CI Investments' strategy, which follows the overall strategy of CI Financial as highlighted in the Message to Shareholders, is to build on these key competitive advantages:

- A broad lineup of the best available portfolio managers offering strong performance and representing all investment approaches from value to growth.
- A well-diversified selection of products and services.
- Multiple distribution channels. We have significantly expanded our distribution beyond the "traditional" channels of brokers and financial planners.
- Scale, which provides for economies of scale while allowing us to offer a comprehensive selection of products and services.
- Operational excellence, of which two important components are administrative efficiency and strength in sales and marketing.

The following highlights demonstrate the success of this strategy in fiscal 2005 and the priorities we are pursuing in fiscal 2006.

Highlights of Fiscal 2005

Growing Sales Momentum

In fiscal 2005, CI Investments had gross sales of $7.2 billion and net sales of $1.3 billion, which represents a market share of approximately 10% of industry net sales of $12.9 billion (as reported by the Investment Funds Institute of Canada). Assets in our retail mutual and segregated funds stood at $39.2 billion at May 31, 2005, up approximately 12% over the year. Our sales momentum improved in the latter half of the year, and we were the top independent fund company for net sales from January to June and number three overall.

Our improving sales and market share can be attributed to our diverse product lineup, the strength of that lineup and to our strong relationships with our distribution channels. Whereas overall industry sales were dominated by income and balanced funds, CI's sales were well diversified among asset classes and product groups. For sure, income and balanced funds such as Signature High Income Fund, Harbour Growth & Income Fund and Signature Income & Growth Fund were well represented on our list of top sellers. However, our best-selling funds also included the Canadian equity funds CI Canadian Investment Fund and Harbour Fund.

Top-selling product groups included Portfolio Series, a family of strategic asset allocation funds. Assets in Portfolio Series grew by 64% over the fiscal year, climbing from $1.1 billion to $1.8 billion as a result of net sales and performance.

We have done well in the market for segregated funds, which combine mutual funds with insurance contracts. CI Investments is one of the top three companies for segregated fund sales and assets and is the top firm that is not an insurance company. We were the first mutual fund company to enter the segregated fund market in 1997 and segregated funds now account for approximately 12% of our net sales and 16% of our assets, or $6.6 billion. Our best-selling segregated fund product is Sun*Wise*, and its assets exceed $2.1 billion, up from $1.2 billion at the end of fiscal 2004.

We also capitalized on the growing demand for fund-linked notes, which typically offer a principal guarantee and returns linked to the performance of one or more mutual funds. From August 2004 to July 2005, CI Investments, in conjunction with Skylon Advisors, issued nine fund-linked notes, raising $737 million and dominating sales in this burgeoning market. In particular, the CI C.A.P.I.T.A.L. Deposit Notes™ struck a chord with investors, with sales of over $500 million in the first three series.

Performance and Portfolio Management

At the root of our sales success is the strong performance across our lineup of funds and portfolio management teams.

The overall quality of our funds is recognized by Morningstar Canada, a leading independent provider of fund research and analysis. As of June 30, 2005, CI Investments led the industry with 49 funds with Morningstar Canada's top five-star rating – three times as many as the second-place firm. CI has held the top spot in the Morningstar Canada five-star rankings since January 2005 and has been either number one or number two every month over the past three years.

Two of our funds were singled out for recognition at the Canadian Investment Awards in December 2004, as CI Canadian Investment Fund was named Canadian Equity Fund of the Year and Signature High Income Fund received the award for Canadian Income Trust Fund of the Year.

To achieve these results, we use a mix of in-house teams and outside firms retained as sub-advisors. Our in-house teams are Harbour Advisors, which managed over $6 billion at May 31, 2005, and Signature Advisors, which managed approximately $15 billion. Signature manages more assets for us than any other team or firm on our roster.

In fiscal 2005, we made various changes to our portfolio management lineup to support our strategy of providing a clear choice of leading managers representing the full spectrum of investment approaches. These changes included terminating our contract with Webb Capital Management LLP in June 2004 and transferring those assets to Synergy Asset Management, which uses a similar investment approach. In addition, BPI Global Asset Management LLP, a former subsidiary, was combined with Trilogy Advisors, LLC, and the management of the BPI mutual fund portfolios was transferred to Trilogy. Again, both firms use a growth approach to selecting global equities.

Expanding Distribution Channels

CI Investments has grown through its close relationships with individual brokers and financial planners and their firms, the distributors of our products. We maintain these relationships through one of the largest sales and client services teams in the industry. This highly trained team provides strong service and support to financial advisors – a key to the success of CI Investments.

Over the past number of years, we have pursued a strategy of expanding the distribution channels for our products and this strategy met with continuing success in fiscal 2005. Two channels that have become increasingly important are Sun Life Financial's Clarica sales force and third-party programs offered by other financial institutions.

CI Investments is the preferred supplier of wealth products to Clarica managers and agents and this relationship, which was established in 2002, has been marked by growing co-operation. As an example, we developed two fund-linked notes exclusively for Clarica. Currently, the Clarica channel accounts for approximately 19% of our gross sales.

CI participates in third-party investment programs offered by banks, insurance companies and other investment dealers that want to add the CI brand name and our portfolio management expertise to their product lineup. An Institutional Business team within our Sales and Marketing Department develops and maintains these relationships. In fiscal 2005, this team established three new relationships, while total third-party net sales for the fiscal year were in excess of $600 million. Total assets in third-party programs increased by 35% year over year to $3.4 billion at May 31, 2005.

This institutional business has had a significant impact in boosting our sales, gaining access to distribution channels that are not typically available to independent fund companies and heightening awareness of the CI brand through third parties.

Our overall sales efforts during the year were supported by a wide range of marketing initiatives. Of note was a radio advertising campaign in the key markets of Toronto and Vancouver that was successful in raising our profile and building on the strength of our brand. As part of our brand-building efforts, we have been using the terms *Experience, Strength and Diversity* in our advertising and marketing materials. These terms emphasize CI Investments' long history of managing money, its financial strength and its broad selection of investments.

Another notable project designed to support our financial advisor partners was the development of Advising the Client, a Web-based training resource where advisors can receive continuing education credits in a self-study environment. Advising the Client not only assists advisors with continuing education, but also provides them with information on how our products can be used as solutions to real-life financial planning issues.

Operating Efficiency

Maintaining a comprehensive yet clear lineup of efficiently operated, high-quality funds remains a priority for CI Investments. Our acquisitions over the years dramatically expanded the number of funds we offer, and we have been consistent in streamlining our lineup by merging funds. This not only simplifies our lineup, but it creates funds that are more efficient, as their operating expenses are spread over a larger asset base.

We completed the merger of 20 funds in fiscal 2005, as well as the amalgamation of our Synergy global corporate class structure into CI Corporate Class. In July and August 2005, we completed another 17 fund mergers and terminated 39 RSP funds. The RSP funds, which were foreign funds that were 100% eligible for registered plans, were no longer necessary once the federal government eliminated the foreign property rule. One result of these mergers was that we are no longer using the Clarica brand name on any of our mutual funds.

In our administration and operations, we achieved new levels of efficiency in fiscal 2005. In the area of fund operations, we reduced the average operating expenses of our funds to 21.5 basis points (as a percentage of assets under management) – a reduction of 22% from 27.5 basis points the previous year. We believe that our overall operating expenses are the lowest in the industry.

Our efficiency in this area is significant because these savings improve the performance of the funds, directly benefiting their investors. The lower costs also make our funds more attractive relative to those offered by our primary competitors. As a result, our efficiency constitutes a competitive advantage that we intend to exploit as the industry becomes more competitive and investors increasingly focus on fees. Please see the section "Our Plans for Fiscal 2006" for details on our move to establish fixed operating expenses for our mutual funds.

Fund Governance

In fiscal 2005, CI Investments continued to work with regulators on their investigation into trading activities within the Canadian mutual fund industry. During the year, CI Investments and four other fund companies reached settlements with the Ontario Securities Commission in which the companies agreed to compensate investors in a number of their funds who may have been affected by frequent trading market timing trades by certain other investors. CI Investments' current measures are effective in detecting and preventing market timing and frequent trading by investors in our funds.

In fiscal 2005, we continued to enhance our policies and procedures to ensure that the interests of the investors in our funds are placed first. An example is the CI Investments Board of Governors, which acts as an independent governance body of the funds, providing impartial judgment on conflicts of interest with a view to the best interests of the funds and their investors. The Board of Governors adopted a new mandate that already meets the requirements of the latest proposals from securities regulators, published in May 2005, for independent review committees for all mutual funds. This reflects the commitment of CI Investments and the Board of Governors to meeting our fiduciary duties to our clients.

Our Plans for Fiscal 2006

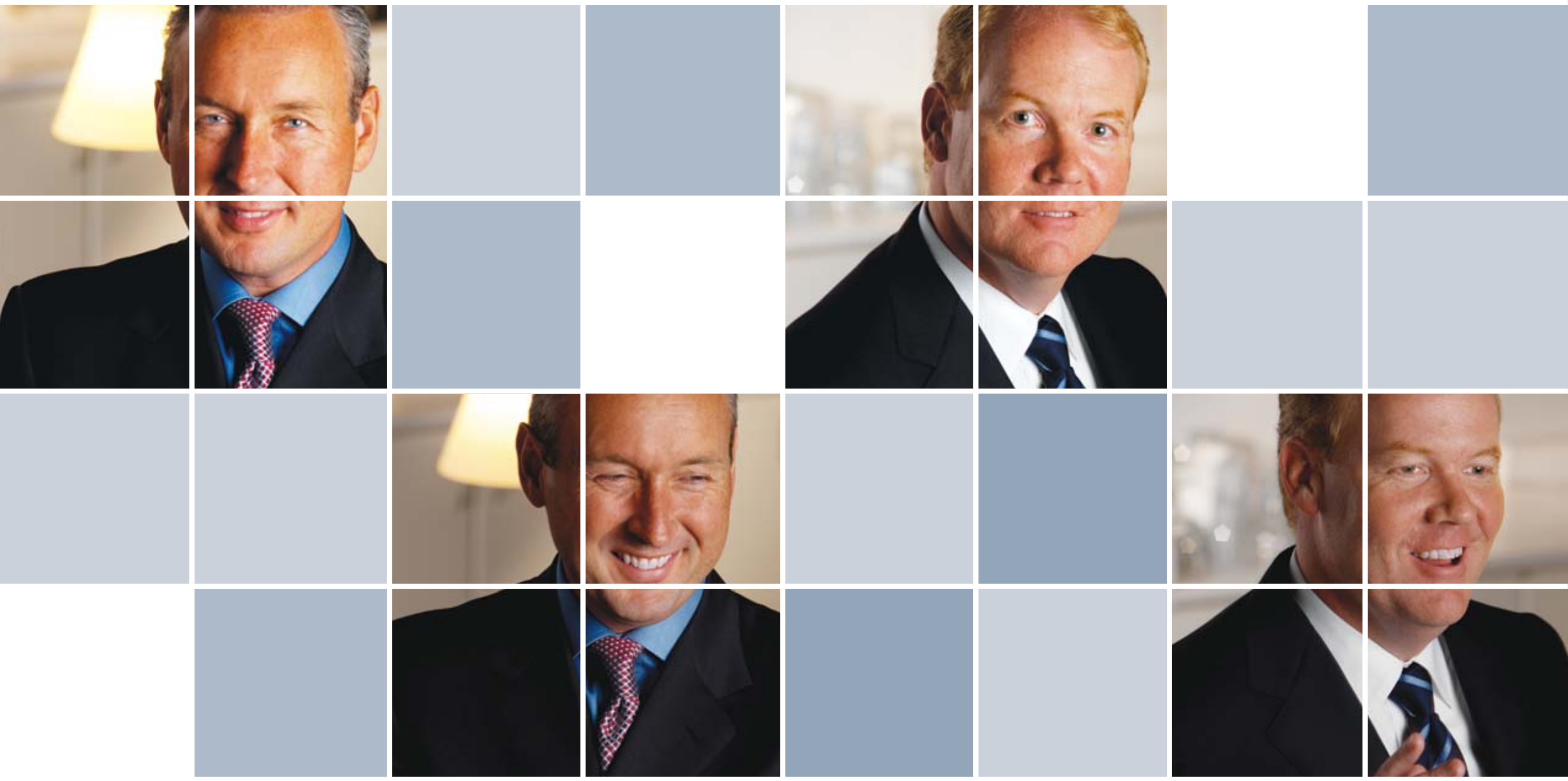
One our key initiatives in fiscal 2006 focuses on the area of operating efficiency. Our plan to set fixed operating expenses for our mutual funds, which was overwhelmingly approved by investors in August 2005, will result in lower costs and greater transparency for investors. The fixed expenses, to be called administration fees, are being set at 17 to 22 basis points, depending on the fund category – a level that is 36% lower on average than the funds' actual operating expenses for calendar year 2004.

Just as important is the certainty created for investors. Currently, operating expenses in the fund industry are not known ahead of time and they can vary widely from fund to fund and from company to company. At CI Investments, investors will know exactly what they will pay to invest in a fund and that it will remain at that level.

