

2010

Annual Report December 31, 2010

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CI Financial Corp. is a diversified wealth management firm and Canada's third-largest investment fund company. Independent and Canadian-owned, CI provides a comprehensive selection of top-quality investment products and services. CI has two million clients and approximately \$98.8 billion in fee-earning assets (at March 31, 2011). The company operates primarily through subsidiaries CI Investments Inc., which offers the industry's broadest selection of investment funds, and Assante Wealth Management (Canada) Ltd., which provides financial advisory services through a national network of 750 financial advisors. CI is listed on the Toronto Stock Exchange under the symbol CIX and is a member of the S&P/TSX Composite Index.

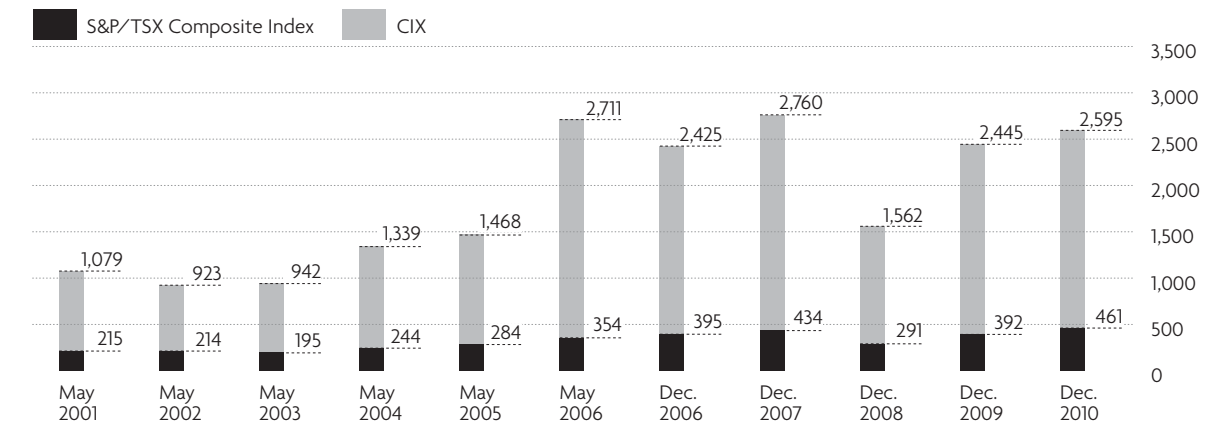
Financial Highlights

(in millions of dollars, except per share amounts)	As at December 31, 2010	As at December 31, 2009	% change
Assets under management	72,825	64,226	13
Fee-earning assets	95,925	86,456	11
Shares outstanding	287,434,257	291,821,114	(2)

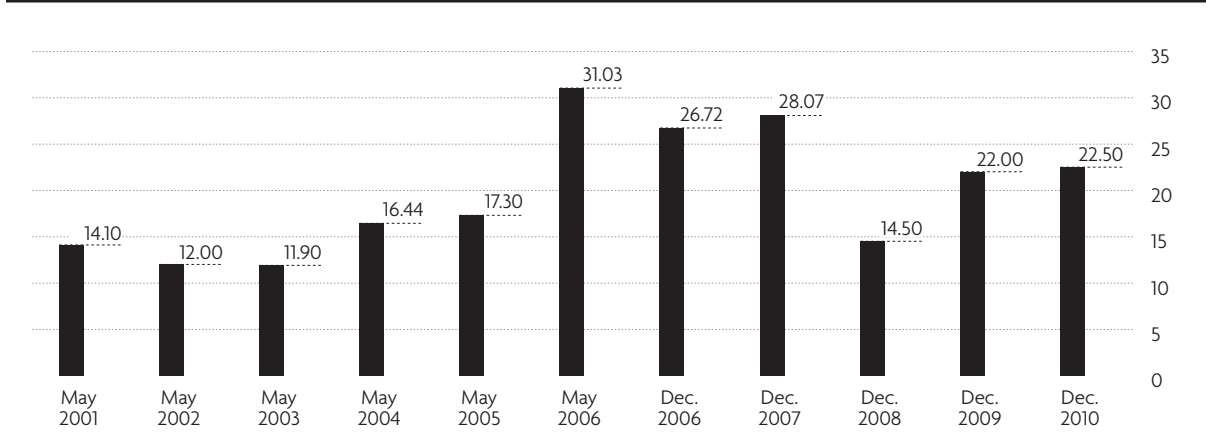
(from continuing operations)	For the year ended December 31, 2010	For the year ended December 31, 2009	% change
Average retail assets under management	64,546	55,430	16
Management fees	1,188.0	1,041.5	14
Total revenues	1,378.4	1,218.5	13
SG&A	261.5	278.9	(6)
Trailer fees	346.4	299.7	16
Net income	330.8	296.2	12
Earnings per share	1.14	1.01	13
EBITDA*	669.8	539.3	24
EBITDA* per share	2.32	1.84	26
Dividends per share	0.77	0.63	22
Average shares outstanding	289,069,167	292,481,685	(1)

*EBITDA (Earnings before interest, taxes, depreciation and amortization) and pre-tax operating earnings are not standardized earnings measures prescribed by GAAP; 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. CI's method of calculating these measures may not be comparable to similar measures presented by other companies. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

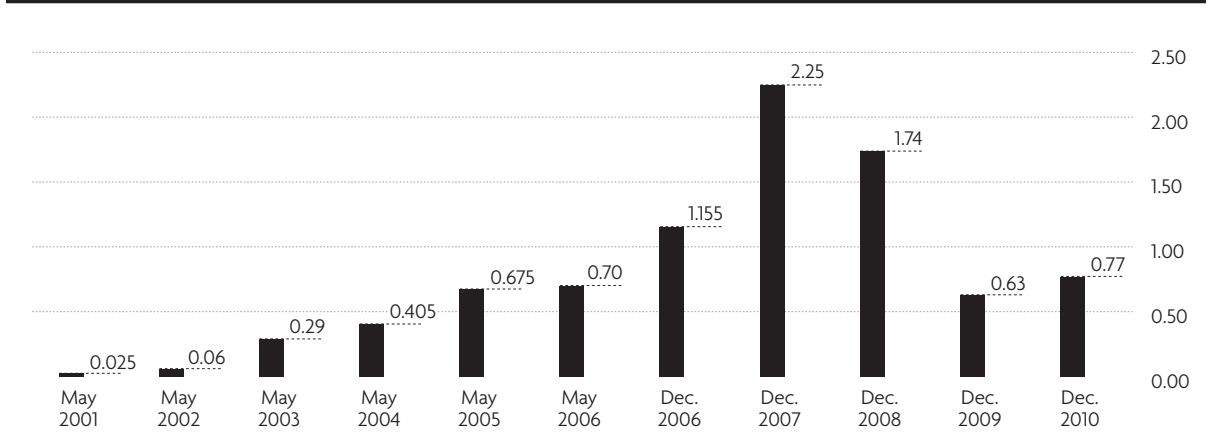
CIX vs S&P/TSX Composite Index Total Return IPO in June 1994 = 100



CIX Share Price : \$



Dividends Per Share : \$



Letter to Shareholders

Dear Shareholders,

In 2010, your company experienced one of the best years in its history. CI's excellent performance was in stark contrast to the news headlines, which were dominated by issues such as European government debt, the Gulf oil spill, and fears that the developed economies would slip back into recession.

The markets, however, shrugged off these concerns and staged a decisive rally in mid-year that continued through to December and into the first quarter of 2011. The general strength in corporate earnings and a series of positive economic reports helped to fuel these gains.

For the year, the S&P/TSX Composite rose 17.6%, while global markets made broad-based gains. The S&P 500 climbed 8.3% and the MSCI World Index was up 5.9%. The bond market, as represented by the DEX Universe Bond Index, rose 6.7%. (All indexes are reported in Canadian dollars.)

CI's funds took advantage of the rally, posting strong performance during the period. This investment performance, in combination with net sales of over \$1 billion and the acquisition of Hartford Investments Canada Corp. in December 2010, drove our assets to double-digit gains. CI's assets under management increased by \$8.6 billion or 13% to \$72.8 billion over the year, while total fee-earning assets were up \$9.4 billion or 11% to \$95.9 billion.

It's important to note that assets under management of \$72.8 billion represented a record high for CI, underscoring that 2010 was not a year of recovery, but a year of *growth* for your company. During the year, CI had outstanding results in asset growth, fund performance, profitability, competitive positioning, and the development of successful products and portfolio manager relationships.

CI occupies a unique space in this country as a large and successful Canadian-owned, independent financial services firm, focused on asset management. We continue to build on our competitive advantages in all aspects of our business and, as always, are seeking new opportunities for growth. In the rest of this letter, we will discuss these opportunities, our strategy and the highlights of 2010.

Our Strategy

CI's long-term strategy consists of a focus on these key elements:

- **Scale** – The achievement of scale allows us to benefit from economies of scale and invest more resources in technology, administration, product development and sales support.
- **Diversification** – CI's broad and varied lineup of products and services reduces our dependence on any one sector, product or portfolio manager and ensures that we are well positioned as investors' needs and preferences change. It also reinforces our relationships with advisors, by allowing them to meet the needs of most clients through one firm.
- **Distribution** – CI has developed multiple channels of distribution through products such as segregated funds, our participation in third-party investment programs at other financial institutions, other institutional relationships, our relationship with the Sun Life Financial advisor network, and our ownership of Assante Wealth Management. These relationships have made a significant contribution to the growth of our sales and assets.
- **Operations** – Our drive for operational excellence includes the efficient operation of our funds and our company, and the development of high-quality products, superior service and a well-known brand.

Financial Results

As stated earlier, CI's assets under management grew by 13% to \$72.8 billion during the year. Once again, our asset growth outpaced the overall industry, with the Investment Funds Institute of Canada reporting annual growth in member assets of 12%, to \$636 billion (a number that does not include CI). Our industry market share exceeds 10%. A more useful metric in showing the earnings power of CI is average assets. In 2010, our average retail assets under management were \$64.5 billion, for an increase of \$9 billion or 16%.

CI's growth has continued into the first quarter of this year, with assets under management at March 31, 2011 reaching \$75.5 billion. Average retail assets under management for the quarter were \$74.1 billion, up \$8.4 billion or 13% from the fiscal 2010 total.

CI's revenues in 2010 were \$1.4 billion, up 13% from the year before. Net income was \$330.8 million, or \$1.14 per share, also up 13% from \$1.01 in 2009. However, it is important to note that our 2009 results benefited from a \$45 million tax recovery related to provincial income tax changes. To adjust for the impact of taxes, we look at pre-tax operating earnings, which were \$2.12 per share in fiscal 2010 – up 22% from the prior year.

A key element in executing our strategy has always been to exercise financial discipline, and part of this is to ensure that expenses are aligned with assets. Even as our assets grew over the past year, we ensured that expenses did not keep pace. As a result, selling, general and administrative expenses declined to 0.40% of average retail assets under management from 0.44% in 2009.

In 2009, we restructured CI's debt by issuing \$550 million in debentures, a move that allowed us to reduce our interest costs, extend the term of our debt and diversify our funding sources by paying down our bank credit facility. In December 2010, we issued another \$300 million in debentures at an interest rate of 3.94% for five years. CI's net debt at March 31, 2011 was approximately \$689 million, carried a very favourable average cost of 3.16% and was in line with our targeted debt-to-EBITDA ratio of 1:1.

With the growth in our assets in 2010, there was a significant increase in CI's free cash flow – that is, cash flow in excess of the requirements for funding the growth of the business. In 2010, CI generated \$339 million in free cash flow, up from \$278 million in 2009 (including tax adjustments).

This allowed CI to pay dividends of \$220 million or \$0.76 per share in 2010, and buy back \$97 million in shares, at an average cost per share of \$20.02. That dividend payment represents an increase of 33% from 2009, when CI paid out \$0.57 per share. In the first quarter of 2011, we increased the dividend again – for the fourth time in two years – to a rate of \$0.075 per share per month or \$0.90 annually.

It is our policy to return excess cash to you, the shareholders of the company. And to show the depth of this commitment, we point to our long-term record on this issue. Since June 1994, when CI went public with a stock issue of \$25 million, we have returned an astounding \$3.5 billion to our shareholders. This consisted of \$1 billion in dividends, \$1.4 billion in distributions, made when CI was an income trust, and \$1.1 billion in share repurchases.

At December 31, 2010, CI's share price was \$22.50, up slightly from \$22.00 a year earlier. With dividends, the total return on CI shares in 2010 was 5.8%. Over the long term, CI has significantly outperformed the index and its peers, with a total return from its 1994 IPO to December 31, 2010 of 2,495%. This compares to 361% for the S&P/TSX Composite and 938% for its financial services sub-index.

Operating Results

Strength in sales

In 2010, CI posted gross sales of \$9.8 billion and net sales of \$1.1 billion. Gross sales were up 15% over 2009, reflecting increasing investor confidence and the continuing appeal of our product lineup. Net sales were down from \$1.5 billion the year before, with segregated funds being a primary reason for the change, as many policies reached their 10-year maturity date during the year. During the financial crisis of 2008-2009, segregated funds were top sellers for us, as the safety provided by their guarantees attracted investors. In 2010, our overall sales were much more diversified as investors returned to mutual funds. CI's extensive lineup means that, even as investors' preferences and market conditions change, we have a product that will meet their needs.

The diversity in our products and in our distribution relationships has contributed to notable consistency in our sales. CI is the only fund company in Canada to have posted net sales in excess of \$1 billion each year for the past seven consecutive years. CI is typically one of the industry's top-selling firms, and ranked fourth for net sales in 2010.

High-performing products

One indicator of the quality of our funds is, of course, performance. At March 31, 2011, 85% of our assets under management were first or second quartile over 10 years and 83% were first or second quartile over five years. CI continues to lead the industry with the most mutual and segregated funds with the top four and five-star rankings from Morningstar Canada. At March 31, 2011, there were 55 CI funds with a five-star ranking and 135 with four stars.

Our funds and portfolio managers continued to gather industry recognition for their results. CI received three Canadian Investment Awards in 2010, including the very prestigious Morningstar Fund Manager of the Decade award for Eric Bushell, Chief Investment Officer of our Signature Global Advisors team. In choosing Eric, Morningstar Canada cited the excellent returns over the past decade in many Signature funds, the consistency of those returns, their risk management, and Eric's success in building a "strong, credible team" at Signature,

with significant global research capabilities. CI and its managers have now won an impressive 43 Canadian Investment Awards since 1998. In early 2011, it was announced that CI had won nine Lipper Fund Awards, which honours funds that have excelled in delivering consistently strong risk-adjusted performance, relative to peers. Our funds have won 28 Lipper awards since 2007.

Despite the large gains in the equity markets over the past two years, investors maintain a distinct preference for conservative investment options, especially those that provide income. CI refines its fund lineup on an ongoing basis as Canadians' financial needs evolve. In 2010, our product launches included:

- SunWise Essential Series, a segregated fund family offered in partnership with Sun Life Financial. This product, which provides investors with the option of receiving a guaranteed income for life among other benefits, has been well received, gathering over \$525 million in assets from its September introduction to March 31, 2011.
- Two diversified income funds, Select Income Advantage Managed Corporate Class and CI Income Advantage Fund.
- Signature Gold Corporate Class, which was introduced to meet investor demand for a fund that focuses exclusively on the gold and precious metals asset class.

Castlerock Investments – a new platform for growth

On December 15, 2010, CI completed the acquisition of Hartford Investments Canada, which had approximately \$1.8 billion in assets under management in 17 mutual funds. In February 2011, we renamed the firm Castlerock Investments Inc., replaced three of the firm's five sub-advisors with CI portfolio managers, and launched four new funds to broaden the firm's lineup. We elected to operate Castlerock as a distinct division of CI with its own brand because a long-term contract with a third-party service provider precluded us from immediately integrating the administration of the funds into CI's platform.

In the short period since the change, the results have been impressive. Castlerock's assets under management have increased over 7% to \$1.9 billion from the announcement of the acquisition to March 31, 2011, and net sales have been positive. We expect this division to generate \$20 million in EBTIDA in 2011, an excellent return on our investment in the firm.

In particular, the Castlerock acquisition has enhanced our relationship with key distributors and gained us two high-quality portfolio management teams – Black Creek Investment Management and Greystone Managed

Investments. Black Creek specializes in global equity investing and has established a track record of superior performance that includes winning two Lipper Fund Awards in 2011. Greystone is one of Canada's largest pension managers and has achieved proven results with Canadian and U.S. equity and dividend mandates. Both firms are available to retail mutual fund investors exclusively through Castlerock.

Today, Castlerock offers a focused lineup of core mutual funds, managed by some of Canada's best investment talent. With the backing of CI's resources in sales and marketing, Castlerock represents a promising platform for growth.

Portfolio management expertise

The addition of Castlerock illustrates the success of our diversified approach to portfolio management. We offer a choice of top-ranked management teams who operate independently of one another. These teams consist of both external sub-advisors and in-house teams. This model easily allows for the addition of new sub-advisors, such as Black Creek and Greystone, whose funds have posted net sales since the acquisition and have exceptional potential for gathering new assets.

At the same time, we have developed significant expertise at our in-house management teams – Signature Global Advisors (led by Eric Bushell), Harbour Advisors (led by Gerry Coleman) and Cambridge Advisors (led by Alan Radlo). Since 1997, when Harbour was established as CI's first in-house money manager, the proportion of our assets managed internally has grown steadily, reaching 68% (\$51 billion) as of March 31, 2011.

We have recently bolstered the resources of our Cambridge team with the hiring of two prominent portfolio managers and two analysts. The Cambridge funds have posted outstanding performance over the three years since their launch in 2008, and we are confident this team can attain significant growth in assets.

We are also willing to support portfolio management expertise outside of the traditional sub-advisory role. In 2010, CI purchased a minority interest in Red Sky Capital Management Ltd., an alternative investment manager owned and led by Timothy Lazaris, an experienced hedge fund manager and a long-time financial services analyst. Red Sky benefits from the credibility and stability of CI, while we gain access to another avenue of growth within the asset management business.

Developing multiple distribution channels

As mentioned, the acquisition of Castlerock has enhanced our relationships with key distribution channels, notably advisors in the brokerage channel. In addition, in January 2011, Edward Jones announced that CI Investments had been named preferred partner for mutual funds, in addition to holding this status for segregated funds. This is a tremendous opportunity to forge closer ties with advisors at one of Canada's leading financial services firms.

CI has met with great success over the past decade in expanding our distribution through institutional channels, with our institutional division, CI Institutional Asset Management (CIIAM), overseeing about \$10 billion in assets. In 2009, CIIAM assigned additional resources to penetrate the pension and endowment market. The result has been a significantly greater interest in our capabilities and, in early 2011, we received \$150 million into a Canadian balanced mandate, our largest such investment to date.

We see great potential in pensions and endowments, given that this space rivals the Canadian mutual fund industry with approximately \$600 billion in assets (excluding the Canada Pension Plan and some of the larger pension plans) and that there are manager searches involving \$40 billion to \$50 billion per year.

Our involvement in institutional asset management also includes a 25% interest in Altrinsic Global Advisors, LLC of Greenwich, Conn. This firm, which manages a number of CI funds and which CI has supported since its founding in 2000, has experienced remarkable growth in its institutional business, reaching \$11 billion in assets under management.