This measure is a first for our industry and offers significant benefits to investors. We are setting a new benchmark that many competitors will be unable to reach.

Other key plans for 2006 include several new products, including an enhanced strategic asset allocation program that will build on the success of Portfolio Series to be called Portfolio Select Series, and a new segregated fund program called Sun*Wise* Elite.

Fiscal 2005 was a successful year for CI Investments, marked by growing sales, impressive fund performance and a stronger position in our industry and our marketplace. We intend to build on our competitive advantages in all areas in the coming year and we are confident we can continue to deliver excellent products and services – and excellent results.



JOSEPH C. CANAVAN
Chairman and Chief Executive Officer
Assante Corporation

STEVEN J. DONALD
President and Chief Operating Officer
Assante Corporation

Assante

Our Company

Assante Corporation is a fully integrated wealth management company. It operates through subsidiaries that include United Financial Corporation (formerly Assante Asset Management Ltd.), Assante Capital Management Ltd., Assante Financial Management Ltd., IQON Financial Management Inc., and Assante Estate and Insurance Services Inc.

We are one of the largest independent networks of advisors with more than 1,050 advisors in 400 locations across the country. We have more than $24 billion in assets under administration (at August 31, 2005), including $9 billion in assets under management, and serve over 250,000 Canadians.

Assante brings together the extensive experience of our advisors and wealth management professionals from multiple disciplines to offer our clients customized strategies for building and preserving their wealth. Our range of services includes investment advice, retirement planning, tax planning, insurance and estate planning.

We're a proud sponsor of Raise-a-Reader®

Assante is proud to be a sponsor of CanWest Raise-a-Reader®, a unique program designed to increase awareness and raise money and books for family literacy programs across Canada. In today's knowledge-based economy, strong literacy skills—the ability to read, write, think critically and solve problems—are the foundation for success throughout life and are a key to our wealth and prosperity as a nation. In 2000, the International Adult Literacy Survey found that more than 40% of Canadian adults do not have strong literacy skills. Addressing basic language and literacy education needs early in life and increased parental involvement can help reverse these statistics.

Advisory services are offered through **Assante Capital Management**, an investment dealer, and **Assante Financial Management**, a mutual fund dealer, which together operate under the brand name Assante Wealth Management. **IQON Financial**, a mutual fund dealer and wholly owned subsidiary, provides advisory services under the IQON brand.

Assante Estate and Insurance Services offers comprehensive insurance advice and sophisticated insurance-based business and estate planning solutions that are designed to protect our clients' wealth and meet specific financial planning objectives.

United Financial manages our investment products – Artisan Portfolios, Institutional Managed Portfolios and Optima Strategy, which are offered exclusively through Assante advisors. They allow advisors to provide clients with portfolios that are diversified by asset class, portfolio manager and investment style within a single investment program. Portfolio management is provided by a range of outside money management firms. United Financial also provides investment management services to high net worth individuals and institutional clients through Private Client Managed Portfolios. United Financial has $8.8 billion under management.

Our Strategy

The foundation of our strategy is integrated wealth management, which combines traditional investment advice with insurance, tax and estate planning to look at a client's entire financial situation. We believe this business model best serves the increasingly complex needs of clients, and is the key for successful and sustainable advisory practices over the long term.

Our operations and future growth plans continue to be focused on our advisors, whose business success has the biggest impact on our profitability. We plan to grow our business three ways:

- By helping our advisors increase their assets and manage their businesses more efficiently;
- By bringing experienced advisors to the firm through a targeted recruitment program;
- Through strategic acquisitions as opportunities arise.

We believe that the advisor is the centre of the client relationship. A key part of our strategy is providing our advisors with the services and products they need to combine all of the components of wealth planning into their business. This will allow them to focus on the needs of their clients, provide more comprehensive advice and service, and ultimately increase their profitability.

Highlights of Fiscal 2005

Growth in Assets

In fiscal 2005, assets under management rose by 7.7% to $8.7 billion. The majority of this increase occurred in the Optima Strategy and Private Client programs, which saw assets rise from $7.4 billion to $8.0 billion, while Artisan assets remained steady at $760 million. The increase in assets was due to solid performance and net sales of $301 million, which represents a slight decline from the previous year. During the year, our asset management operations focused on moving to a new administrative platform at CI Investments, improving our existing products through reductions in their operating expenses and through portfolio management changes, and launching new products. These changes provide a foundation for strong net sales in the next 12 months.

In our advisory business, assets under administration rose by 24% over the year from $19.4 billion to $24.0 billion, driven in large part by the acquisition of IQON at the beginning of the year. Looking at each company individually, assets under administration grew during the year to $19.7 billion from $19.4 billion at Assante Wealth Management, and to $4.3 billion from $4.2 billion at IQON. The number of advisors at Assante increased from approximately 750 to 1,050, primarily because of the addition of IQON with more than 300 advisors. There was also continued consolidation of advisors within Assante in 2005, which resulted in a stronger overall advisor base, as higher average assets under administration produce more stable income levels. The average assets per advisor at Assante Wealth Management have increased from $23 million to $26 million – among the highest in the Canadian financial planning industry.

Operational Achievements

In 2005, we completed the restructuring phase that began when CI acquired Assante in November 2003. This involved revising and enhancing our administrative processes, integrating our technology platform with CI, and improving our service offerings for greater efficiency. We also redefined and repositioned many of our corporate functions to better reflect our business model as a wealth management company.

We introduced a new brand by adopting the business name Assante Wealth Management and our positioning statement, "Be well-advised." Our goal is to strengthen our brand in the marketplace as a leader in wealth management, and we continue to dedicate resources to help our advisors fulfil this promise to clients.

In early 2005, we entered into a refinement phase, fine-tuning the changes to our processes and systems, and providing more value-added services and support to our advisors. Our goals are to help our advisors:

- Deliver better service to clients;
- Meet the needs of clients by increasing the breadth and depth of our products;
- Maximize efficiency and profitability;
- Protect their business from liability.

We continued leveraging the strength and resources of CI's infrastructure to help achieve these goals. In our asset management business, this included consolidating four funds with similar mandates, eliminating three RSP clone funds as a result of the elimination of the foreign content rule, modifying the Artisan Portfolios, reducing fees on the Artisan Portfolios and Optima Strategy, and replacing sub-advisors in both programs to make them more competitive and attractive to our advisors and clients, who can choose from a wide array of external investment management products in addition to our own managed portfolios. We also implemented a comprehensive administration system for our Private Client business.

In the advisory business, we provided advisors with greater support, adding to our team of insurance and estate professionals, and offering advisors access to in-depth expertise through our team of estate, tax and legal experts.

This year, we made a major commitment to the training and development of our advisors through our business partnership program. This program is designed to identify opportunities for advisors to grow their business, and operate it more efficiently and profitably. The program is in addition to regular, ongoing professional development sessions.

We also overhauled our approach to compliance, strengthened our relationships with regulators and put regional compliance managers in place to help advisors stay up to date on regulatory developments and to resolve issues.

Our Plans for Fiscal 2006

We are poised to begin a new phase of growth at Assante. In June, we announced our strategy for integrating our advisory businesses. Under the plan, IQON, with its 300 advisors, will join a common administrative platform, and corporate functions will be consolidated with the rest of Assante's operations, which support the 750 advisors at Assante Wealth Management. IQON advisors will continue to operate independently under the IQON brand.

In addition, Assante is entering into a partnership with selected professional staff and advisors, subject to regulatory approval. The new firm, Stonegate Private Counsel LP, will provide wealth planning and other inter-generational services to high net worth individuals and their families. Initially, the firm is expected to have approximately $1 billion of assets under administration. It will operate from Toronto and Montreal with plans to open in major centres across Canada.

Through Assante Wealth Management, IQON Financial and Stonegate Private Counsel, advisors have a choice of affiliations and business models, based on how they run their businesses and the needs of their clients. A common administrative platform will support all channels, increasing operating efficiencies by leveraging CI's expertise and infrastructure.

In July, we changed the name of our asset management division from Assante Asset Management Ltd. to United Financial Corporation, and the name of the Assante Pools, the investment pools within the Optima Strategy and Private Client programs, to the United Pools. This distinguishes our investment management business from our advisory business and allows for increased growth through our three distinct distribution channels.

UNITED FINANCIAL

Also in July, we expanded our lineup of managed portfolio products with the launch of Institutional Managed Portfolios. This innovative investment management program brings together some of the world's best-performing institutional investment managers to provide sophisticated investors with advanced portfolio management. We are planning to further expand our lineup of wealth management products and services so that our advisors can offer additional customized solutions to meet the unique and diverse needs of their clients, and to make it easier for clients to consolidate their business with Assante.

Reducing costs – both corporate expenses and the operating expenses of our investment management programs – continues to be a key priority. In early 2005, we reduced the cost of investing in a typical Optima Strategy portfolio by approximately 36 basis points and in each Artisan Portfolio by approximately 34 basis points, representing reductions of up to 54% on the expenses of operating the portfolios. Effective September 1, all of our investment funds have fixed administration fees. Fund expenses have been set at 17 to 22 basis points, depending on the portfolio or fund, resulting in a further reduction in operating expenses of up to 22% for investors. This represents an important commitment to our advisors and clients, and will result in lower costs, greater transparency for investors and the certainty of knowing what they are paying to invest, now and in the future.

DAVID R. McBAIN
President and Chief Executive Officer
Skylon Advisors Inc.

Our Company

Skylon Advisors markets and manages the VentureLink Family of Labour-Sponsored Funds and structured products – closed-end funds, which trade on the stock exchange, and equity-linked notes, which offer returns linked to mutual funds, stocks or other securities. Skylon had approximately $1.4 billion in assets under management at August 31, 2005.

Our Strategy

CI Financial acquired Skylon in November 2003 to spearhead CI's participation in the structured products market, which has grown rapidly in recent years. Skylon has allowed CI to further diversify its product lineup and expand its distribution channels.

Many structured products focus on investors' need for regular income or principal protection. Skylon strives to differentiate its products by combining these benefits with innovative structures and features and access to leading investment managers, such as CI's Signature Advisors, Pacific Investment Management Company LLC (PIMCO) and Marret Asset Management Inc.

Highlights of Fiscal 2005

We launched several structured products in fiscal 2005, raising $234 million:

- Skylon All Asset Trust, which offers investors exposure to the returns of PIMCO All Asset Fund, raised $125 million. PIMCO is one of the world's largest and most successful portfolio managers of fixed-income securities.
- Yield Advantage Income Trust raised $66 million. The success of the offering confirmed the value of the Trust's unique method of distribution. It was the first investment trust of its kind to be distributed without a formal syndicate of selling agents, which resulted in cost savings for investors. The underlying portfolio of income trusts, high-yield debt and other securities is managed by Eric Bushell and Matt Shandro of Signature Advisors, which demonstrates how we can leverage our relationship with other CI companies.
- Skylon Y.I.E.L.D. Notes™, Series 1 and Series 2, raised a combined total of $43 million. These notes are linked to the price performance of a diversified basket of equally weighted securities of 10 Canadian issuers that are leaders in their respective sectors.

Skylon worked with CI Investments in jointly developing and marketing several fund-linked notes, including the highly successful CI C.A.P.I.T.A.L. Deposit Notes™, which recorded sales of more than $500 million through the first three series.

VentureLink assets increased 5% to $188 million at May 31, 2005. Our marketing efforts focused on the VentureLink Diversified Income Fund and the VentureLink Financial Services Innovation Fund. These funds posted positive results and were first quartile in the labour-sponsored category for the 12-month period.

In an effort to further differentiate VentureLink, those two funds paid a dividend in November 2004 to Class A unitholders of certain series, making them the first labour-sponsored funds in Ontario to pay a dividend to individual shareholders. The ability to pay a dividend was a result of the funds' positive performance and their focus on investing in debt issued by more mature companies rather than start-ups.

Our Plans for Fiscal 2006

In the structured products area, sales success depends on consistently offering new products with features that appeal to advisors and investors. Our intention is to make a note or a closed-end fund available throughout the year, to maintain a presence in the market and generate steady sales.

We launched two new notes in July 2005 – the Skylon Pro-Tracker Deposit Notes™, Series 1, and the Skylon Pro-Tracker R.O.C. (Return of Capital) Deposit Notes™, Series 1. The notes provide exposure to a basket of income trusts, regular distributions and principal protection.

Also in July and August, Skylon and CI launched new versions of the popular CI C.A.P.I.T.A.L. Deposit Notes™, including the R.O.C. Enhanced Yield Class, Series 1, and the Enhanced Yield Class, Series 4.