Assante Wealth Management performed well in 2010, maintaining its status as Canada's pre-eminent financial advisory firm. Assets under administration increased by 7% over the year, as financial markets rose and Assante's advisors maintained their focus on the conservative management of the financial affairs of Canadian families. Assante clients were well served through the volatile environment of the past few years given the company's emphasis on discipline, patience and providing diversified portfolio solutions, backed by the expertise of leading money managers, including the portfolio management teams of CI Investments.

Assante also maintains a comprehensive communications program for advisors and clients that provides timely insights from portfolio managers on market developments and the positioning of their funds. As market dynamics have shifted and income planning and understanding estate and succession issues has become more

important for Canadians, Assante has further demonstrated its leadership with the innovative Wealth Matters series for investors. This initiative provides relevant information into matters affecting the wealth of Canadians. It also demonstrates Assante's commitment to an integrated approach to wealth management, a comprehensive approach to planning that incorporates all aspects of a client's finances – risk management, estate planning, tax planning, as well as investment management. We assist our advisors in providing this advanced level of service through a large in-house staff that includes tax, insurance, estate planning and other experts.

Our recruiting efforts are focused on experienced advisors who embrace this philosophy and serve an affluent clientele. In 2010, we added eight new advisors.

Assante's competitive advantages include the security of CI's financial strength, the benefits of CI's experience and support in operations, technology, client services and sales, as well as the portfolio management expertise and products of CI Investments. With this solid foundation, Assante is pursuing a growth strategy based on renewed recruitment efforts and fostering the growth of our advisors' practices through the provision of wealth planning expertise, enhanced systems support and sophisticated portfolio solutions.

Management changes

As our company grows and evolves, so too does the management of the firm. In 2010, William Holland transitioned from the position of Chief Executive Officer, which he has held since 1999, to that of full-time Executive Chairman. Stephen MacPhail became Chief Executive Officer in addition to President, a position he has held since 2005. This change was made so that our titles would more accurately reflect our roles at the firm. As Executive Chairman, Bill continues to focus on strategic initiatives, while Steve has overall responsibility for the day-to-day operation of the firm. The change of titles has had no impact on the direction of the firm, given that we have been working together as part of the executive team for the past 16 years.

Meanwhile, we are fortunate to have Ray Chang, our former Chairman, continue as a board member. We thank Ray for the many valuable contributions he has made to CI in his 27 years of service, which included holding the positions of president and CEO before becoming chairman.

Outlook

In the first quarter of 2011, global markets continued to advance in the face of global events such as the earthquake and tsunami in Japan, the fighting in Libya and unrest in Middle Eastern nations, and the ongoing European debt issues. The S&P/TSX Composite registered a 5.6% gain in the quarter, the S&P 500 Index was up 3.3% and the MSCI World Index rose 2.3% (all in Canadian dollars).

As mentioned above, CI's assets under management were \$75.5 billion at March 31, 2011, a new record for your company, while total assets were \$98.8 billion. During the three-month period, CI had gross sales of \$3.2 billion and net sales of \$463 million.

CI remains well positioned for profitability and growth, with continued strength in our product lineup, portfolio management, sales, distribution, financial condition, personnel, and competitive standing. As a large and diversified wealth management company, we are benefiting from many engines of growth. These include our traditional mutual and segregated fund business, acquisitions, expanded distribution relationships, new successes in the institutional marketplace, and non-traditional businesses such as our investment in Red Sky. Most importantly, your management team maintains the flexibility and the willingness to take advantage of attractive opportunities when they arise.

In closing, we thank you for your support.



William T. Holland
Executive Chairman



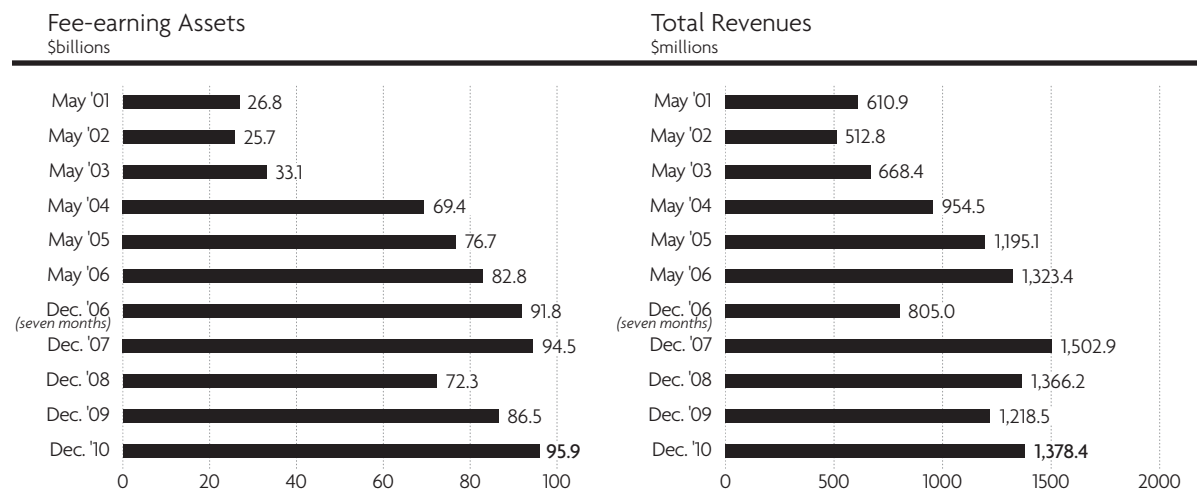
Stephen A. MacPhail
President and Chief Executive Officer

Eleven-Year Historical Financial Highlights

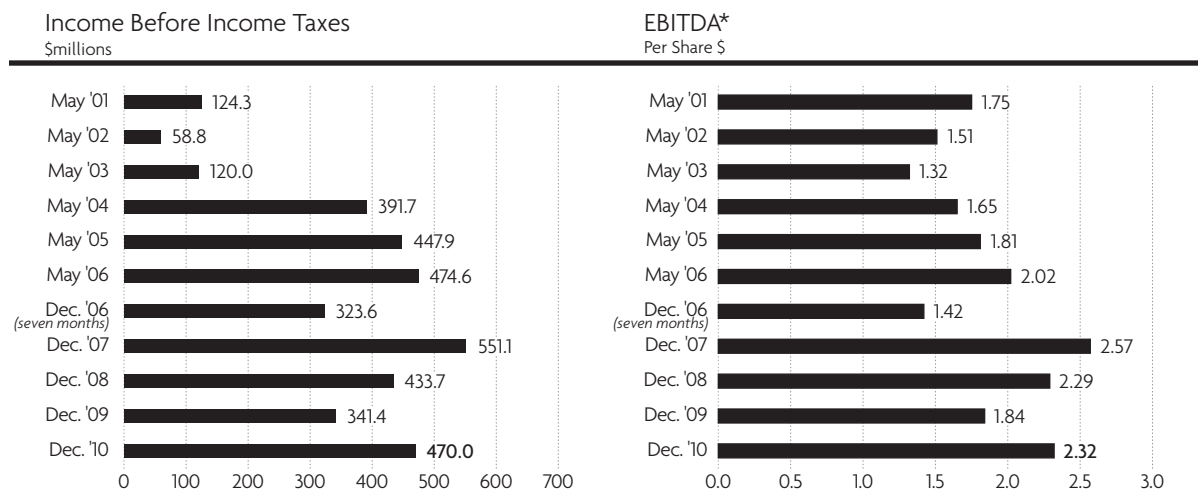
(millions of dollars, except per share amounts)

(from continuing operations)	Years Ended Dec. 31			
	2010	2009	2008	2007
Assets under management, end of year	72,825	64,226	52,802	67,171
Administered and other assets	23,100	22,230	19,501	27,319
Total fee-earning assets	95,925	86,456	72,303	94,490
Net sales of funds	1,059	1,451	1,740	1,898
Management fees	1,188.0	1,041.5	1,163.8	1,292.7
Other income	190.4	177.0	202.4	210.2
Total revenues	1,378.4	1,218.5	1,366.2	1,502.9
Selling, general and administrative	261.5	278.9	256.4	291.1
Trailer fees	346.4	299.7	336.1	369.1
Other expenses	300.5	298.4	340.0	291.6
Total expenses	908.4	877.0	932.5	951.8
Income taxes	139.2	45.3	(17.5)	(54.4)
Net income before amortization of goodwill	330.8	296.2	451.2	605.5
Net income	330.8	296.2	451.2	605.5
EBITDA*	669.8	539.3	638.6	724.3
Earnings per share	1.14	1.01	1.62	2.15
EBITDA* per share	2.32	1.84	2.29	2.57
Dividends per share	0.77	0.630	1.740	2.250
Shareholders' equity, end of year	1,613.6	1,610.9	1,601.7	1,450.7
Shares outstanding, end of year	287,434,257	291,821,114	292,492,805	281,514,003

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



Seven Months Ended Dec. 31, 2006	Years Ended May 31					
	2006	2005	2004	2003	2002	2001
62,737	56,905	49,243	49,310	32,257	24,876	25,817
29,080	25,915	27,504	20,102	827	837	1,017
91,817	82,820	76,747	69,412	33,084	25,713	26,834
437	3,111	1,734	920	(596)	481	3,468
693.8	1,110.0	994.6	820.7	595.8	446.5	538.0
111.2	213.4	200.5	133.7	72.7	66.3	72.9
805.0	1,323.4	1,195.1	954.4	668.5	512.8	610.9
147.8	353.6	328.1	256.8	203.3	119.8	141.2
193.3	291.0	250.7	197.8	147.4	97.8	115.6
140.3	204.2	168.4	108.1	197.8	236.4	229.7
481.4	848.8	747.2	562.7	548.5	454.0	486.5
(31.1)	165.6	163.2	170.7	49.0	22.0	34.3
354.7	309.0	284.7	221.0	71.0	36.8	90.1
354.7	309.0	284.7	221.0	71.0	(61.4)	11.5
403.5	577.4	529.5	442.2	297.4	265.5	319.9
1.25	1.08	0.97	0.82	0.32	(0.35)	0.06
1.42	2.02	1.81	1.65	1.32	1.51	1.75
1.155	0.700	0.675	0.405	0.290	0.060	0.025
1,371.1	1,545.0	1,472.8	1,533.9	632.7	56.8	260.8
280,132,687	285,680,519	286,643,091	295,199,027	235,525,648	170,785,428	180,684,728



Subsidiary Profiles



CI Investments Inc.

CI Investments is one of Canada's largest investment management companies, with approximately \$75 billion in assets under management (at March 31, 2011) on behalf of 1.7 million Canadians. We are known for our comprehensive and high-quality selection of investment products and services, operational excellence and efficiency, and a broad lineup of leading portfolio management teams. CI Investments has demonstrated a record of innovation and an ability to adapt to meet the changing demands of the marketplace and its clients.

We partner with independent financial advisors and third-party institutions in the distribution of our products and services, which include mutual funds, segregated funds, managed solutions, structured products and alternative investments. Our well-known brands include CI, Harbour, Signature, Synergy, Cambridge, Lakeview, Skylon, Portfolio Series, Portfolio Select Series, and SunWise Essential Series. We also market a lineup of 21 mutual funds under the Castlerock brand through our subsidiary Castlerock Investments Inc. In addition, we manage portfolio solutions under the United Financial brand, which are available through advisors with Assante Wealth Management. We service the institutional marketplace through a dedicated division, CI Institutional Asset Management.

CI's strength is founded on the expertise and experience of its portfolio managers. Our managers, a mix of in-house teams and sub-advisors, represent the full spectrum of investment disciplines, from value to growth. Our in-house investment managers include: Signature Global Advisors, led by Eric Bushell; Harbour Advisors, led by Gerry Coleman; and Cambridge Advisors, led by Alan Radlo. CI and its managers have been recognized through 43 Canadian Investment Awards over the past 13 years, including the prestigious Analysts' Choice Investment Fund Company of the Year in 2006, 2007 and 2009, as well as Morningstar Fund Manager of the Decade in 2010 and Morningstar Fund Manager of the Year in 2009 for Mr. Bushell. Mr. Coleman is a two-time Fund Manager of the Year, receiving the award in 2001 and 2008.



Assante Wealth Management (Canada) Limited

Assante Wealth Management is a leading provider of fully integrated wealth management solutions for affluent Canadians. With 750 advisors across Canada, our independent advisory network is one of the largest in the country. We serve over 300,000 clients nationwide, administering \$23.5 billion in assets (at March 31, 2011) on their behalf.

The success of Assante is closely linked to our advisors and the strong partnership we have developed with them. Backed by a wealth of resources, including investment analysts, portfolio managers, tax lawyers, accountants, estate planning and insurance specialists and wealth planners, Assante advisors provide a comprehensive and integrated approach to wealth management.

We also support our advisors by providing an industry-leading suite of products and solutions. This includes the United Financial brand of solutions, Evolution Private Managed Accounts and Optima Strategy, which are managed by CI Investments Inc. and are available exclusively through Assante advisors. For high net worth clients with more complex wealth planning needs, Assante offers the Private Client Managed Portfolios through the United Financial division of CI Private Counsel LP.

Our 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. **Stonegate Private Counsel**, a division of CI Private Counsel LP, is a group of experienced professionals who provide wealth planning and inter-generational financial services to high net worth individuals and families.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated February 16, 2011 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at December 31, 2010, compared with December 31, 2009, and the results of operations for the year ended and quarter ended December 31, 2010, compared with the year ended and quarter ended December 31, 2009 and the quarter ended September 30, 2010.

CI was structured as an income trust from June 30, 2006 to December 31, 2008. In October 2008, CI announced that it would convert back to a corporate structure and on January 1, 2009, effected that conversion.

Unless the context otherwise requires, all references to CI are to CI Financial Corp. and, as applicable, its predecessors, CI Financial Income Fund and CI Financial Inc. together with the entities and subsidiaries controlled by it and its predecessors. All references to "shares" refer collectively to common shares subsequent to December 31, 2008 and to units prior to the conversion. All references to "dividends" refer collectively to payments to shareholders subsequent to December 31, 2008 and to payments to unitholders prior to the conversion.

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"), United Financial Corporation ("United"), Assante Wealth Management (Canada) Ltd. ("AWM") and Blackmont Capital Inc. ("Blackmont"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and United. These two entities amalgamated on January 1, 2010 to continue as CI Investments. The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM"). The operations of Blackmont were discontinued as at December 31, 2009 and are no longer included in the Asset Administration segment.

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest and foreign exchange rates, global financial markets, changes in government regulations or in tax laws, industry competition, technological developments and other factors described under "Risk Factors" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements. For a

more complete discussion of the risk factors that may impact actual results, please refer to the “Risk Factors” section of this MD&A and to the “Risk Factors” section of CI’s Annual Information Form dated February 26, 2010, which is available at www.sedar.com.

This MD&A includes several non-GAAP financial measures that do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these financial measures in analyzing CI’s results. These non-GAAP measures and reconciliations to GAAP, where necessary, are shown as highlighted footnotes to the discussion throughout the document.

SELECTED ANNUAL INFORMATION

(millions, except per share amounts)

	FISCAL YEARS ENDING		
	December 31, 2010	December 31, 2009	December 31, 2008
Total revenue	\$1,378.4	\$1,218.5	\$1,366.2
Total expenses	908.4	877.0	932.5
Income before income taxes	470.0	341.5	433.7
Income taxes	139.2	45.3	(17.5)
Net income from continuing operations	330.8	296.2	451.2
Net income	\$330.8	\$244.8	\$445.4
Earnings per share from continuing operations	\$1.14	\$1.01	\$1.62
Dividends per share	\$0.77	\$0.63	\$1.74
Total assets	\$3,265.3	\$3,006.4	\$3,614.1
Total long-term debt	\$870.4	\$676.5	\$999.4
Shares outstanding	287.4	291.8	292.5
Average shares outstanding	289.1	292.5	278.7

SUMMARY OF QUARTERLY RESULTS

(millions of dollars, except per share amounts)

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
INCOME STATEMENT DATA								
Management fees	313.1	293.3	293.1	288.5	287.9	273.5	251.0	229.1
Administration fees	35.4	31.3	32.4	35.3	34.4	31.0	29.8	29.2
Other revenues	18.7	11.7	13.3	12.2	11.2	14.2	11.1	16.0
Total revenues	367.2	336.3	338.8	336.0	333.5	318.7	291.9	274.3
Selling, general & administrative	69.6	67.8	56.2	67.9	75.6	72.9	71.4	59.0
Trailer fees	91.4	85.1	85.9	83.9	83.5	79.0	71.5	65.7
Investment dealer fees	25.8	22.9	23.8	25.8	24.6	22.1	20.9	20.5
Amortization of deferred sales commissions	43.1	43.0	42.7	42.0	41.3	40.3	39.5	38.6
Interest expense	5.7	3.8	4.2	4.3	5.9	7.8	6.4	6.5
Other expenses	2.3	2.6	3.3	5.3	7.3	5.9	4.2	6.6
Total expenses	237.9	225.2	216.1	229.2	238.2	228.0	213.9	196.9
Income before income taxes	129.3	111.1	122.7	106.8	95.3	90.7	78.0	77.4
Income taxes	37.9	35.6	33.7	31.9	(20.5)	24.3	25.1	16.3
Net income (loss) from continuing operations	91.4	75.5	89.0	74.9	115.8	66.4	52.9	61.1
Net income (loss) from discontinued operations	–	–	–	–	2.2	(49.0)	(2.3)	(2.3)
Net income	91.4	75.5	89.0	74.9	118.0	17.4	50.6	58.8
Earnings per share from continuing operations	0.32	0.26	0.31	0.26	0.40	0.23	0.18	0.21
Earnings per share	0.32	0.26	0.31	0.26	0.40	0.06	0.17	0.20
Dividends per share	0.205	0.195	0.19	0.18	0.17	0.15	0.15	0.16

Business Overview

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. 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. They are distributed primarily through brokers, independent financial planners and insurance advisors, including ACM and AFM financial advisors. CI operates through two business segments, Asset Management and Asset Administration. The Asset Management segment provides the majority of CI's income and derives its revenue principally from the fees earned on the management of several families of mutual, segregated, pooled and closed-end funds, structured products and discretionary accounts. The Asset Administration segment derives its revenue principally from commissions and fees earned on the sale of mutual funds and other financial products and ongoing service to clients.

Business Strategy

CI maximizes shareholder value by increasing and retaining assets under management and assets under administration while maintaining its earnings margin. Management believes this can be achieved by focusing on the following factors: diversity of products offered by CI; experience and depth of investment managers; performance of the funds; service levels provided to dealers and investors; and skill and knowledge of management.

CI offers Canadian investors a wide range of Canadian and international investment products through a network of investment dealers, mutual fund dealers, and insurance agents, which include advisors with AWM and Sun Life Financial. Several acquisitions of fund management companies have allowed CI to offer investors what management believes to be the broadest selection of investment funds in the Canadian mutual fund industry, including the largest lineup of segregated funds.

CI uses three teams of in-house and approximately 20 external investment managers to provide investment advice regarding the portfolios of the funds. Many of these investment managers have long careers in the industry as well as extensive track records with CI. This lineup of investment managers provides a wide selection of styles and areas of expertise for CI's funds.

CI strives to select managers with a reputation for skilled investment management. CI often has significantly sized mandates available to attract the top talent in this field. Many of CI's investment managers have provided excellent long-term performance for our largest funds. However, CI can and will make changes to its investment managers when unsatisfactory investment performance has occurred.