Our experience, the backing of CI, our strong relationships with advisors and our contacts within the financial industry will allow us to package innovative products with the money management skills of world-class managers – and maintain our leading position in this market.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") presents commentary on CI Fund Management Inc. and its subsidiaries ("CI") as at and for the year ended May 31, 2005 and is as of July 7, 2005. Financial information, except where noted otherwise, is presented in accordance with Canadian generally accepted accounting principles ("GAAP") and amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") (formerly CI Mutual Funds Inc.), Skylon Advisors Inc. ("Skylon"), Assante Asset Management Ltd. ("AAM"), Assante Advisory Services Ltd. ("AAS") and IQON Financial Management Inc. ("IQON"). The Asset Management segment of the business includes CI Investments, Skylon and AAM, while the Asset Administration segment consists of AAS and its subsidiaries, other than AAM, and IQON.

The MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. These statements involve risks and uncertainties, are based on assumptions and estimates, and therefore actual results may differ materially from those expressed or implied by CI. Factors which may cause such differences include, but are not limited to, general economic and market conditions including interest and foreign exchange rates, global financial markets, legislative and regulatory changes, industry competition, technological developments and catastrophic events. The reader is cautioned against undue reliance on these forward-looking statements.

Further information on CI can be found in its Consolidated Financial Statements, which are available on SEDAR at www.sedar.com.

OVERALL PERFORMANCE

CI reported net income for the year ended May 31, 2005 of $284.7 million, an increase of 29% over the $221.0 million for the year ended May 31, 2004. On a per share basis, CI earned $0.97, up 18% from $0.82 in the prior year.

The results for 2005 were impacted by a $53 million ($33.9 million after-tax) charge to earnings for compensation to unitholders of CI Investments and $6.7 million in capital gains ($5.5 million after-tax). In 2004, CI recorded a non-cash charge of $30.2 million relating to future income taxes. In addition, stock-based compensation impacted earnings by $4.8 million ($3.1 million after-tax) in fiscal 2005 and $29.7 million ($18.3 million after-tax) in fiscal 2004. After consideration of the above items, net income would have been $316.2 million in fiscal 2005, versus $269.5 million in the prior year.

The inclusion of results for a full fiscal year in 2005 of businesses acquired mid-way through fiscal 2004 helped propel CI's average assets under management higher year over year, which increased revenues and overall operating profitability. This is shown in the selected annual information shown below. The growth in CI's business between 2003 and 2005 is primarily due to the acquisition of Assante Corporation ("Assante"), Synergy Asset Management Inc. ("Synergy") and Skylon in the second quarter of fiscal 2004.

SELECTED ANNUAL INFORMATION

(millions, except per share amounts)	**2005**	2004	2003
Total revenues	**$1,082.3**	$844.7	$576.2
Total expenses	**634.4**	453.0	456.2
Income before income taxes	**447.9**	391.7	120.0
Income taxes	**163.2**	170.7	49.0
Net income	**$284.7**	$221.0	$71.0
Earnings per share	**$0.97**	$0.82	$0.32
Dividends per share	**$0.675**	$0.405	$0.290
Total assets	**$2,664.1**	$2,493.8	$1,025.7
Total long-term debt	**$390.9**	$245.2	$144.0
Common shares outstanding	**286.643**	295.199	235.526
Average common shares outstanding	**293.297**	268.103	224.850

EBITDA, operating profit margin and free cash flow, as defined below, are non-GAAP earnings measures that do not have any standardized meaning prescribed by GAAP. They are therefore unlikely to be comparable to similar measures presented by other issuers. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these performance measures in analyzing CI's results.

For the year ended May 31, 2005, earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $529.5 million or $1.81 per share, as set out in the table below which reconciles EBITDA to net income. This compares with $442.2 million or $1.65 per share in the prior fiscal year. EBITDA in fiscal 2005 adjusted to eliminate the effect of the option expense was $534.3 million or $1.82 per share, compared with $471.9 million or $1.76 per share in fiscal 2004.

Income before income taxes was $447.9 million for fiscal 2005, an increase of 14% from $391.7 million in the prior year. The income tax provision decreased from $170.7 million to $163.2 million in fiscal 2005, of which $109.1 million was represented by current taxes and $54.1 million by future taxes. The provision for income taxes for the year ended May 31, 2005 reflects an effective tax rate of 36.4%, versus 43.6% in the prior year. The prior year income tax provision was negatively impacted by the elimination of previously legislated decreases to future income tax rates, resulting in a $30.2 million non-cash charge to future income taxes.

RECONCILIATION OF EBITDA TO NET INCOME

(millions, except per share amounts)	**2005**	2004
Net income	**$284.7**	$221.0
Add:		
Interest expense	**9.8**	8.6
Income tax expense	**163.2**	170.7
Amortization of DSC and fund contracts	**58.2**	35.4
Amortization of other	**13.6**	6.5
	244.8	221.2
EBITDA	**$529.5**	$442.2
per share	**$1.81**	$1.65

Fourth Quarter

Net income and earnings per share were steady at $81 million and $0.28 per share, respectively, in the fourth quarter of fiscal 2005 compared to the third quarter. While stock-based compensation recorded in the quarter resulted in a reversal of $3.8 million ($2.4 million after-tax), several expense items increased during the quarter in conjunction with the increase in revenues. Total revenue climbed to $281.1 million from $278.7 million last quarter. The third quarter included a gain on sale of marketable securities of $7.4 million ($6.1 million after-tax). There were no other significant variations to the fourth quarter results.

SUMMARY OF QUARTERLY RESULTS

(millions of dollars, except per share amounts)	2005				2004			
INCOME STATEMENT DATA	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Management fees	**232.1**	**221.9**	**213.3**	**214.5**	217.3	205.8	151.8	136.0
Administration fees	**30.9**	**28.9**	**25.9**	**28.8**	25.5	26.5	4.9	1.2
Other revenues	**18.1**	**27.9**	**19.6**	**20.4**	21.1	22.7	16.7	15.1
Total revenues	**281.1**	**278.7**	**258.8**	**263.7**	263.9	255.0	173.4	152.3
Net selling, general and administrative	**38.6**	**48.0**	**91.8**	**37.0**	51.8	31.1	39.0	25.0
Trailer fees	**68.7**	**63.9**	**60.2**	**57.9**	57.4	55.8	45.3	39.3
Investment dealer fees	**22.4**	**20.9**	**18.5**	**20.3**	18.1	18.8	2.8	0.0
Amortization of deferred sales commissions	**16.1**	**14.2**	**13.0**	**12.0**	11.0	7.5	8.8	6.7
Other expenses	**5.9**	**7.0**	**7.3**	**7.5**	7.5	8.0	6.2	7.3
Total expenses	**151.7**	**154.0**	**190.8**	**134.7**	145.8	121.2	102.1	78.3
Minority interest	**0.0**	**0.7**	**1.2**	**1.2**	1.4	1.5	1.1	1.3
Income before income taxes	**129.4**	**124.0**	**66.8**	**127.8**	116.7	132.3	70.1	72.7
Income taxes	**48.5**	**42.8**	**25.3**	**46.5**	41.3	45.3	54.9	29.2
Net income	**80.8**	**81.2**	**41.5**	**81.3**	75.4	87.0	15.2	43.5
Earnings per share	**0.28**	**0.28**	**0.14**	**0.28**	0.26	0.29	0.06	0.19
Dividends per share	**0.15**	**0.25**	**0.15**	**0.125**	0.125	0.10	0.10	0.08

Fee-Earning Assets and Sales

Total fee-earning assets, which includes mutual and segregated funds, Assante funds, managed labour-sponsored funds and structured products (collectively managed retail assets), administered /other funds and Assante assets under administration (net of Assante funds) at May 31, 2005, were $68.1 billion, up 11% from $61.3 billion at May 31, 2004. CI's assets as reported by the Investment Funds Institute of Canada ("IFIC") were $45.9 billion at May 31, 2005. This figure is $3.3 billion below CI's actual $49.2 billion in managed retail assets because IFIC uses a narrow definition of assets under management that does not include the $1.9 billion of segregated funds, hedge funds, and pooled funds, $0.2 billion in managed labour-sponsored funds and $1.2 billion of structured products. As such, CI's assets as reported by IFIC should not be used when determining overall assets under management, product sales or conducting financial analysis of CI.

Average total managed retail assets were $46.085 billion in fiscal 2005, an increase of 24% from $37.236 billion in fiscal 2004. As most of CI's revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results. The increase in CI's average assets was directly attributable to the addition of $9.0 billion in assets from the Assante, Skylon and Synergy acquisitions and the increase in the market value of CI's funds resulting from the increase in equity markets in fiscal 2005.

MANAGED RETAIL ASSETS

(billions)	
Assets at May 31, 2004	$44.4
Gross Sales	8.6
Redemptions	6.9
Net Sales	1.7
Market Performance	3.1
Assets at May 31, 2005	$49.2

Gross sales of CI's managed retail funds were $8.6 billion for the year ended May 31, 2005, compared with $6.9 billion for the same period in 2004. Net sales (gross sales less redemptions) were $1.7 billion for the year ended May 31, 2005, compared with $920 million for the same period in 2004. The significant increase in CI's net sales from 2004 is due primarily to stronger sales at CI Investments, as net sales from AAM and Skylon declined slightly year over year. Strong fund performance and the benefits of expanded distribution contributed to the increase in sales of CI funds.

At June 30, 2005, fee-earning assets totalled $68.8 billion, as shown in the chart on the next page, represented by $39.7 billion in mutual and segregated funds, $8.8 billion in managed assets through Assante, $0.2 billion in managed labour-sponsored funds, $1.2 billion in structured products, $3.7 billion in administered/other assets such as labour-sponsored funds, and $15.2 billion in Assante and IQON assets under administration (net of Assante-managed assets described above).

Market Review

Global equity markets were relatively strong in the 12-month period ended May 31, 2005 when measured

FEE-EARNING ASSET PROFILE

AS AT JUNE 30

(billions)	**2005**	2004	% change
Mutual/segregated funds	**$39.7**	$35.3	12
Assante funds	**8.8**	8.1	9
Managed labour-sponsored funds	**0.2**	0.2	0
Structured products	**1.2**	1.1	9
Total managed retail assets	**$49.9**	$44.7	12
Administered/other funds	**3.7**	5.8	-36
Assante/IQON assets under administration (net of Assante funds)	**15.2**	15.5	-2
Total fee-earning assets	**$68.8**	$66.0	4

in local currencies. However, the 8.6% appreciation of the Canadian dollar against the U.S. dollar reduced foreign returns to Canadian investors.

For fiscal 2005, the S&P/TSX Composite Index rose 16.2% on the strength of commodity prices and a generally healthy economy. In Canadian dollar terms, the S&P 500 Index fell 0.7%, the Dow Jones Industrial Average fell 3.6%, the Nasdaq Composite Index fell 3.9% and the MSCI World Index rose 2.9%. The positive performance of the S&P/TSX Composite Index encouraged sales into CI's Canadian equity funds.

Industry net sales of mutual funds as reported by IFIC were positive, with $12.9 billion in net sales for the year ended May 31, 2005. This compared with industry net sales of $14.8 billion for the year ended May 31, 2004. Though sales and assets reported by IFIC do not give a comprehensive view of CI's sales and assets, they are helpful as an indicator of trends affecting a significant portion of CI's business.

Acquisition Highlights

CI's operating and financial results for fiscal 2005 include IQON Financial Management Inc. and Synera Financial Services Inc., the acquisitions of which closed on June 3, 2004. CI paid a total of $38.5 million in cash to Sun Life Assurance Company of Canada ("Sun Life") for the two companies, which have networks of financial and insurance advisors with $3.6 billion in assets under administration.

For details of the accounting treatment of these acquisitions, reference is made to Note 4 – "Business Acquisitions" of the Consolidated Financial Statements for the year ended May 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

CI's main capital requirements are to finance commissions arising from the sale of funds on a deferred sales charge basis, to pay dividends on its common shares, to purchase marketable securities and to fund capital expenditures.

In fiscal 2005, CI financed $150.8 million in sales commissions with its own cash resources, up from $125.9 million in fiscal 2004. The increase resulted from CI financing the commission on an additional $500 million in gross sales this year, which is a component of the $1.7 billion increase in gross sales discussed above.

In fiscal 2005, CI paid $198.3 million in dividends to holders of CI common shares, equivalent to $0.675 per share.

CI also had net purchases of marketable securities in the amount of $40.6 million in fiscal 2005, resulting in total marketable securities of $77.2 million at May 31, 2005. Marketable securities are comprised of seed capital investments and other portfolio investments.

Capital expenditures incurred during the year ended May 31, 2005 of $7.2 million were primarily for computer hardware and software related to the improvement of systems technology within the Asset Administration segment and continued upgrading of portfolio trading, reporting and compliance functions. In fiscal 2005, as in prior years, a portion of the capital assets for use in the operation of CI's funds were leased with such payments recovered over time through expenses recovered from the funds. Future payments are included below under Contractual Obligations.

In addition, CI used $147.7 million to repurchase 8.6 million of its common shares at an average price of $17.24 per share. This compares with $21.4 million used to repurchase 1.7 million common shares at an average price of $12.74 per share in fiscal 2004. On May 31, 2005, the closing price of CI was $17.30 per common share, and on July 7, 2005, it was $18.50 per common share.

As discussed earlier, in fiscal 2005, CI acquired IQON and Synera for total cash consideration of $38.5 million. Included in IQON's net assets was cash of $1.2 million.

All of the above funding requirements were met by cash provided by operating activities in fiscal 2005 of $441.5 million and an increase of $145.8 million in the amount drawn on CI's line of credit with a Canadian chartered bank. The line of credit stood at $500 million at May 31, 2005 and was increased to $650 million on July 7, 2005. At fiscal year-end, CI had drawn $390.9 million bearing an average rate of 2.90%, compared with $245.2 million drawn at an average rate of 2.31% at the end of the prior year. Net of marketable securities, debt was $313.8 million in fiscal 2005 versus $216.3 million in 2004. Interest expense was $9.8 million, up from $8.6 million in fiscal 2004, reflecting higher average debt levels, but still quite modest compared to levels of cash flow. Principal repayments would only be required under the facility should the bank decide not to renew the facility on its anniversary each December, in which case the principal would be repaid in 48 equal monthly installments. These payments are set out below under Contractual Obligations.

Free cash flow (cash flow from operations before net change in working capital less sales commissions and minority interest for the year) was $235.8 million, relatively unchanged from $237.2 million in fiscal 2004, as the increased level of sales commissions paid offset the growth in operating cash flow. This level of free cash flow exceeded the dividends paid during the year by $37.5 million. Based on this, CI currently has sufficient cash flow to meet anticipated capital expenditures, deferred sales commissions and dividends.

At May 31, 2005, CI's managed retail assets had a current redemption value of $789.1 million or $2.75 per share at May 31, 2005, compared with $817 million or $2.77 per share at May 31, 2004.

In fiscal 2005, CI granted 1.679 million stock options to employees of the company. An estimate of the value of the options issued, based on a projection of the average option life, corresponding stock volatility, current dividend and interest rate assumptions is approximately $2.9 million or 0.6% of fiscal 2005 EBITDA. This estimate of $2.9 million is not reflected in the financial statements. As CI accounts for its stock options as a liability, reflecting their cash-settlement feature, the actual expense will be determined by the price at exercise less the strike price, which may be more or less than $2.9 million. If option holders elect a cash payment for their options, the payment will be deductible for tax purposes based on current applicable tax laws.

In addition, CI issued 7,264 common shares to the outside members of its Board of Directors as part of their compensation. CI also issued 5,500 common shares on the exercise of options where the holder requested to settle for stock. For full details on the share capital of CI, refer to Note 9 – "Share Capital" in the Notes to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

PAYMENTS DUE BY PERIOD

(millions)	Total	Less than 1 year	2	3	4	5 or more years
Long-term debt	$390.9	$40.7	$97.7	$97.7	$97.7	$57.1
Operating leases	49.8	11.3	10.9	10.0	4.7	12.9
Total	$440.7	$52.0	$108.6	$107.7	$102.4	$70.0

OFF-BALANCE SHEET ARRANGEMENTS

CI uses derivative contracts to mitigate its equity market exposure on its stock-based compensation. CI has entered into a total return share swap transaction agreement with a Canadian chartered bank. This is intended to hedge CI's exposure to fluctuations in the price of its common shares as it records its stock-based compensation liability.

CI also uses derivative contracts to hedge the currency risk associated with seed capital investments in U.S. dollar-denominated hedge funds. On May 31, 2005, CI had an $8 million U.S. currency forward contract outstanding to offset its U.S. investment in a hedge fund. On July 7,2005, this contract was closed out with a realized gain of $0.3 million.

Debt outstanding is borrowed at a floating interest rate. The existing credit facility provides CI with the option of fixing interest rates, should CI change its view on its exposure to rising interest rates.

RELATED PARTY TRANSACTIONS

Sun Life is a related party as a result of its 35% ownership of CI's outstanding common shares. In fiscal 2003, in conjunction with the acquisition of Spectrum Investment Management Limited and Clarica Diversico Ltd., CI and Sun Life entered into an arrangement whereby, among other things, Sun Life would distribute CI's funds through Sun Life's Clarica sales force on a preferred basis and that CI would perform essentially all administrative and management services to Sun Life's Clarica and SunWise segregated funds. These activities are in the normal course of business for CI and Sun Life is compensated at normal commercial rates as a distributor of fund products as disclosed in the funds' prospectus or other offering document. These payments are in the form of commissions on sales of funds on a deferred sales charge basis ($42.3 million versus $32.0 million in fiscal 2004) and trailer fees ($71.0 million versus $58.5 million in fiscal 2004).

CRITICAL ACCOUNTING ESTIMATES

Goodwill and Intangible Assets

At the time of acquisition, intangible assets are determined using estimates of fair value and goodwill is recorded as the excess of purchase price over identifiable assets acquired. CI performs impairment tests for goodwill and indefinite life intangible assets at least annually. The tests also involve estimates and assumptions. At May 31, 2005 there was no impairment to the carrying amounts nor would a reasonably likely change to material assumptions result in impairment.

Income Taxes

The current and future income tax assets and liabilities are recorded based on interpretation of tax legislation and assumptions about the realization and timing of future benefits and costs. A difference in interpretation by tax authorities or a change in timing or realization of reversals could result in higher or lower tax provisions.

Deferred Sales Commissions

The commissions paid on sales of deferred load or back-end products are deferred and amortized over 84 months. This estimate matches the period over which redemption fees are payable by the investor in this type of product. The sum of these potential redemption fees, the terminal redemption value, is significantly greater than the balance of unamortized deferred sales commissions.

CHANGE IN ACCOUNTING POLICIES

CI adopted a new accounting policy on Hedging Relationships in fiscal 2005. This requires that certain circumstances be met in order for hedge accounting to be appropriate. These include the identification, documentation, designation and effectiveness of hedges. The adoption of this policy had no material impact on CI's financial statements.

FINANCIAL INSTRUMENTS

The fair value of certain financial instruments approximates carrying value. This is the case for cash, accounts receivable and prepaid expenses, accounts payable and long-term debt. Marketable securities have a fair value based on quoted market prices for portfolio investments and seed capital.

The table below sets out the relative carrying and fair values for each financial instrument.

FINANCIAL INSTRUMENTS

AS AT MAY 31,

(millions)	2005		2004	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Cash	**$28.3**	**$28.3**	$25.1	$25.1
Marketable securities	**77.2**	**79.1**	28.8	29.3
Accounts receivable and prepaid expenses	**94.2**	**94.2**	93.6	93.6
	$199.7	**$201.6**	$147.5	$148.0
Accounts payable	**$165.8**	**$165.8**	$116.1	$116.1
Long-term debt	**390.9**	**390.9**	245.2	245.2
	$556.7	**$556.7**	$361.3	$361.3
Off Balance Sheet Arrangements	**$ Nil**	**$ (0.1)**	$ Nil	$ 0.2

DISCLOSURE CONTROLS

Pursuant to Multilateral Instrument 52-109, management has assessed the effectiveness of CI's disclosure controls and procedures as at May 31, 2005 and found them to exceed required standards.

ASSET MANAGEMENT SEGMENT

Business Review

The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors through brokers, independent financial planners and insurance advisors, including Assante, Clarica and IQON financial advisors. The Asset Management segment provides the majority of CI's income and includes the operating results and net assets of its wholly owned subsidiaries CI Investments, Skylon and AAM which derive their revenues principally from the fees earned on the management of several families of mutual, segregated, pooled and closed-end funds, structured products and discretionary accounts.

Investment Products

CI believes that in order to attract and maintain investor interest, it is essential to offer a wide range of investment products and continually review its product lineup to adapt to changing investor preferences. CI's product line encompasses a broad range of global and domestic funds offering a variety of investment styles. In addition, CI has consistently developed new products, such as sector-specific funds, portfolio-based funds, fee-based portfolio management services, closed-end funds, segregated funds, hedge funds and structured products.

In fiscal 2005, CI launched a number of new products. In August 2004, CI launched FULPAY PLUS™ CI Funds-Linked Deposit Notes, Series 1, a unique investment that provides principal protection while locking in the best cumulative performance each year out of a diverse portfolio of leading CI funds.

In October 2004, CI launched Skylon All Asset Trust, providing investors with access to the expertise of Pacific Investment Management Company LLC and Research Affiliates, LLC who will seek maximum inflation-adjusted returns consistent with preservation of capital and tax-efficient quarterly distributions.

In January 2005, CI launched Yield Advantage Income Trust, a closed-end fund designed to distribute 7% annually through exposure to an actively managed portfolio of income trusts, high yield debt and other securities.

In March 2005, CI completed the launch of CI C.A.P.I.T.A.L. Deposit Notes™, Enhanced Yield Class, Series 1, which offer investors principal protection and a monthly distribution, along with the potential for 200% exposure to Signature High Income Fund. Series 2 and Series 3 were completed in May 2005 and July 2005, respectively.

In March 2005, CI completed the launch of CI C.A.P.I.T.A.L. Deposit Notes™, Callable Class, Series 1, which offer investors principal protection and a yield of 8% over two and one-half years if redeemed or the full return of two CI funds if held for the five-year term. Series 2 and Series 3 were completed in April 2005 and July 2005, respectively.

In April 2005, CI launched Skylon Y.I.E.L.D. Notes, Series 1, a 6.6 year note paying a 5% coupon at the end of 2005 and has the potential to pay an annual variable coupon of up to 11% over the remaining six years of the notes. Series 2 was launched in May 2005.

In April 2005, CI announced that it was changing the name of CI Sector Fund Limited to CI Corporate Class Limited to more accurately describe the structure of the funds and the tax-efficient strategies they offer investors.

As a result of the many acquisitions by CI over the past several years, CI's lineup of funds had expanded significantly. In order to streamline its lineup and improve the cost efficiencies in operating the funds, CI eliminated 15 funds in September 2004 by merging them into other funds with similar mandates. Similarly, CI eliminated a further eight funds in November 2004 and announced in May 2005 that a further 16 funds would be eliminated in August 2005.

In order to offer a broad range of investment products, CI retains the services of a significant number of investment managers. CI uses both external sub-advisors and internal portfolio managers to ensure it can attract and maintain the investment management expertise CI believes is necessary to meet investors' needs.

CI maintains sub-advisory agreements with independent investment managers who are compensated on the basis of assets under management, as detailed in the chart on the next page.

During the year, CI terminated relationships with certain sub-advisors in conjunction with efforts to eliminate duplication arising from recent acquisitions. Terminated sub-advisors included Howson Tattersall Investment Counsel Ltd. and Altamira Investment Services.

CI also employs portfolio managers directly. At May 31, 2005, CI managed $21.0 billion in a diversified mix of funds using value and growth-oriented investment approaches. CI's in-house investment teams operate under the Harbour Funds, Signature Funds and CI Funds brands and include well-known money managers such as Gerry Coleman, Eric Bushell and Robert Lyon.

Effective June 2004, CI terminated its equity ownership in Webb Capital Management LLP ("Webb"), in which CI had a 55% ownership. A decision was made to not extend the sub-advisory contract with Webb and a return of CI's ownership in Webb was negotiated in conjunction with the termination of the contract.

Effective February 2005, CI restructured its 66% ownership in BPI Global Asset Management LLP ("BGAM") such that CI gave up all future economic benefits of ownership in exchange for a 32% participation in the net revenue earned on BGAM's institutional assets.

Effective November 2004, CI terminated its 49% equity ownership in Altrinsic Advisors, LLC. CI maintains a 25% profit participation in Altrinsic Global Advisors, LLC, whose mandate is to pursue institutional hedge fund assets.

CI INVESTMENTS & ASSANTE SUB-ADVISORS

ASSETS AT MAY 31, 2005

(millions)	
AGF Funds Inc.	$407
AIC Limited	25
AIM Funds Management Inc.	836
Alliance Capital Management LP	203
Altrinsic Global Advisors, LLC	1,573
Brandes Investment Partners & Co.	30
Cohen & Steers Capital Management Inc.	711
Connor, Clark & Lunn Investment Management Ltd.	148
Deutsche Investment Management Americas Inc.	1,125
Dimensional Fund Advisors Inc.	818
Dynamic Mutual Funds Inc.	53
Epoch Investment Partners, Inc.	1,135
Fidelity Investments Canada Limited	692
Franklin Templeton Investments Corp.	152
Legg Mason Capital Management	1,255
Mackenzie Financial Corporation	55
MFC Global Investment Management (Canada)	84
Picton Mahoney Asset Management	1,917
Sanford C. Bernstein & Co., LLC	287
Sionna Investment Managers Inc.	4,815
TD Asset Management Inc.	20
Tetrem Capital Partners Ltd.	1,642
Trident Investment Management, LLC	247
Trilogy Advisors, LLC	6,194
UBS Global Asset Management (Canada) Co.	546
Waterfall Investments Inc.	257
Wellington Management Company, LLP	94
Total	**$25,321**

Investment Product Distribution

CI distributes its investment products through investment dealers, mutual fund dealers, insurance agents, banks, and its preferred distribution arrangement with Clarica advisors and managers and through Assante financial advisors. In order to support these distribution channels, CI ensures it has an extensive number of knowledgeable and experienced staff members, including CI representatives who deal directly with the distributors of CI's funds, and in-house fund support personnel who provide product information and who have access to detailed records of distributors' fund assets and transactions with CI. CI also provides distributors with extensive information about its funds through the Internet, through various publications and through appearances and presentations by the funds' advisors.