CI is the manager of the funds and provides services that include managing or arranging for the management of investment portfolios, marketing of the funds, maintaining securityholders records and accounts, reporting to the securityholders and processing transactions relating to securities of the funds. CI has invested in information systems and internal training of staff to an extent which ensures it provides accurate and timely service to dealers and agents selling CI's products and to investors.

Management of CI has the specialized skills and knowledge to focus on meeting several key objectives. These include: the needs of its clients, developing new products, enhancing investor awareness and increasing market share by marketing to investment dealers, mutual fund dealers and life insurance agents.

2010 Overview

CI's average retail assets under management for 2010 increased 16% from 2009. This increase was primarily a result of strong market performance of the funds as well as over \$1 billion in net sales of CI's funds. CI's revenues have similarly grown from the levels of a year ago. While some expenses, such as trailer fees and investment advisor fees, vary directly with the level of assets under management, most of CI's expenses are fixed in nature. This point is illustrated by the 7% increase in SG&A (excluding equity-based compensation), which is markedly lower than the increase in average assets under management.

During this period of market recovery, sales of investment funds have increased significantly. CI's gross sales during the year were up 15% from the previous year. However, redemptions were up 23%, resulting in a decrease in net sales from last year.

CI continued to be the third-largest investment fund company in Canada with total assets under management of \$72.8 billion at December 31, 2010. CI's market share is approximately 10%.

According to Morningstar, CI led the entire industry with the most five-star rated funds (including multiple versions) for all of 2010 and has ranked either first or second place for the past nine years. In addition, CI has won 42 Canadian Investment Awards since 1998 and 28 Lipper Awards since 2007. In December 2010, Eric Bushell was named Morningstar Fund Manager of the Decade at the Canadian Investment Awards.

Key Events

In October, CI announced that it had reached an agreement to buy Hartford Investments Canada Corp. ("Hartford"). This acquisition closed on December 15th at which time CI took over management of Hartford's \$1.8 billion in assets under management. The company was renamed Castlerock Investments Inc. in January 2011. The deal is expected to be accretive to CI's earnings in 2011 and provides CI with new sub-advisory relationships including Black Creek Investment Management Inc. and Greystone Managed Investments Inc.

In December, CI Investments issued \$300 million fixed rate debentures due in 2016, bearing an interest rate of 3.94%. The debentures were rated A (low) by DBRS and BBB+ by Standard & Poor's and were over-subscribed by investors. The net proceeds were used to pay for the acquisition of Hartford, pay down amounts drawn against CI's credit facility, and for general corporate purposes.

During 2010, CI continued to create new products to appeal to changing investor preferences. CI launched three new mutual funds – Select Income Advantage Managed Corporate Class, CI Income Advantage Fund and Signature Gold Corporate Class. Additionally, in association with Sun Life Financial, CI launched a new family of segregated funds called the SunWise Essential Series.

Key Performance Drivers

CI's results are driven primarily by the level of its assets under management, which are in turn driven by the returns earned by its funds and the net sales of the funds. The margin earned on these assets under management determines, to a large extent, CI's profitability.

The returns of each fund reflect the returns of equities and bonds or other securities held by the fund. These returns will reflect the returns of equity and bond indexes plus the over or under performance of the investment manager of each fund. In years when markets decline (such as 2008) CI's assets will decline. Conversely, CI's assets will appreciate in years when markets perform well. For a particular period, the average assets under management will drive CI's results as CI receives the majority of its fees on a daily basis. CI reported average retail assets under management for 2010 of \$64.5 billion, up \$9.1 billion from 2009 – this increase of 16% was supported by the relative stability of markets compared with the preceding two years.

Fund sales and acquisitions also affect CI's assets under management. CI has experienced aggregate positive net sales of its funds in each of the last six years, including \$1.5 billion in 2009 and \$1.1 billion in 2010. The addition of Hartford's funds discussed earlier added \$1.8 billion to CI's ending assets under management. While sales results help increase assets under management, they are also an indicator of the level of demand for CI's products and our success in delivering attractive products.

CI's margin on its assets under management is measured as the management fee revenue earned less the direct costs to service, manage and administer the funds. These costs include trailer fees and selling, general and administrative expenses. The calculation of this margin is detailed in the Asset Management segment discussion.

CI uses several performance indicators to assess its results. These are described throughout the results of operations and the discussion of the two operating segments and include the following: pre-tax operating earnings, EBITDA, operating profit margin and dealer gross margin.

Fee-Earning Assets and Sales

Total fee-earning assets, which include mutual and segregated funds, structured products, institutional managed assets, AWM assets under administration, and other fee-earning assets were \$95.9 billion at December 31, 2010, an increase of 11% from \$86.5 billion at December 31, 2009. As shown in the table on the following page, these assets consist of \$71.4 billion in retail managed funds, \$0.4 billion in structured products, \$1.0 billion in institutional managed assets, \$22.5 billion in AWM assets under administration, and \$0.6 billion in other fee-earning assets.

FEE-EARNING ASSETS as at December 31

<i>(in billions)</i>	2010	2009	% change
Retail managed funds	\$71.4	\$62.4	14
Structured products	0.4	0.4	–
Total retail assets under management	71.8	62.8	14
Institutional managed assets	1.0	1.4	(29)
Total assets under management	72.8	64.2	13
AWM assets under administration*	22.5	21.5	5
Other fee-earning assets	0.6	0.8	(25)
Total fee-earning assets	\$95.9	\$86.5	11

*Includes \$10.2 billion and \$9.6 billion of managed assets in CI and United funds in 2010 and 2009 respectively.

Retail assets under management form the majority of CI's fee-earning assets and provide most of its revenue and net income. The change in retail assets under management during each of the past two years is detailed in the table below.

CHANGE IN RETAIL ASSETS UNDER MANAGEMENT

<i>(in billions)</i>	2010	2009
Retail assets under management at January 1	\$62.8	\$50.8
Gross sales	9.9	8.6
Redemptions	8.8	7.1
Net sales	1.1	1.5
Market performance	7.9	10.5
Retail assets under management at December 31	\$71.8	\$62.8

The table below sets out the levels and changes in CI's average retail assets under management and the gross and net sales for the relevant periods. 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.

<i>(in billions)</i>	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009
Average retail AUM	\$68.244	\$63.527	\$61.186
Change to December 31, 2010		7.4%	11.5%
Gross sales	\$2.3	\$2.2	\$2.3
Net sales	(\$0.2)	\$0.2	\$0.4

The Investment Funds Institute of Canada (IFIC) reported \$12.0 billion in industry net sales of mutual funds for the year ended December 31, 2010, up \$6.9 billion from net sales of \$5.1 billion in the same period for 2009. Total industry assets as reported by IFIC at December 31, 2010 of \$635.7 billion were up 12% from \$566.2 billion at December 31, 2009.

Results of Operations

Year ended December 31, 2010

For the year ended December 31, 2010, CI reported net income from continuing operations of \$330.8 million (\$1.14 per share) versus \$296.2 million (\$1.01 per share) for the year ended December 31, 2009. Including discontinued operations, CI reported net income of \$244.8 million (\$0.84 per share) in 2009.

In 2010, CI recorded \$139.2 million in income tax expense for an effective tax rate of 29.6%, compared to an effective tax rate of 13.3% in 2009. Included in 2009 is a \$45.4 million income tax adjustment related to changes in provincial tax rates that were substantively enacted on November 16, 2009. In early 2010, CI had utilized all of its remaining tax losses that were generated while CI was structured as an income trust. The current portion of income tax expense now closely reflects CI's total taxes after adjusting for timing differences between accounting income and taxable income.

Pre-Tax Operating Earnings

CI uses pre-tax operating earnings to assess its underlying profitability. CI defines pre-tax operating earnings as income before income taxes less redemption fee revenue, non-recurring items, performance fees and investment gains, plus amortization of deferred sales commissions (DSC) and fund contracts, and equity-based compensation expense.

<i>(in millions, except per share amounts)</i>	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Income before income taxes	\$129.3	\$111.1	\$95.3	\$470.0	\$341.4
Less:					
Redemption fees	8.4	7.4	7.3	30.9	30.2
Performance fees	–	–	–	–	0.1
Non-recurring item(s)	3.7	–	–	3.7	–
Gain (loss) on marketable securities	–	–	–	(0.1)	2.9
Add:					
Amortization of DSC and fund contracts	43.7	43.6	42.5	174.1	164.4
Equity-based compensation expense	2.8	3.3	13.2	1.8	36.8
Pre-tax operating earnings	\$163.7	\$150.6	\$143.7	\$611.4	\$509.4
per share	\$0.57	\$0.52	\$0.49	\$2.12	\$1.74

For the year ended December 31, 2010, redemption fee revenue was \$30.9 million compared with \$30.2 million for the year ended December 31, 2009. Other income for the year ended December 31, 2010 was \$25.3 million compared to \$19.5 million in the prior year. The increase was due to a non-recurring revenue item of \$5.0 million (\$3.7 million net of expenses).

Amortization of deferred sales commissions and fund contracts was \$174.1 million in 2010, an increase from \$164.4 million in 2009. The increase was a result of higher spending on deferred sales commissions paid to brokers and dealers on the sale of back-end load mutual funds.

Interest expense of \$18.2 million was recorded for the year ended December 31, 2010 compared with \$26.5 million for the year ended December 31, 2009. The decrease in interest expense reflected lower average debt levels and lower borrowing costs, as discussed under “Liquidity and Capital Resources.” Debt is generally used to fund growth in the company and to repurchase share capital.

Other expenses for the year ended December 31, 2010 were \$10.0 million compared to \$19.4 million in the prior year. The decrease from the prior year is primarily due to a \$2.5 million decrease in capital taxes, a \$2.5 million write-off of a receivable asset in fiscal 2009, and a \$1.0 million amortized cost adjustment of preferred shares in fiscal 2009.