AAM has its own suite of proprietary products known as the Optima Strategy Pools and the Artisan Portfolios distributed exclusively through Assante financial advisors. These products allow Assante advisors to provide their clients with a comprehensive investment program that includes strategic asset allocation, portfolio monitoring and rebalancing and effective reporting. Distribution of these funds are supported by an extensive number of staff specific to the Assante operations whose experience includes all aspects of fund support, as well as knowledge in dealership, compliance, estate, trust, tax and insurance matters. AAM also offers its exclusive Assante Private Client discretionary account management service to high net worth investors and their families.

Over the past three years, CI has taken extensive measures to broaden its distribution of financial products:

1. It maintains a broad range of funds that encompass numerous styles and fund mandates to ensure financial advisors have the widest choice within CI.

2. It has expanded its asset base significantly through acquisition. This ensures that CI is one of the largest investment product complexes in Canada, thereby increasing the likelihood of maintaining shelf space with distributors of financial products, as they have reduced the number of fund families they are willing to support and promote.

3. In July 2002, in conjunction with the purchase of Spectrum and Diversico, CI entered into a distribution arrangement with Sun Life, a related party, that covers approximately 4,000 Clarica advisors and managers. The arrangement provides that CI's funds will be the predominant wealth management products offered by Clarica advisors and managers.

4. In November 2003, CI purchased Skylon to use as a base to expand CI's manufacturing and distribution of structured products such as closed-end funds, which have become increasingly popular among certain financial advisors.

5. In November 2003, CI purchased the Canadian operations of Assante, which currently has approximately 900 financial advisors that distribute proprietary Assante products and services and

third-party funds, including CI funds. The acquisition ensures CI maintains a relationship with these advisors.

6. In June 2004, CI purchased IQON, which currently has approximately 360 financial advisors that distribute third-party funds, including CI funds. The acquisition ensures CI maintains a relationship with these advisors.

Investment Product Administration

Providing investors and distributors of CI funds with accurate and timely information on purchases, redemptions, transfers, switches and holdings requires a highly efficient administrative operation. CI has made extensive investments in technology to enable its clients to receive information quickly and in a cost-efficient manner, ensuring that CI continues to be one of the most efficient fund administrators in the industry. CI believes that the costs it incurs to administer its funds are among the lowest in the industry as a percentage of assets and that low operating costs will become a competitive advantage in the future. The table below depicts the reduction in costs CI has achieved over the past six years in the administration of CI funds. (Note that this table does not include the operating costs of the funds of companies acquired by CI until those funds have been integrated into CI and therefore have operating costs consistent with CI funds).

FUND OPERATING EXPENSES

Year	as a % of assets (in basis points)
1999	39.6
2000	34.4
2001	31.1
2002	30.5
2003	31.4
2004	27.5
2005	**21.5**

CI believes that it holds a competitive advantage in its ability to consolidate fund operations onto its administrative platform and achieve significant cost savings in the administration of financial products. In fiscal 2003, CI consolidated the Spectrum fund administration onto CI's administrative platform within six weeks of the acquisition. The consolidation of the Clarica Diversico fund administration function, including all segregated funds, was completed by January 2003. In fiscal 2004, CI consolidated the administration of the Synergy and Skylon fund assets onto CI's platform within four weeks of the acquisition of these firms. This has resulted in significant cost savings in the operations of these funds, which directly benefits their investors.

In fiscal 2005, CI converted the Assante funds onto CI's operating platform, which resulted in significant cost savings and enhanced service for the Assante products.

A key strength of CI is its ability to quickly provide administrative capacity for new products in a cost-effective manner. In recent years, CI has successfully launched numerous new products that have had the appropriate administrative support to achieve market penetration and have contributed significantly to CI's assets under management.

Financial Review

The Asset Management segment had income before income taxes of $452.2 million, an increase of $55.8 million from $396.4 million in the prior year.

Revenues

The majority of CI's revenues is earned from the management services it provides as fund manager to the CI funds and Assante proprietary products and is reported as management fees. The key determinant of CI's management fee revenue is its managed retail assets, which is determined by both market returns and net sales of these funds. CI focuses on offering retail funds – especially equity funds, which earn management fees of approximately 2.00%. Approximately 75% of CI's managed retail assets are in retail equity funds. CI also offers funds with lower management fees that are designed for fee-based products or fund-of-fund products. These funds, known as Class F, and Class I funds, have management fees that are at levels approximately one percentage point or more below CI's basic retail or Class A fund. In return for lower management fees, CI does not pay trailer fees on Class I and Class F funds. CI is able to provide cost-efficient service to Class I funds because of the large size of these accounts. At May 31, 2005, there were $354 million and $3,086 million in Class F and Class I funds, respectively, compared with $261 million and $1,870 million on May 31, 2004.

Revenues from management fees were $881.8 million for the year ended May 31, 2005, up 24% from $711.0 million in 2004. The increase was mainly attributable to higher average managed assets in fiscal 2005, which included a full year of the assets acquired in the Assante/Synergy/Skylon transactions completed mid-way through fiscal 2004. A higher proportion of Class I and Class F funds, which have lower management fees, offset positive market performance of the funds. As a percentage of average managed retail assets, management fees were 1.91% for fiscal 2005, unchanged from fiscal 2004.

Other revenue was $78.6 million for fiscal 2005, up 8% from $72.6 million in fiscal 2004.

The largest component of other revenue was redemption fees. Investors pay redemption fees when funds are purchased on a deferred sales charge basis and the investment is redeemed within the applicable redemption period, generally seven years. Redemption fees, which have rates that start as high as 5.5% and decrease to zero over the redemption period, are calculated as a percentage of the initial value of the funds sold.

Redemption fees increased from $43.4 million in fiscal 2004 to $47.1 million in fiscal 2005 as a result of higher overall redemptions, including a full year's redemptions at Assante. This was partially offset by a decreased level of assets that are subject to redemption fees, and the aging of assets, which results in lower applicable redemption fees.

CI earned income from BGAM's institutional business of $13.1 million, down 31% from $19.1 million in fiscal 2004, reflecting CI's reduced share of that business in the fourth quarter.

CI may earn revenue or incur losses on investments in seed capital in its hedge funds or other strategic investments such as investments in potential candidates for acquisition. CI incurred a gain on the sale of marketable securities of $6.7 million in fiscal 2005, compared with a gain in fiscal 2004 of $0.7 million. The gain in fiscal 2005 arose primarily from the sale of marketable securities representing strategic investments. In addition, AAM contributed other income of $7.8 million ($4.2 million in fiscal 2004), which is primarily made up of custody and other fees from Assante's Private Client Business.

Expenses

CI incurs two distinct types of expenses: expenses incurred on behalf of the funds it administers that are generally recovered from the funds; and all other expenses incurred in the management of the business that are not recovered from the funds.

Expenses incurred on behalf of the funds are reflected in CI's overall selling, general and administrative ("SG&A") expenses. The amount of expenses recovered from funds is reported as a reduction of total SG&A expenses. The SG&A expenses remaining after deducting the expenses recovered from funds is disclosed as net SG&A.

Net SG&A expenses are primarily marketing expenses incurred to support the funds and portfolio management expenses. In general, marketing expenses are managed in proportion to assets under management. Net SG&A expenses relative to assets are higher for the Assante operations due to the more extensive support provided to the Assante products and services. Portfolio management expenses were disclosed separately in previous years; however, management has determined that such detailed reporting may be contrary to CI's best interests by providing information to competitors.

Total SG&A expenses were $283.6 million in fiscal 2005, compared with $238.7 million in fiscal 2004. The single largest reason for the increase is the $53 million in compensation to unitholders of CI Investments' funds, as described in Note 13 - "Commitments and Contingencies" in the Notes to the Consolidated Financial Statements.

Included in total SG&A expenses in fiscal 2005 is $13.3 million ($40.0 million in fiscal 2004) of compensation expense. At May 31, 2004, based on the price of CI shares of $16.44 per share, the potential payment on all options outstanding, including a portion of unvested amounts, was $46.1 million. At May 31, 2005, based on the price of CI shares of $17.30 per share, the potential payment on all options outstanding, including a portion of unvested amounts, has decreased by $17.4 million to $28.7 million. As a result, CI has recorded an expense in fiscal 2005 of $13.3 million, of which $30.7 million was from option holders electing cash settlement, $0.1 million from option holders electing share settlement and $17.4 million representing the change in liability reported at May 31, 2005 for outstanding vested options and for a portion of unvested options. Though CI acknowledges that the option expense is clearly a cost of business that is tied to the performance of CI's common share price, the financial results presented below both include and exclude the expense to aid the reader in conducting a comparative analysis.

Net of the expense related to options and the compensation to unitholders, total SG&A expenses were $217.3 million, up 9% from $198.7 million in fiscal 2004. The increase in SG&A expenses is attributable to the inclusion of a full year of Assante's expenses. These costs represent a combination of fund operating expenses and general operating expenses as described below.

Expenses incurred but recovered as operating expenses of the funds rose 3% to $112.8 million for the year ended May 31, 2005, compared with $109.8 million in 2004. As a percentage of assets under management, expenses charged to mutual funds decreased 17% from 0.30% in fiscal 2004 to 0.25% in fiscal 2005. The decrease in overall expenses resulted from the integration of the Assante funds into the CI operational platform, which led to improved operating efficiencies, and from cuts in general expenses achieved through reductions in staff numbers and in variable costs. Further improvement in efficiencies resulted from the increase in asset levels generated by net sales and positive equity markets, as costs were being allocated over a larger asset base. These measures, along with asset growth, resulted in significant reductions in the operating expenses of the Assante funds in fiscal 2005.

Net SG&A expenses were $170.8 million, up from $128.9 million in the prior fiscal year. As explained above, fiscal 2005 included $13.3 million in option-related expenses, compared with $40.0 million in fiscal 2004. As a percentage of managed retail assets, net SG&A expenses increased to 0.37% in fiscal 2005 from 0.35% in fiscal 2004. Excluding the option-related expense and compensation to unitholders, net SG&A expenses were $113.0 million or 0.25% of assets under management in fiscal 2005, compared with $99.2 million or 0.27% in fiscal 2004. The majority of the increase in net SG&A expenses was due to SG&A expenses of the acquired Assante operations. Assante's asset management activities require significantly more support than do CI's fund operations, and fiscal 2005 was the first time that Assante's expenses were included for the full year.

Trailer fees are paid to investment and mutual fund dealers and life insurance agents to assist them in providing ongoing support to investors in CI funds. Trailer fees are also paid to Assante financial advisors on Assante funds for a similar reason. Trailer fees are calculated as a percentage of average assets and vary with overall assets under management. Trailer fees are not paid on Class F and Class I mutual funds and institutional assets.

Trailer fees increased from $204.2 million to $265.0 million in fiscal 2005. Net of intersegment amounts, this expense was up from $197.8 million in fiscal 2004 to $250.7 million in 2005. The overall increase resulted from increased assets under management due to the acquisitions in fiscal 2004 and from the market appreciation of the funds, partly offset by an increase in the percentage of CI's mutual fund assets in Class F and Class I funds, on which CI does not pay trailer fees. As a percentage of average assets, trailer fees were 0.54% in fiscal 2005, compared with 0.53% in the prior fiscal year.

CI monitors its operating profitability on assets under management by measuring the operating margin calculated as a percentage of average managed retail assets. CI's operating profit margin is defined as management fees from funds less trailer fees and net SG&A expenses, calculated as a percentage of average managed retail assets. CI uses this measure to manage profitability so that when changes in the market value of assets under management affect revenue flows, CI will adjust discretionary expenditures to maintain its margins.

CI's operating margin on the Asset Management segment, as a percentage of average managed retail assets and adjusted for the $4.8 million option expense and $53 million unitholder compensation expense as discussed above, was 1.12%, unchanged from 1.12% in the prior fiscal year. The increase in trailer fees was offset by lower net selling, general and administrative expenses.

Commissions paid from CI's cash resources on the sale of funds on a deferred sales charge basis are, for financial reporting purposes, amortized evenly over the 84 months immediately following the sale of the funds. The actual cash payment in any period is reported in the Consolidated Statements of Cash Flows under Investing Activities as sales commissions. Amortization of deferred sales commissions rose from $34.0 million in fiscal 2004 to $55.2 million in fiscal 2005. The increase is consistent with the increase in sales commissions paid in the last two fiscal years and the change in amortization period from 36 to 84 months at the beginning of fiscal 2004.

Commissions incurred on certain CI assets were financed historically by limited partnerships. The expenses for commissions financed by limited partnerships are reported as other expenses and are calculated as a percentage of the assets. The effective amortization period for commissions financed by limited partnerships is the life of the CI Master Limited Partnership, which will terminate by 2016.

Other expenses dropped from $19.1 million in fiscal 2004 to $14.6 million in fiscal 2005. Other expenses should be viewed in conjunction with revenues recognized under other income of $24.9 million in fiscal 2005 and $28.5 million in fiscal 2004. The primary contributors to other expenses were expenses associated with CI's institutional business, which fell from $10.3 million in fiscal 2004 to $6.8 million in fiscal 2005.

Distribution fees to limited partnerships totalled $4.4 million, down from $5.6 million in fiscal 2004. As a percentage of average managed retail assets, distribution fees to limited partnerships decreased from 1.5% to 1.0%, reflecting a lower percentage of CI's overall assets under management that have been financed by limited partnerships.

For full details on the segmented results of CI, refer to Note 12 – "Segmented Information" in the Notes to the Consolidated Financial Statements.

ASSET ADMINISTRATION SEGMENT

Business Review

The Asset Administration segment includes the operating results and net assets of Assante Advisory Services Ltd. and most of its subsidiaries, including Assante Capital Management Ltd. and Assante Financial Management Ltd. These companies derive their revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

Investment Advisory Services

CI provides financial advisory services to clients through financial advisors at Assante and IQON. The level of services provided range from offering basic financial advisory services focusing on products such as mutual funds, segregated funds and other insurance products to a full suite of financial advisory services, including portfolio management, investment advice, distribution of securities, insurance products, banking products and financial, tax, succession, wealth and estate planning.

At June 30, 2005, Assante and IQON had 1,055 financial advisors with a total of $24.0 billion in assets under administration, resulting in average assets under administration of $22.7 million per financial advisor. In order to support the distribution of financial advisory services by Assante and IQON financial advisors, CI's focus is on providing services such as compliance oversight, support for tax and legal services, portfolio management services, product review of third-party products, a centralized dealership administrative operation, product design, insurance administration, marketing support, educational support, financing and other related services.

Income potential from sources other than management fees has also become significant. CI earns administration fees predominately on assets under administration at Assante and at IQON. Administration fees should be considered in conjunction with investment dealer fees, which represent payments to investment advisors on assets under administration. Payments are determined according to a grid that provides payments at higher percentages as the individual advisor's assets under administration increase.

Financial Review

The Asset Administration segment had income before income taxes of $14.3 million, up from $12.7 million in the prior year.

Revenues

Administration fees are fees earned on assets under administration in the Assante business and fees earned from certain labour-sponsored funds and the administration of third-party business. These have increased from $108.5 million last year to $219.2 million this year. The primary contribution to the increase was the revenues earned by Assante on assets under administration for a full fiscal year, following the acquisition in November 2003. In addition, in fiscal 2005, administration fees include fees earned on IQON assets under administration. Administration fees should be considered in conjunction with investment dealer fees. Net of intersegment eliminations, administration fee revenue was $114.5 million this year, versus $58.0 million last year.

Other revenues earned by the Asset Administration segment totalled $7.3 million, up from $3.1 million in the prior year. These amounts are mainly interest income on cash balances and custody fees.

Expenses

Selling, general and administrative costs for the segment were $44.5 million in fiscal 2005, up from $18.1 million in fiscal 2004. While the figures for 2005 reflect a full year of operations for this segment, SG&A costs were also greater as integration activities continued. CI anticipates that the relative cost of the Assante and IQON operations will decrease over the next few years as economies of scale are achieved and changes to operating technology are implemented to improve efficiency.

Investment dealer fees are the direct costs attributable to the operation of the Assante and IQON dealerships, including payments to financial advisors based on the revenues generated from assets under administration. These fees were $165.9 million in fiscal 2005, and should be viewed in conjunction with administrative fee revenue of $219.2 million as described above when calculating the gross contribution of the dealership operation before general and operating expenses. For 2005, gross margin was $53.3 million or 24.3%. In fiscal 2004, investment dealer fees were $80.1 million on revenue of $108.5 million, for a margin of $28.4 million or 26.2%.

OUTLOOK

The sales momentum experienced by CI during the RSP season has continued with net retail sales of $111 million, $131 million and $150 million for April, May and June, respectively – traditionally very slow months for the industry. This is in part attributable to the performance of CI's funds, which continues to be strong as demonstrated by CI leading the industry in Morningstar 5-star rated funds. Market appreciation of CI's funds has reflected the general increase in equity markets, with assets under management totalling $50.4 billion at July 7, 2005, up $1.6 billion or 3% from the fourth quarter average, and up $4.3 billion or 9% from the fiscal 2005 average.

CI has steadily increased its dividend over the past several fiscal years, from $0.29 per share in fiscal 2003 and $0.405 in fiscal 2004 to $0.675 in fiscal 2005. As well, CI introduced monthly dividends in January 2005 in order to provide shareholders with monthly income on their investment. These moves are a result of the stability and growth of CI's free cash flow and the desire to return excess cash to shareholders. On July 20, 2005, CI expects to increase its dividend from $0.05 per share per month to $0.06 per share for the monthly dividend payable August 15, 2005, reflecting the growth in its operations and the amount of free cash flow available to be returned to shareholders.

On June 23, 2005, CI announced a proposal to establish a fixed administration fee for its mutual funds. The proposal would have CI bear all operating expenses of the funds (other than taxes and new governmental fees) in return for fixed administration fees. These fees are, on average, 36% lower than the funds' operating expenses for calendar 2004. This plan effectively caps the funds' management expense ratios as CI will absorb any operating expenses that exceed the fixed administration rate. Securityholders will vote on the proposal in late August 2005. If passed, the fixed administration fee would come into effect September 1, 2005. CI's proposal has been unanimously approved by the CI funds' Board of Governors, a governance body of the funds composed entirely of governors who are unrelated to CI management, as being in the best interests of the funds' securityholders. The proposal is intended to provide transparency of costs to securityholders of CI's funds at attractive levels relative to competitors' funds, in turn enhancing the appeal of CI's products.

On June 27, 2005, CI announced that it has adopted the name CI Financial and would seek to change its legal name from CI Fund Management Inc. to CI Financial Inc. upon approval from shareholders at its next annual meeting. CI also announced that its wholly owned subsidiary, CI Mutual Funds Inc. had changed its name to CI Investments Inc. to better reflect the composition of CI's business.

On July 6, 2005, a news story was published suggesting that CI had made an indicative approach to purchase the AIM/Trimark Canadian mutual fund business from Amvescap PLC ("Amvescap"), a London-based fund manager. Amvescap then issued a news release stating that it had received such an indicative approach from CI, but that its Board of Directors had considered and unanimously concluded that the approach was not in the best interests of shareholders. CI confirmed, in media interviews, that it had sent letters to Amvescap outlining its interest in acquiring AIM/Trimark and possibly Amvescap. AIM/Trimark manages approximately $44 billion and is the fourth-largest retail fund company in Canada, making it slightly smaller than CI. Amvescap has a market capitalization of over $7 billion, about one-third larger than CI.

The agreements between CI and Sun Life relating to the acquisition of the Spectrum and Diversico assets contain certain provisions that will expire on July 25, 2005. Sun Life has been limited to a 34% ownership stake in CI, which can only be exceeded by CI buying back its common shares. Sun Life had the right to maintain its 34% proportionate interest in the event CI issued shares that would have resulted in dilution of Sun Life's share position. Sun Life also had the right to nominate two individuals for election as members of the Board of Directors. At the expiry of these provisions, it is expected that these rights and obligations will be terminated, although CI will still permit Sun Life to nominate two individuals for election to its Board of Directors. Any Sun Life purchases of CI common shares will only be subject to normal takeover rules as set out by securities laws.

Consolidated Financial Statements

MANAGEMENT'S REPORT TO SHAREHOLDERS

Management of CI 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 Canadian generally accepted accounting principles and are based on management's best information and judgment.

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.

William T. Holland
Chief Executive Officer

Douglas J. Jamieson
Chief Financial Officer

July 7, 2005

AUDITOR'S REPORT

To the Shareholders of
CI Fund Management Inc.

We have audited the consolidated balance sheets of **CI Fund Management Inc.** ["CI"] as at May 31, 2005 and 2004 and the consolidated statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of CI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian 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 CI as at May 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Toronto, Canada,
July 7, 2005.

CONSOLIDATED BALANCE SHEETS

AS AT MAY 31,

(thousands of dollars)	**2005**	2004
ASSETS		
Current		
Cash	**28,305**	25,117
Client and trust funds on deposit *[note 2]*	**93,099**	89,966
Marketable securities *[note 3]*	**77,154**	28,829
Accounts receivable and prepaid expenses *[note 9(c)]*	**94,222**	93,604
Income taxes recoverable	**1,923**	6,881
Future income taxes *[note 11]*	**16,006**	27,865
Total current assets	**310,709**	272,262
Capital assets *[note 6]*	**21,276**	26,085
Deferred sales commissions, net of accumulated amortization of $322,163 (2004 - $266,919) *[note 10]*	**349,395**	253,867
Fund contracts *[notes 4 and 5]*	**1,012,778**	1,010,682
Goodwill *[note 4]*	**951,026**	919,203
Other assets *[note 7]*	**18,886**	11,663
	2,664,070	2,493,762
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[notes 10 and 13]*	**165,830**	116,068
Client and trust funds payable *[note 2]*	**93,099**	89,966
Income taxes payable	**20,537**	11,396
Stock-based compensation *[note 9(b)]*	**28,726**	46,127
Deferred revenue	**4,037**	4,272
Current portion of long-term debt *[note 8]*	**40,722**	25,538
Total current liabilities	**352,951**	293,367
Deferred lease inducements	**2,211**	2,712
Long-term debt *[note 8]*	**350,212**	219,627
Future income taxes *[note 11]*	**485,934**	442,765
Total liabilities	**1,191,308**	958,471
Minority interest	**–**	1,422
Shareholders' equity		
Share capital *[note 9(a)]*	**1,690,663**	1,740,983
Deficit	**(217,901)**	(207,114)
Total shareholders' equity	**1,472,762**	1,533,869
	2,664,070	2,493,762

(see accompanying notes)

On behalf of the Board:

William T. Holland
Director

G. Raymond Chang
Director

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

YEARS ENDED MAY 31,

(thousands of dollars, except per share amounts)	**2005**	2004
REVENUE		
Management fees	**881,817**	710,950
Administration fees	**114,516**	58,037
Redemption fees	**47,081**	43,375
Gain on sale of marketable securities	**6,706**	690
Other income *[note 7]*	**32,158**	31,621
	1,082,278	844,673
EXPENSES		
Selling, general and administrative *[notes 9(b) and 13]*	**328,089**	256,757
Less: expenses recovered from funds	**112,780**	109,782
Net selling, general and administrative	**215,309**	146,975
Trailer fees *[note 10]*	**250,695**	197,766
Investment dealer fees	**82,162**	39,710
Amortization of deferred sales commissions and fund contracts	**58,248**	35,388
Interest *[note 8]*	**9,785**	8,588
Other *[note 7]*	**14,976**	19,112
	631,175	447,539
Minority interest	**3,188**	5,390
Income before income taxes	**447,915**	391,744
Provision for income taxes *[note 11]*		
Current	**109,092**	86,314
Future	**54,074**	84,386
	163,166	170,700
Net income for the year	**284,749**	221,044
Deficit, beginning of year	**(207,114)**	(305,932)
Cost of shares repurchased in excess of stated value *[note 9(a)]*	**(97,206)**	(13,457)
Dividends declared	**(198,330)**	(108,769)
Deficit, end of year	**(217,901)**	(207,114)
Earnings per share *[note 9(d)]*	**0.97**	0.82

(see accompanying notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31,

(thousands of dollars)	**2005**	2004
OPERATING ACTIVITIES		
Net income for the year	**284,749**	221,044
Add (deduct) items not involving cash		
Gain on sale of marketable securities	**(6,706)**	(690)
Stock-based compensation	**(17,338)**	16,479
Amortization of deferred sales commissions and fund contracts	**58,248**	35,388
Amortization of other	**13,529**	6,510
Minority interest	**3,188**	5,390
Future income taxes	**54,074**	84,386
	389,744	368,507
Net change in non-cash working capital balances related to operations	**51,731**	1,036
Cash provided by operating activities	**441,475**	369,543
INVESTING ACTIVITIES		
Purchase of marketable securities	**(106,154)**	(50,450)
Proceeds on sale of marketable securities	**65,593**	18,052
Additions to capital assets	**(7,213)**	(7,390)
Deferred sales commissions paid	**(150,772)**	(125,879)
Additions to other assets	**–**	(325)
Cash paid on acquisitions, including transaction costs and cash acquired *[note 4]*	**(37,259)**	(412,133)
Cash used in investing activities	**(235,805)**	(578,125)
FINANCING ACTIVITIES		
Long-term debt *[note 8]*	**145,769**	101,165
Repurchase of share capital *[note 9(a)]*	**(147,745)**	(21,392)
Issuance of share capital *[notes 4 and 9(a)]*	**219**	265,948
Distributions to minority interest	**(2,395)**	(5,026)
Dividends paid to shareholders	**(198,330)**	(108,769)
Cash provided by (used in) financing activities	**(202,482)**	231,926
Net increase in cash during the year	**3,188**	23,344
Cash, beginning of year	**25,117**	1,773
Cash, end of year	**28,305**	25,117
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	**10,265**	7,334
Income taxes paid	**104,424**	86,458

(see accompanying notes)

CI Fund Management Inc. ["CI"] is incorporated under the laws of Ontario. CI's primary business is the management and distribution of a broad range of financial products and services, including mutual funds, segregated funds, financial planning, insurance, investment advice, wealth management and estate and succession planning.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of presentation

The consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"] [formerly CI Mutual Funds Inc.], Assante Corporation ["Assante"] and Skylon Advisors Inc. ["Skylon"] [formerly Skylon Capital Corp.] and their subsidiaries. Hereinafter, CI and its subsidiaries are referred to as CI.