EBITDA

CI uses EBITDA (earnings before interest, taxes, depreciation and amortization) to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of deferred sales commissions, fund contracts and capital assets. This also permits comparisons of companies within the industry, before any distortion caused by different financing methods, levels of taxation and mix of business between front-end and back-end sales commission assets under management. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

<i>(in millions, except per share amounts)</i>	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Net income from continuing operations	\$91.4	\$75.5	\$115.8	\$330.8	\$296.2
Add (deduct):					
Interest expense	5.7	3.8	5.9	18.2	26.5
Income tax expense (recovery)	37.9	35.6	(20.5)	139.2	45.3
Amortization of DSC and fund contracts	43.7	43.6	42.5	174.1	164.4
Amortization of other items	2.0	1.8	1.6	7.5	6.9
EBITDA	\$180.7	\$160.3	\$145.3	\$669.8	\$539.3
per share	\$0.63	\$0.56	\$0.50	\$2.32	\$1.84
EBITDA margin (as a % of revenue)	49.2%	47.6%	43.6%	48.6%	44.3%

CI's pre-tax operating earnings, as set out in the table on page 26, adjust for the impact of equity-based compensation, gains and losses on marketable securities, performance fees and non-recurring items. Redemption fee revenue and the amortization of deferred sales commissions and fund contracts are netted out to remove the impact of financing back-end assets under management.

Pre-tax operating earnings were \$611.4 million in 2010, an increase of 20% from 2009. This change reflects the 16% change in average retail assets under management.

As illustrated in the table on the prior page, EBITDA for the year ended December 31, 2010 was \$669.8 million (\$2.32 per share) compared with \$539.3 million (\$1.84 per share) for the year ended December 31, 2009. The 24% year-over-year increase in EBITDA was primarily due to the 16% increase in average retail assets under management as well as the \$35.0 million decrease in equity-based compensation expense.

Quarter ended December 31, 2010

For the quarter ended December 31, 2010, CI reported net income from continuing operations of \$91.4 million (\$0.32 per share) versus \$115.8 million (\$0.40 per share) for the quarter ended December 31, 2009 and \$75.5 million (\$0.26 per share) for the quarter ended September 30, 2010. Including discontinued operations, CI reported net income of \$118.0 million (\$0.40 per share) in the fourth quarter of 2009.

For the fourth quarter of 2010, CI recorded \$37.9 million in income tax expense for an effective tax rate of 29.3%, compared to a recovery of \$20.5 million in the fourth quarter of 2009. As mentioned earlier, the recovery in the comparable quarter last year included a \$45.4 million income tax adjustment related to changes in provincial tax rates – net of this adjustment the effective tax rate was 26.1%.

For the quarter ended December 31, 2010, redemption fee revenue was \$8.4 million compared with \$7.3 million for the quarter ended December 31, 2009 and \$7.4 million for the quarter ended September 30, 2010. The increase from 2009 related to an increase in redemptions.

Amortization of deferred sales commissions and fund contracts was \$43.7 million in the fourth quarter of 2010, an increase from \$42.5 million in the fourth quarter of 2009 and from \$43.6 million in the third quarter of 2010. The increase from the prior year period was a result of higher spending (\$4.9 million) on deferred sales commissions paid to brokers and dealers on the sale of back-end charge mutual funds during the year.

Interest expense of \$5.7 million was recorded for the quarter ended December 31, 2010 compared with \$5.9 million for the quarter ended December 31, 2009 and \$3.8 million for the quarter ended September 30, 2010. The decrease in interest expense from the prior year period reflected slightly lower average debt levels and borrowing costs, as discussed under "Liquidity and Capital Resources."

Pre-tax operating earnings were \$163.7 million in the fourth quarter of 2010, an increase of 14% from the fourth quarter of 2009 and up 9% from the prior quarter. These changes primarily reflect the change in average retail assets under management, which were up 12% from the fourth quarter of 2009 and up 7% from the prior quarter.

As illustrated in the table on page 27, EBITDA for the quarter ended December 31, 2010 was \$180.7 million (\$0.63 per share) compared with \$145.3 million (\$0.50 per share) for the quarter ended December 31, 2009 and \$160.3 million (\$0.56 per share) for the quarter ended September 30, 2010. The 24% year-over-year increase in quarterly EBITDA was primarily due to the 12% increase in average retail assets under management as well as the \$10.4 million decrease in equity-based compensation expense.

Asset Management Segment

The Asset Management segment is CI's principal business segment and includes the operating results and financial position of CI Investments and United.

Results of Operations

The following table presents the operating results for the Asset Management segment:

<i>(in millions)</i>	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Management fees	\$313.1	\$293.3	\$287.9	\$1,188.0	\$1,041.5
Other revenue	15.0	7.8	7.0	40.6	36.1
Total revenue	\$328.1	\$301.1	\$294.9	\$1,228.6	\$1,077.6
Selling, general and administrative	55.6	54.6	63.4	208.1	229.3
Trailer fees	95.0	88.6	86.8	360.5	312.3
Amortization of deferred sales commissions and fund contracts	44.4	44.2	42.9	176.6	166.2
Other expenses	1.1	1.1	5.4	6.1	16.2
Total expenses	\$196.1	\$188.5	\$198.5	\$751.3	\$724.0
Income before taxes and non-segmented items	\$132.0	\$112.6	\$96.4	\$477.3	\$353.6

Year ended December 31, 2010

Revenues

Revenues from management fees were \$1,188.0 million for the year ended December 31, 2010, an increase of 14% from the year ended December 31, 2009. The changes were mainly attributable to changes in average retail assets under management, which were up 16% from 2009. The change in average assets reflects the improvement in global equity markets as well as net sales of \$1.1 billion. As a percentage of average retail assets under management, management fees were 1.841% for 2010 compared to 1.879% for 2009.

Average management fee rates decreased from the prior year primarily as a result of a higher proportion of CI's assets being Class F, Class I and separately managed accounts ("SMA"), which have lower management fees. Class F pays no trailer fees to advisors, who typically charge their clients a flat or asset-based fee. Class I and SMA, which are for institutional and high net worth clients with large holdings, have reduced management fees. At December 31, 2010, there were \$1.1 billion and \$11.3 billion in Class F and Class I/SMA, respectively, totalling 17.2% of retail assets under management. At December 31, 2009, Class F, Class I and SMA were 15.7% of retail assets under management, with \$0.9 billion in Class F and \$9.0 billion in Class I/SMA.

For the year ended December 31, 2010, other revenue was \$40.6 million versus \$36.1 million for the year ended December 31, 2009. The largest component of other revenue is redemption fees. Redemption fees were \$30.9 million for 2010 compared with \$30.2 million for 2009.

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were \$208.1 million for the year ended December 31, 2010, a decrease from \$229.3 million for the year ended December 31, 2009. Included in SG&A are expenses relating to CI's equity-based compensation plan. The year ended December 31, 2010 included an equity-based compensation expense of \$1.8 million compared with an expense of \$36.8 million in the year ended December 31, 2009.

On July 1, 2010, CI modified its equity-based compensation plan. This affected CI's reporting by changing the fair value of outstanding options at that date as well as the expense related to the amortization of that fair value over the options' remaining life. Equity-based compensation expense has been a volatile component of compensation that is tied to the performance of CI's share price, and so the financial results presented hereinafter exclude the expense to aid the reader in conducting a comparative analysis.

SG&A expenses, net of the amount related to equity-based compensation ("net SG&A"), were \$206.3 million for 2010, up 7% from \$192.5 million for 2009. This increase reflects items within CI's SG&A that fluctuate with asset levels, including external investment managers, and slightly increased spending on compensation.

Operating Profit Margin

CI monitors its operating profitability on retail assets under management within its Asset Management segment by measuring the operating profit margin, which is defined as management fees from funds less trailer fees and SG&A expenses net of equity-based compensation expense (recovery), calculated as a percentage of average retail assets under management.

<i>(as a % of average retail AUM)</i>	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Management fees	1.820	1.832	1.867	1.841	1.879
Less:					
Trailer fees	0.531	0.532	0.541	0.537	0.541
Net SG&A expenses	0.307	0.320	0.326	0.320	0.347
Operating profit margin	0.982	0.980	1.000	0.984	0.991

As a percentage of average retail assets under management, net SG&A expenses were 0.320% for the year ended December 31, 2010, down from 0.347% for the year ended December 31, 2009. A large proportion of CI's costs are fixed, which is why SG&A decreased as a percentage of average retail assets.

Trailer fees were \$360.5 million for 2010 compared with \$312.3 million for 2009. Net of inter-segment amounts, this expense was \$346.4 million for the year ended December 31, 2010 versus \$299.7 million for the year ended December 31, 2009. As a percentage of average retail assets under management, trailer fees were 0.537% in 2010, down from 0.541% in 2009. The decline was due to asset mix changes that also affected management fee revenues.

Amortization of deferred sales commissions and fund contracts was \$176.6 million for 2010, up from \$166.2 million for the prior year. This change is consistent with the change in deferred sales commissions paid in the past several years.

Other expenses were \$6.1 million for the year ended December 31, 2010 compared to \$16.2 million in the year ended December 31, 2009. The decrease from the prior year is due to the elimination of capital taxes and an amortized cost adjustment of preferred shares in fiscal 2009.

Income before income taxes and interest expense for CI's principal segment was \$477.3 million for 2010, compared with \$353.6 million in 2009. The increase from last year is due to the increase in average retail assets under management, the decrease in SG&A expenses and the decrease in other expenses.

As shown in the table on page 30, for the year ended December 31, 2010, CI's operating profit margin on the Asset Management segment, as a percentage of average retail assets under management adjusted for equity-based compensation expense, was 0.984%, down from 0.991% for the year ended December 31, 2009. The decrease from the prior year was primarily a result of lower management fees as a percentage of average retail assets, due to changes in the mix of assets under management.