During fiscal 2005, CI restructured its 66% investment in BPI Global Asset Management LLP ["BGAM"] such that CI gave up all future economic benefits of ownership in exchange for a 32% participation in the net revenue earned on BGAM's institutional assets. As a result, the accounts of BGAM are no longer included in the consolidated financial statements from the date of disposition.

During fiscal 2004, CI disposed of its investment in Trilogy Advisors, LLC.

Revenue recognition

Management fees are based upon the net asset value of the respective funds and are recognized on an accrual basis. Management fees received in advance of amounts earned are disclosed separately as deferred revenue.

Administration fees and other income are recognized as services are provided under contractual arrangements. Administration fees include commission revenue, which is recorded on a trade date basis.

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

Performance fees are recognized when performance thresholds have been satisfied and management is assured of their realization.

Marketable securities

Marketable securities consist of investments in mutual fund units and shares of publicly traded companies. These investments are carried at the lower of cost and market value.

Capital assets

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

Computer hardware	30% declining balance or straight-line over three to four years
Computer software	Straight-line over two to four years
Office equipment	20% declining balance or straight-line over five years
Leasehold improvements	Straight-line over the term of the lease
Property	Straight-line over twenty-five years

Deferred sales commissions

Commissions paid on sales of deferred sales charge mutual funds represent commissions paid by CI 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 on a straight-line basis over 84 months from the date recorded.

Fund contracts

Fund contracts are recorded net of any write-down for impairment. CI evaluates the carrying value of fund contracts for potential impairment based on estimated discounted future cash flows. These evaluations are performed on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

Fund administration contracts are amortized on a straight-line basis over twenty-five years. Fund management contracts with a finite lives are amortized on a straight-line basis over eight years. Fund management contracts with indefinite life are not amortized.

Goodwill

Goodwill is recorded as the excess of purchase price over identifiable assets acquired. CI evaluates the carrying value of goodwill for each segment for potential impairment based on comparison to the allocated market capitalization by segment. If this test indicates a potential impairment for any segment, the carrying value of goodwill is evaluated against estimated discounted future cash flows for that segment. These evaluations are performed on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

Stock-based compensation

CI has a stock-based compensation plan, which includes a cash settlement option. Compensation expense is recognized and recorded as a liability based upon the intrinsic value of outstanding stock options as at the balance sheet date and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees are credited to share capital.

Deferred lease inducements

Lease inducements are deferred and amortized on a straight-line basis over the term of the lease.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Earnings per share

The treasury stock method is used in the calculation of per share amounts. Basic per share amounts are determined by dividing net income by the weighted average number of shares outstanding during the year. There is no dilutive effect on earnings per share as CI accounts for its stock options as a liability.

Derivative financial instruments

Derivative financial instruments are used to mitigate equity market and foreign exchange exposures.

CI has entered into a total return share swap to manage its equity market exposure related to its stock-based compensation. The total return share swap is measured at fair value and any resulting gains or losses are recognized in income.

CI has entered into forward contracts to manage its foreign exchange exposure related to its investments in U.S. dollar denominated hedge funds. Forward contracts are measured at fair value and any resulting gains or losses are recognized in income. Included in income are foreign exchange losses of $1,037 [2004 - foreign exchange gains of $62].

Effective June 1, 2004, CI adopted the recommendations of CICA Accounting Guideline 13 - Hedging Relationships on a prospective basis. These recommendations require that certain circumstances be met in order for hedge accounting to be appropriate, including the identification, documentation, designation and effectiveness of hedges. The adoption of this policy did not have a material impact on the consolidated financial statements.

Foreign currency translation

Foreign currency denominated items are translated into Canadian dollars as follows:

Integrated foreign subsidiaries are financially or operationally dependent on CI. Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars using historical rates. Revenue and expenses are translated at average rates prevailing during the year. Translation exchange gains and losses of integrated foreign subsidiaries are included in income.

Other foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date. At the balance sheet date, monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at that date, revenue and expenses are translated at exchange rates prevailing during the year and the resulting translation exchange gains and losses are included in income.

Business acquisitions

The purchase method of accounting is used for business acquisitions and the results of operations are consolidated from the date of acquisition.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

2. CLIENT AND TRUST FUNDS

Included in client and trust funds on deposit are amounts representing cash held in trust with Canadian financial institutions for clients in respect of self-administered Registered Retirement Savings Plans and Registered Retirement Income Funds, and amounts received from clients for which the settlement date on the purchase of securities has not occurred or accounts in which the clients maintain a cash balance. The corresponding liabilities are included in client and trust funds payable.

3. FINANCIAL INSTRUMENTS

As at May 31, 2005, the fair value of marketable securities was $79,128 [2004 - $29,276]. As at July 7, 2005, the fair value of marketable securities was $91,472.

CI had a forward contract outstanding as at May 31, 2005 to sell US$8,000 at a forward rate of $1.2484 on July 7, 2005. As at May 31, 2005, the fair value of this contract approximates its carrying amount of nil.

CI had a forward contract outstanding as at May 31, 2004 to sell US $9,500 at a forward rate of $1.3803 on October 26, 2004. The contract was settled on June 30, 2004 and CI realized a gain of $339.

The estimated fair values of all other financial instruments approximate their carrying amounts in the consolidated balance sheets.

4. BUSINESS ACQUISITIONS

Year ended May 31, 2005

On June 3, 2004, CI completed its acquisition of all of the outstanding shares of IQON Financial Management Inc. and Synera Financial Services Inc. from Sun Life Assurance Company of Canada [“Sun Life”], a related party, which have networks of financial and insurance advisors. As consideration, CI paid $38,500 in cash.

Details of the net assets acquired, at fair value, are as follows:

	$
Cash	1,241
Client and trust funds on deposit	92
Accounts receivable and prepaid expenses	1,996
Capital assets	717
Marketable securities	1,053
Fund administration contracts	5,100
Other assets	335
Accounts payable and accrued liabilities	(2,175)
Client and trust funds payable	(92)
Future income taxes	(954)
Other liabilities	(636)
Goodwill on acquisition	31,823
	38,500

Year ended May 31, 2004

On October 6, 2003, CI completed its acquisition of all of the outstanding shares of Synergy Asset Management Inc. ["Synergy"], manager of the Synergy mutual funds. As consideration, CI paid $94,283 in cash and issued 1,655,874 common shares of CI.

On November 7, 2003, CI completed its acquisition of all of the outstanding shares of Skylon, manager of the VentureLink Group of Funds and a series of retail structured products. As consideration, CI paid $33,817 in cash, and must pay a portion of future performance fees, where earned on certain funds, which will be netted against performance fees earned in that period.

On November 14, 2003, CI completed its acquisition of the Canadian operations of Assante under a Plan of Arrangement through which it acquired all of the outstanding common shares of Assante, consisting of an investment management business and a network of financial advisors. As consideration, CI paid $309,942 in cash and issued 38,846,974 common shares of CI.

In conjunction with the above three transactions, Sun Life purchased 20,698,368 common shares of CI from treasury for $265,336 in order to maintain its proportionate share of ownership of CI.

In addition, CI issued 932,576 stock appreciation rights with a strike price of $13.34 that expire in 2007.

Details of the net assets acquired, at fair value, are as follows:

	Skylon Advisors Inc. $	Synergy Asset Management Inc. $	Assante Corporation $	Total $
Cash	1,188	1,802	24,387	27,377
Client and trust funds on deposit	–	–	91,988	91,988
Accounts receivable and prepaid expenses	2,957	1,259	45,586	49,802
Capital assets	–	378	19,855	20,233
Deferred sales commissions	–	5,600	10,500	16,100
Fund administration contracts	–	–	32,500	32,500
Fund management contracts	17,000	35,000	495,000	547,000
Other assets	–	485	6,192	6,677
Accounts payable and accrued liabilities	(1,216)	(3,619)	(60,927)	(65,762)
Client and trust funds payable	–	–	(91,988)	(91,988)
Future income taxes	(6,120)	5,255	(169,928)	(170,793)
Other liabilities	–	–	(14,876)	(14,876)
Goodwill on acquisition	20,351	70,406	498,766	589,523
	34,160	116,566	887,055	1,037,781

Details of the consideration given, at fair value, are as follows:

	Skylon Advisors Inc. $	Synergy Asset Management Inc. $	Assante Corporation $	Total $
Cash	33,817	94,283	309,942	438,042
CI common shares	–	22,189	520,549	542,738
Assante Corporation shares already owned	–	–	55,533	55,533
Transaction costs	343	94	1,031	1,468
	34,160	**116,566**	**887,055**	**1,037,781**

The common shares of CI issued as consideration were valued at $13.40 per share, the closing price immediately prior to the announcement date of the three acquisitions on August 22, 2003.

The goodwill on acquisition is not deductible for income tax purposes. $485,623 of the balance relates to the Asset Management segment and $103,900 relates to the Asset Administration segment.

Immediately following the Synergy acquisition, Synergy was amalgamated into CI Investments.

Included in other liabilities at the date of acquisition are accruals for severance and exit costs of $10,000 related to the three acquisitions, of which the entire amount has been paid as at May 31, 2005 [2004 - $5,600].

5. FUND CONTRACTS

Fund contracts consist of the following:

	2005		2004	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Fund administration contracts	**37,600**	**2,154**	32,500	650
Fund management contracts				
Finite life	**12,000**	**2,250**	12,000	750
Indefinite life	**967,582**	**–**	967,582	–
	1,017,182	**4,404**	1,012,082	1,400
Less accumulated amortization	**4,404**	**–**	1,400	–
Net book value	**1,012,778**		1,010,682	

6. CAPITAL ASSETS

Capital assets consist of the following:

	2005		2004	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Computer hardware and software	**36,001**	**18,503**	38,453	20,377
Office equipment	**4,059**	**3,245**	7,511	5,006
Leasehold improvements	**5,629**	**2,665**	9,312	4,027
Property	**–**	**–**	345	126
	45,689	**24,413**	55,621	29,536
Less accumulated amortization	**24,413**		29,536	
Net book value	**21,276**		26,085	

7. OTHER ASSETS, INCOME AND EXPENSES

Other assets consist mainly of an investment in a limited partnership, long-term accounts receivable and prepaid expenses and deferred charges.

Other income consists mainly of institutional management fees, custody fees, equity income and interest income.

Other expenses consist mainly of institutional management expenses, distribution fees to limited partnerships and capital taxes.

8. LONG-TERM DEBT

CI has arranged a revolving credit facility with a Canadian chartered bank for general corporate purposes for $500,000. Amounts may be borrowed under this facility in Canadian dollars through prime rate loans, which bear interest at the greater of the bank's prime rate and one month bankers' acceptance rates plus 0.75%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.30%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds overnight rate plus 0.75%, or LIBOR loans which bear interest at LIBOR plus 0.30%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.30% on any undrawn portion. At May 31, 2005, CI had accessed $56,936 [2004 - $1,409] by way of letters of credit.

Loans are made by the bank under a 364-day revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, the outstanding principal amount shall be repaid in equal monthly installments over the following four years.

The facility is collateralized by a registered general security agreement from CI and certain subsidiaries of CI, assignment of the shares in CI Investments, Assante, certain subsidiaries of Assante and Skylon, and assignment of the management agreements and redemption fees of CI Investments and certain subsidiaries of Assante. The facility also requires CI to meet certain financial ratios on a quarterly basis.

As at May 31, 2005, $333,073 [2004 - $245,165] has been drawn on this facility in the form of bankers' acceptances at an effective interest rate of 2.82% [2004 - 2.31%]. In addition, $57,861 [2004 - nil] has been drawn in the form of LIBOR loans at an effective interest rate of 3.41%. Interest expense attributable to the long-term debt for the year ended May 31, 2005 was $7,912 [2004 - $6,554].

On July 7, 2005, the revolving credit facility was amended to increase the total amount that may be borrowed under the facility to $650,000.