Generally, as a result of increasing competition and changes in distribution channels, CI's margins have been in a gradual downward trend. A higher proportion of Class I/SMA assets, which charge lower average management fee rates are being sold relative to Class A. In addition, in recent years, an increasing proportion of funds have been sold with a front-end sales charge, which have higher trailer fee rates. Historically, CI has been able to limit growth in SG&A expenses below the growth in assets under management in order to mitigate the decline in its margins.

Quarter ended December 31, 2010

Revenues

Revenues from management fees were \$313.1 million for the quarter ended December 31, 2010, an increase of 9% from the quarter ended December 31, 2009 and 7% from \$293.3 million for the quarter ended September 30, 2010. The changes were mainly attributable to changes in average retail assets under management, which were up 12% and 7% from the quarters ended December 31, 2009 and September 30, 2010, respectively. As a percentage of average retail assets under management, management fees were 1.820% for the quarter ended December 31, 2010 compared to 1.867% in the fourth quarter of last year and 1.832% in the prior quarter. As discussed earlier, the decline relates to the change in the mix of CI's assets under management.

For the quarter ended December 31, 2010, other revenue was \$15.0 million versus \$7.0 million and \$7.8 million for the quarters ended December 31, 2009 and September 30, 2010, respectively. Redemption fees were \$8.4 million for the quarter ended December 31, 2010 compared with \$7.3 million and \$7.4 million for the quarters ended December 31, 2009 and September 30, 2010, respectively. Also included in other revenue in the fourth quarter is a non-recurring fee of \$5.0 million (\$3.7 million net of expenses).

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were \$55.6 million for the quarter ended December 31, 2010, a decrease from \$63.4 million for the fourth quarter in 2009 and an increase from \$54.6 million for the quarter ended September 30, 2010. As mentioned earlier, included in SG&A are expenses relating to CI's equity-based compensation plan. The quarter ended December 31, 2010 included an equity-based compensation expense of \$2.8 million compared with an expense of \$13.2 million in the quarter ended December 31, 2009. The quarter ended September 30, 2010 had an equity-based compensation expense of \$3.3 million.

SG&A expenses, net of the amount related to equity-based compensation ("net SG&A"), were \$52.8 million for the quarter ended December 31, 2010, up slightly from \$50.2 million for the comparable quarter in 2009 and from \$51.3 million for the prior quarter.

As a percentage of average retail assets under management, net SG&A expenses were 0.307% for the quarter ended December 31, 2010, down from 0.326% for the quarter ended December 31, 2009 and 0.320% for the quarter ended September 30, 2010. As mentioned earlier, the decrease is a result of a large proportion of CI's costs being fixed.

Trailer fees were \$95.0 million for the quarter ended December 31, 2010 compared with \$86.8 million for the quarter ended December 31, 2009 and \$88.6 million for the quarter ended September 30, 2010. Net of inter-segment amounts, this expense was \$91.4 million for the quarter ended December 31, 2010 versus \$83.5 million for the fourth quarter of 2009 and \$85.1 million for the third quarter of 2010. As a percentage of average retail assets under management, trailer fees were 0.531% in the fourth quarter of 2010, down from 0.541% in the comparable quarter of 2009 and 0.532% in the prior quarter. The decline from the prior year was due to asset mix changes that also affected management fee revenues.

Amortization of deferred sales commissions and fund contracts was \$44.4 million for the quarter ended December 31, 2010, up from \$42.9 million in the same quarter last year and from \$44.2 million in the previous quarter. This increase is consistent with the increase in deferred sales commissions paid in the past.

Other expenses were \$1.1 million for the quarter ended December 31, 2010 compared to \$5.4 million in the quarter ended December 31, 2009 and \$1.1 million in the prior quarter. The decrease from the prior year period related to the elimination of capital taxes as well as other one-time items that were charged in the fourth quarter of 2009.

Income before income taxes and interest expense for CI's principal segment was \$132.0 million for the quarter ended December 31, 2010 compared with \$96.4 million in the same period in 2009 and \$112.6 million in the previous quarter. The increase from the comparable quarter in the prior year is primarily due to the increase in average retail assets under management as well as the decrease in SG&A expenses.

As shown in the table on page 30, for the quarter ended December 31, 2010, CI's operating profit margin on the Asset Management segment, as a percentage of average retail assets under management adjusted for equity-based compensation expense, was 0.982%, down from 1.000% for the quarter ended December 31, 2009 and up from 0.980% for the prior quarter. The decrease from the prior year is mainly a result of lower management fees as a percentage of average retail assets under management, due to changes in the mix of assets under management.

Asset Administration Segment

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries. The operations of Blackmont were considered discontinued as at December 31, 2009 and are no longer included in the Asset Administration segment. Comparative prior quarterly results have been adjusted to eliminate the discontinued operations of Blackmont.

Results of Operations

The table that follows presents the operating results for the Asset Administration segment:

<i>(in millions)</i>	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Administration fees	\$58.6	\$52.9	\$55.8	\$226.8	\$205.7
Other revenue	3.8	3.9	4.2	15.4	16.6
Total revenue	\$62.4	\$56.8	\$60.0	\$242.2	\$222.3
Selling, general and administrative	14.0	13.2	12.2	53.4	49.6
Investment dealer fees	44.5	40.3	41.7	172.5	153.3
Amortization of fund contracts	0.4	0.4	0.4	1.5	1.5
Other expenses	0.6	0.8	0.8	3.8	3.2
Total expenses	\$59.5	\$54.7	\$55.1	\$231.2	\$207.6
Income before taxes and non-segmented items	\$2.9	\$2.1	\$4.9	\$11.0	\$14.7

Year ended December 31, 2010

Revenues

Administration fees are earned on assets under administration in the AWM business and from the administration of third-party business. These fees were \$226.8 million for the year ended December 31, 2010, an increase of 10% from \$205.7 million for the same period last year. Net of inter-segment amounts, administration fee revenue was \$134.4 million for the year ended December 31, 2010, up from \$124.3 million for the year ended December 31, 2009. The increase from the prior year was mainly attributable to the improvement in assets under administration over the year. Administration fees should be considered in conjunction with investment dealer fees, an expense that represents the payout to financial advisors.

Other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances, and foreign exchange gains and losses. For 2010, other revenues were \$15.4 million, decreasing from \$16.6 million for 2009.

Expenses

Investment dealer fees represent the payout to advisors on revenues they generate and were \$172.5 million for the year ended December 31, 2010, compared to \$153.3 million for the year ended December 31, 2009. This increase relates to the increase in administration fees discussed earlier.

As detailed in the table below, dealer gross margin was \$54.3 million or 23.9% of administration fee revenue for 2010, compared to \$52.4 million or 25.5% for 2009. The decrease in year-over-year gross margin was a result of financial advisors earning a higher average investment dealer fee, as their fee rate increases when they earn higher levels of administration fees.

Selling, general and administrative (“SG&A”) expenses for the segment were \$53.4 million for the year ended December 31, 2010 compared to \$49.6 million in the year ended December 31, 2009.

Dealer Gross Margin

CI monitors its operating profitability on the revenues earned within its Asset Administration segment by measuring the dealer gross margin, which is calculated as administration fee revenue less investment dealer fees, divided by administration fee revenue. CI uses this measure to assess the margin remaining after the payout to advisors.

(in millions)	Quarter ended Dec. 31, 2010	Quarter ended Sept. 30, 2010	Quarter ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Administration fees	\$58.6	\$52.9	\$55.8	\$226.8	\$205.7
Less:					
Investment dealer fees	44.5	40.3	41.7	172.5	153.3
	\$14.1	\$12.6	\$14.1	\$54.3	\$52.4
Dealer gross margin	24.1%	23.8%	25.3%	23.9%	25.5%

The Asset Administration segment had income before income taxes and non-segmented items of \$11.0 million for 2010, down from \$14.7 million in 2009. The year-over-year decrease is due primarily to the decrease in dealer gross margin.

Quarter ended December 31, 2010

Revenues

Administration fees were \$58.6 million for the quarter ended December 31, 2010, an increase of 5% from \$55.8 million for the same period last year and an increase of 11% from the prior quarter. Net of inter-segment amounts, administration fee revenue was \$35.4 million for the quarter ended December 31, 2010, up from \$34.4 million for the quarter ended December 31, 2009 and up from \$31.3 million in the previous quarter. The increase from the prior year was mainly attributable to the improvement in assets under administration over the year.

As mentioned earlier, other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances, and foreign exchange gains and losses. For the quarter ended December 31, 2010, other revenues were \$3.8 million, decreasing from \$4.2 million for the fourth quarter of last year and down slightly from \$3.9 million in the third quarter of 2010.

Expenses

Investment dealer fees were \$44.5 million for the quarter ended December 31, 2010, compared to \$41.7 million for the fourth quarter last year and \$40.3 million for the quarter ended September 30, 2010.

As detailed in the table on page 34, dealer gross margin was \$14.1 million or 24.1% of administration fee revenue for the quarter ended December 31, 2010 compared to \$14.1 million or 25.3% for the fourth quarter of 2009 and \$12.6 million or 23.8% for the previous quarter. The decrease in gross margin from the prior year period relates to financial advisors earning a higher average investment dealer fee rate on their administration fees.

Selling, general and administrative (“SG&A”) expenses for the segment were \$14.0 million for the quarter ended December 31, 2010 compared to \$12.2 million in the fourth quarter in 2009 and \$13.2 million in the third quarter of 2010.

The Asset Administration segment had income before income taxes and non-segmented items of \$2.9 million for the quarter ended December 31, 2010, down from \$4.9 million for the fourth quarter in 2009 and up from \$2.1 million for the prior quarter. The decrease from the prior year period is due primarily to the change in dealer gross margin.