9. SHARE CAPITAL

(a) Details with respect to share capital are as follows:

	Common shares	
(thousands of dollars)	**Number of shares**	**Stated value**
Authorized		
Unlimited preference shares		
Unlimited common shares		
Issued		
May 31, 2003	235,526	938,657
Issuance of share capital *[note 4]*	61,203	808,074
Share repurchase	(1,680)	(7,935)
Exercise of stock options	150	2,187
May 31, 2004	295,199	1,740,983
Issuance of share capital	7	121
Share repurchase	(8,569)	(50,539)
Exercise of stock options	6	98
May 31, 2005	**286,643**	1,690,663

For shares issued on the exercise of stock options, the liabilities at the dates on which the stock options were exercised amounted to $62 [2004 - $1,575] and were included in the stated value of the shares issued.

During fiscal 2005, 8,568,700 common shares [2004 - 1,679,700] were repurchased under a normal course issuer bid at an average cost of $17.24 per share [2004 - $12.74] for a total consideration of $147,745 [2004 - $21,392]. Deficit was increased by $97,206 [2004 - $13,457] for the cost of the shares repurchased in excess of their stated value.

(b) Employee incentive stock option plan

CI has an employee incentive stock option plan [the "Plan"] for the executives and key employees of CI. The maximum number of common shares that may be issued under the Plan is 41,722,566. As at May 31, 2005, there are 8,399,280 common shares [2004 - 9,685,799] reserved for issuance on exercise of stock options. These options vest over periods of up to five years, may be exercised at prices ranging from $4.73 to $17.04 per common share with a total intrinsic value of $33,024 as at May 31, 2005 and expire at dates up to 2010.

On April 12, 2005, CI entered into a total return share swap transaction agreement [the "Agreement"] with a Canadian chartered bank. The Agreement is intended to mitigate CI's exposure to fluctuations in the price of its common shares, and is for a maximum of 8,600,000 shares or an aggregate purchase amount of $144,000. Under the Agreement, the bank will accumulate shares of CI through purchases on the Toronto Stock Exchange and will pay CI the total return, if positive, on the stock and CI will pay the bank the total return, if negative. In addition, CI will pay the bank interest on the aggregate purchase amount at bankers' acceptance rates.

At May 31, 2005, a total of 1,695,900 common shares were subject to the Agreement and had an average purchase price of $16.78, which reduced the liability under the Plan and stock-based compensation expense by $874.

The total stock-based compensation expense for the year ended May 31, 2005 of $13,329 [2004 - $39,988] has been included in selling, general and administrative expenses.

Details of the Plan activity and status for the years ended May 31 are as follows:

	2005		2004	
	Number of options (in thousands)	**Weighted average exercise price $**	**Number of options (in thousands)**	**Weighted average exercise price $**
Options outstanding, beginning of year	**9,686**	**10.81**	10,072	8.27
Options granted	**1,679**	**17.02**	2,273	15.59
Options exercised	**(2,874)**	**6.83**	(2,601)	5.15
Options cancelled	**(92)**	**14.45**	(58)	10.94
Options outstanding, end of year	**8,399**	**13.37**	9,686	10.81
Options exercisable, end of year	**4,348**	**11.76**	4,060	9.22

Details of the Plan options outstanding and exercisable as at May 31, 2005 are as follows:

Exercise price $	**Number of options outstanding (in thousands)**	**Weighted average remaining contractual life (years)**	**Number of options exercisable (in thousands)**
4.73	138	0.4	138
10.51	1,633	2.9	1,024
11.00	599	0.8	599
11.27	1,037	1.8	732
12.01	1,127	2.0	1,127
15.59	2,187	3.9	728
15.67	15	4.4	–
15.86	15	4.1	–
17.04	1,648	5.0	–
4.73 to 17.04	**8,399**	**3.1**	**4,348**

(c) Employee share purchase loans

CI has an employee share purchase loan program for key employees. These loans are renewable yearly and bear interest at prescribed rates. As at May 31, 2005, the carrying amount of employee share purchase loans is $6,430 [2004 - $7,259] and is included in accounts receivable and prepaid expenses. These loans become due immediately upon termination of employment or sale of the shares that are held as collateral. As at May 31, 2005, the shares held as collateral have a market value of approximately $20,175 [2004 - $21,309].

(d) Earnings per share

The weighted average number of shares outstanding for the years ended May 31 is as follows:

(in thousands)	**2005**	2004
Basic and diluted	**293,297**	268,103

(e) Stock appreciation rights

In conjunction with the acquisition of Assante, CI has issued share appreciation rights to certain former option holders. The intrinsic value of these rights at the date of grant was included as a liability in the fair value of net assets acquired. These rights may only be settled for cash.

(f) Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all of the outstanding options as at June 30, 2005 were exercised:

(in thousands)	
Common shares outstanding at June 30, 2005	286,177
Options to purchase common shares	8,061
	294,238

10. RELATED PARTY TRANSACTIONS

CI enters into transactions related to the advisory and distribution of the Funds with Sun Life, a shareholder of CI, and its subsidiaries. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts. During the year ended May 31, 2005, CI incurred charges for deferred sales commissions of $42,287 [2004 - $31,976], portfolio management fees of nil [2004 - $379] and trailer fees of $70,983 [2004 - $58,511] to Sun Life. The balance payable to Sun Life as at May 31, 2005 of $6,761 [2004 - $6,085] is included in accounts payable and accrued liabilities.

11. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of CI's future income tax liabilities and assets as at May 31 are as follows:

	2005 $	2004 $
Future income tax liabilities		
Fund contracts	**357,041**	353,316
Deferred sales commissions	**122,917**	91,242
Other	**22,920**	18,668
Total future income tax liabilities	**502,878**	463,226
Future income tax assets		
Stock-based compensation	**10,376**	16,661
Non-capital loss carry forwards	**11,098**	16,803
Acquisition related costs	**5,630**	11,204
Other	**5,846**	3,658
Total future income tax assets	**32,950**	48,326
Net future income tax liabilities	**469,928**	414,900

The net future income tax liabilities are classified in the consolidated balance sheets as follows:

	2005 $	2004 $
Current future income tax assets	**16,006**	27,865
Non-current future income tax liabilities	**485,934**	442,765

The following is a reconciliation between CI's statutory and effective income tax rates:

	2005 %	2004 %
Combined Canadian federal and provincial income tax rate	**36.1**	36.4
Increase (decrease) in taxes resulting from:		
Compensation expense on share settled options	**–**	0.1
Non-taxable portion of capital losses gains	**(0.3)**	–
Impact of rate changes on future income taxes	**–**	(7.3)
Other, net	**0.6**	(0.2)
	36.4	43.6

12. SEGMENTED INFORMATION

CI has two reportable segments: Asset Management and Asset Administration. These segments reflect CI's internal financial reporting and performance measurement. CI has realigned its internal financial reporting with the result that the former segment called Other is now combined with the Asset Management segment.

The Asset Management segment includes the operating results and net assets of CI Investments, Skylon and Assante Asset Management Ltd., which derive their revenues principally from the fees earned on the management of several families of mutual and segregated funds.

The Asset Administration segment includes the operating results and net assets of Assante Advisory Services Ltd. and most of its subsidiaries, including Assante Capital Management Ltd., Assante Financial Management Ltd. and IQON Financial Management Inc. These companies derive their revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

Segmented information for the year ended May 31, 2005 is as follows:

	Asset Management $	Asset Administration $	Elimination $	Intersegment Total $
Management fees	881,817	–	–	881,817
Administration fees	–	219,183	(104,667)	114,516
Other revenue	78,642	7,303	–	85,945
Total revenue	**960,459**	**226,486**	**(104,667)**	**1,082,278**
Net selling, general and administrative	170,813	44,496	–	215,309
Trailer fees	265,037	–	(14,342)	250,695
Investment dealer fees	–	165,895	(83,733)	82,162
Amortization of deferred sales commissions and fund contracts	57,770	1,504	(1,026)	58,248
Other expenses	14,649	327	–	14,976
Total expenses	**508,269**	**212,222**	**(99,101)**	**621,390**
Income before income taxes and non-segmented items	**452,190**	**14,264**	**(5,566)**	**460,888**
Interest expense				9,785
Minority interest				3,188
Provision for income taxes				163,166
Net income for the year				**284,749**
Identifiable assets	1,544,212	176,229	(7,397)	1,713,044
Goodwill	815,303	135,723	–	951,026
Total assets	**2,359,515**	**311,952**	**(7,397)**	**2,664,070**

Segmented information for the year ended May 31, 2004 is as follows:

	Asset Management $	Asset Administration $	Intersegment Elimination $	Total $
Management fees	710,950	–	–	710,950
Administration fees	–	108,495	(50,458)	58,037
Other revenue	72,583	3,103	–	75,686
Total revenue	**783,533**	**111,598**	**(50,458)**	**844,673**
Net selling, general and administrative	128,910	18,065	–	146,975
Trailer fees	204,164	–	(6,398)	197,766
Investment dealer fees	–	80,076	(40,366)	39,710
Amortization of deferred sales commissions and fund contracts	35,002	650	(264)	35,388
Other expenses	19,054	58	–	19,112
Total expenses	**387,130**	**98,849**	**(47,028)**	**438,951**
Income before income taxes and non-segmented items	**396,403**	**12,749**	**(5,566)**	**405,722**
Interest expense				8,588
Minority interest				5,390
Provision for income taxes				170,700
Net income for the year				**221,044**
Identifiable assets	1,405,150	172,839	(3,430)	1,574,559
Goodwill	815,303	103,900	–	919,203
Total assets	**2,220,453**	**276,739**	**(3,430)**	**2,493,762**

13. COMMITMENTS AND CONTINGENCIES

Lease commitments

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

	$
2006	11,277
2007	10,938
2008	9,972
2009	4,736
2010	4,313
2011 and thereafter	8,636

Shareholder advisor agreements

CI is a party to shareholder advisor agreements, which provide that the shareholder advisor has the option to require CI to purchase a practice that cannot otherwise be transitioned to a qualified buyer. The purchase price would be in accordance with a pre-determined formula contained in the shareholder advisor agreement.

Indemnities

CI has agreed to indemnify its directors and officers, and certain of its employees in accordance with CI's by-laws. CI maintains insurance policies that may provide coverage against certain claims.

Litigation

CI is engaged in litigation arising in the ordinary course of business. None of this litigation is expected to have a material adverse effect on the consolidated financial position of CI.

Settlement with the Ontario Securities Commission

On December 10, 2004, CI Investments reached a settlement with the Ontario Securities Commission relating to concerns raised with respect to certain trading by a small number of institutional investors in certain of CI Investments' mutual funds. Under the settlement agreement, CI Investments agreed to make a payment of $49,300, plus interest at the rate of 5% per annum from the date of settlement to the approval of the plan of distribution, which occurred on June 30, 2005, to investors in its mutual funds that were affected by this trading. This payment is secured by a letter of credit. CI recorded a $33,900 after-tax charge to income to reflect the settlement and related costs.

14. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 consolidated financial statements.

15. SUBSEQUENT EVENT

On June 27, 2005, CI announced that it had adopted the name CI Financial, effective immediately, and would seek shareholder approval to change its legal name from CI Fund Management Inc. to CI Financial Inc. Effective June 16, 2005, CI Mutual Funds Inc. changed its legal name to CI Investments Inc.

Corporate Directory

CI Financial

Directors

Ronald D. Besse
President,
Besseco Holdings Inc.;
Lead Director

Toronto, Ontario

G. Raymond Chang
President,
G. Raymond Chang Ltd.;
Director and Chairman
of the Board (non-executive)

Toronto, Ontario

Paul W. Derksen
Executive Vice-President
and Chief Financial Officer,
Sun Life Financial Inc.;
Director

Mississauga, Ontario

William T. Holland
Chief Executive Officer,
CI Financial;
Director

Toronto, Ontario

A. Winn Oughtred
Partner,
Borden Ladner Gervais LLP;
Director

Toronto, Ontario

George W. Oughtred
President,
Privatbanken Holdings Inc.;
Director

Calgary, Alberta

C. James Prieur
President and
Chief Operating Officer,
Sun Life Financial Inc.;
Director

Toronto, Ontario

David J. Riddle
President,
C-Max Capital Inc.;
Director

Vancouver, B.C.

Officers

William T. Holland
Chief Executive Officer

Douglas J. Jamieson
Senior Vice-President and
Chief Financial Officer

Stephen A. MacPhail
President and
Chief Operating Officer

Peter W. Anderson
Executive Vice-President

Michael J. Killeen
Senior Vice-President,
General Counsel and
Corporate Secretary

CI Investments

Executives

Peter W. Anderson
President and
Chief Executive Officer

Douglas J. Jamieson
Chief Financial Officer

David C. Pauli
Executive Vice-President and
Chief Operating Officer

Munir T. Issa
Executive Vice-President and
Chief Technology Officer

Assante

Executives

Joseph C. Canavan
Chairman and
Chief Executive Officer

Steven J. Donald
President and
Chief Operating Officer

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Trading Symbol

CI Financial trades on the Toronto Stock Exchange under the symbol "CIX".

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Registrar and Transfer Agent

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Digital Report

This Annual Report can be downloaded from CI's website at www.ci.com under "Corporate".

This Annual Report contains forward-looking statements with respect to CI, including its business operations and strategy and financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.

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