Liquidity and Capital Resources

The balance sheet for CI at December 31, 2010 reflects total assets of \$3.265 billion, an increase of \$258.8 million from \$3.006 billion at December 31, 2009. This change can be attributed to an increase in current assets of \$158.1 million and an increase in long-term assets of \$100.7 million. CI’s cash and cash equivalents increased by \$144.4 million in 2010 as CI increased the regulatory capital held by key subsidiaries.

CI generates significant cash flow from its operations. Cash flow provided by operating activities was \$576.7 million for the year ended December 31, 2010. Excluding the change in working capital, cash flow from operations was \$503.2 million.

CI's main uses of capital are the financing of deferred sales commissions, the payment of dividends on its shares, the funding of capital expenditures and the repurchase of shares through its normal course issuer bid program.

CI paid sales commissions of \$157.8 million in the year ended December 31, 2010. This compares to \$152.9 million in 2009. The amount of deferred sales commissions incurred in 2010 relates to back-end load fund sales of approximately \$270 million per month.

During the year ended December 31, 2010, CI incurred capital expenditures of \$26.7 million, primarily for leasehold improvements. Net of inducements this amount was \$6.2 million.

Shareholders' equity increased by \$2.7 million in 2010. During the same period, CI repurchased shares under its normal course issuer bid at a cost of \$97.0 million. CI declared dividends of \$245.3 million (\$220.0 million paid during the year), which was less than net income for the year ended December 31, 2010 by \$85.5 million. CI's current dividend payments are \$0.07 per share per month, or approximately \$241 million per fiscal year.

As CI converted back to a corporate structure on January 1, 2009, there is no longer a requirement to pay out substantially all of its cash flow. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and pay down debt.

CI received proceeds of \$1.7 million from the disposition of marketable securities during 2010, resulting in a loss of \$0.1 million. The fair value of marketable securities at December 31, 2010 was \$33.3 million. Marketable securities are comprised of seed capital investments in its funds and includes other strategic investments.

Accounts receivable and prepaid expenses increased to \$96.2 million at December 31, 2010 from \$92.7 million at December 31, 2009. The increase from the prior year is related to fees receivable on the Hartford acquisition as well as larger institutional management fee receivables compared to the prior year.

During the year ended December 31, 2010, long-term assets increased primarily as a result of a \$71.6 million increase in goodwill, as CI completed the acquisition of Hartford Investments in the fourth quarter. Capital assets increased by \$19.9 million during the year due in large part to leasehold improvements at CI's recently rented premises located at 15 York Street, Toronto.

Total liabilities increased by \$256.1 million during 2010. The primary contributors to this change were the \$81.6 million increase in income taxes payable and \$193.8 million increase in long-term debt. Current income taxes payable increased due to an income tax accrual as CI no longer has tax losses from its income trust structure to shelter its income. Long-term debt increased as CI financed the acquisition of Hartford and increased its cash on hand. The largest decreases to total liabilities were the elimination of equity-based compensation liability of \$33.9 million and the \$20.7 million repurchase of preferred shares for cash. The accounting for equity-based compensation was modified on July 1, 2010 to reflect the change of CI's employee incentive share option plan from a cash-settled award to an equity-settled award. All outstanding options granted prior to 2010 that were previously accounted for as a liability are now accounted for using the fair value method of accounting where transactions are recorded as equity.

As discussed above, CI's total debt increased by \$193.8 million in the year ended 2010. At December 31, 2010, CI had \$870.4 million of debt outstanding at an average rate of 3.14%. CI's debt included \$846.4 million in debentures (net of unamortized fees), \$548.0 million of which were issued on December 16, 2009 and \$298.4 million that were issued on December 14, 2010. CI's debt also included \$24.0 million drawn against its credit facility in the form of bankers' acceptances. CI's total debt at December 31, 2009 was \$676.5 million, which had an average interest rate of 1.88%. Net of cash and marketable securities, debt was \$620.5 million at December 31, 2010, up \$22.6 million from \$597.9 million at December 31, 2009.

Principal repayments on CI's credit facility are only required under the facility should the bank decide not to renew the facility on its anniversary, in which case 50% of the principal would be repaid in eight equal calendar quarterly instalments with the balance payable two years following the first quarterly instalment. These payments would be payable beginning September 30, 2011 should the bank not renew the facility. The limit on the facility at December 31, 2010 was \$150 million.

CI's current ratio of debt to EBITDA is 1.2 to 1. CI has a long-term target of 1 to 1. CI expects that, absent acquisitions in which debt is increased, the amount of excess cash flow generated will pay down debt and the ratio of debt to EBITDA will trend lower. CI is within its financial covenants with respect to its credit facility, which requires that the debt to EBITDA ratio remain below 2.5 to 1, and assets under management not fall below \$35 billion, based on a rolling 30-day average.

Risk Management

The disclosures below provide an analysis of the risk factors affecting CI's business operations.

Market Risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity and commodity prices. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in prices and volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect CI's assets under management, management fees and revenues, which would reduce cash flow to CI and ultimately impact CI's dividends.

Asset Management Segment

CI is subject to market risk throughout its Asset Management business segment. The following is a description of how CI mitigates the impact this risk has on its financial position and operating earnings.

Management of market risk within CI's assets under management is the responsibility of the Chief Compliance Officer, who reports to CI's senior management. The Compliance group has established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. The Compliance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk by monitoring and identifying any potential market risks to CI's senior management. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure.

At December 31, 2010, approximately 17% of CI's assets under management were held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 25 basis point change in interest rates would cause a change of \$0.3 million in annual pre-tax earnings in the Asset Management segment.

At December 31, 2010, about 74% of CI's assets under management were based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, at the same time, approximately 12% of CI's assets under management were based in U.S. currency. Any change in the value of the Canadian dollar relative to U.S. currency will cause fluctuations in CI's assets under management upon which CI's management fees are calculated. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of \$9.5 million in the Asset Management segment's annual pre-tax earnings.

About 72% of CI's assets under management were held in equity securities at December 31, 2010, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the prices of equity indexes would cause a change of \$58.3 million in annual pre-tax earnings.

Asset Administration Segment

CI's Asset Administration business is exposed to market risk. The following is a description of how CI mitigates the impact this risk has on its financial position and results of operations.

Risk management for administered assets is the responsibility of the Chief Compliance Officer and senior management. Responsibilities include ensuring policies, processes and internal controls are in place and in accordance with regulatory requirements. CI's internal audit department reviews CI's adherence to these policies and procedures.

CI's operating results are not materially exposed to market risk impacting the asset administration segment given that this segment usually generates less than 5% of the total income before non-segmented items (this segment had income of \$2.9 million before income taxes and non-segmented items for the quarter ended December 31, 2010). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of less than \$1 million to the Asset Administration segment's pre-tax earnings.

Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. CI is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries, as well as issuers whose securities are held by CI. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and holding collateral where appropriate.

One of the primary sources of credit risk arises when CI extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. CI faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if CI is unable to recover sufficient value from the collateral held. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties. CI has concluded that current economic and credit conditions have not significantly impacted its financial assets.

Changes in Economic, Political and Market Conditions

CI's performance is directly affected by financial market and political conditions, including the legislation and policies of governments. The financial markets and businesses operating in the securities industry are volatile and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond the control of CI. There can be no assurance that financial market performance will be favorable in the future. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect CI's assets under management, fees and/or revenues, which would reduce cash flow to CI.

Current Financial Conditions

Financial markets globally have been subject to unprecedented volatility and numerous financial institutions have gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of CI to obtain loans and make other arrangements on terms favourable to CI. While these unprecedented levels of volatility and market turmoil appear to have stabilized, CI's financial results could be materially impacted by any reversal in this stability.

Investment Performance of the Funds

If the funds managed by CI are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by CI's competitors, such funds may not attract assets through gross sales or may experience redemptions, which may have a negative impact on CI's assets under management. This would have a negative impact on CI's revenue and profitability.

Dependence on Senior Management

The success of CI and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of CI, could adversely affect CI's business. CI has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Competition

CI operates in a highly competitive environment, with competition based on a variety of factors, including the range of products offered, brand recognition, investment performance, business reputation, financing strength, the strength and continuity of institutional, management and sales relationships, quality of service, level of fees charged and level of commissions and other compensation paid. CI competes with a large number of mutual fund companies and other providers of investment products, investment management firms, broker-dealers, banks, insurance companies and other financial institutions. Some of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than CI. The trend toward greater consolidation within the investment management industry has increased the strength of a number of CI's competitors. Additionally, there are few barriers to entry by new investment management firms, and the successful efforts of new entrants have resulted in increased competition. CI's competitors seek to expand market share by offering different products and services than those offered by CI. There can be no assurance that CI will maintain its current standing or market share, and that may adversely affect the business, financial condition or operating results of CI.

Management Fees and Other Costs

CI's ability to maintain its management fee structure will be dependent on its ability to provide investors with products and services that are competitive. There can be no assurance that CI will not come under competitive pressure to lower the fees charged or that it will be able to retain the current fee structure, or with such fee structure, retain its investors in the future. Changes to management fees, commission rates, structures or service fees related to the sale of mutual funds and closed-end funds could have an adverse effect on CI's operating results. By reason of CI's implementation in 2005 of fixed administration fees for its mutual funds, a significant decrease in the value of the relevant funds, in combination with the fixed administration fees, could reduce margins and have an adverse effect on CI's operating results.

Risks of Significant Redemptions of CI's Assets Under Management

CI earns revenue primarily from management fees earned for advising and managing pools of assets. These revenues depend largely on the value and composition of mutual fund assets under management. The level of assets under management is influenced by three factors: (i) sales; (ii) redemption rates; and (iii) investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Recent market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

Changes in Tax Laws

The introduction of a Harmonized Sales Tax (HST) to combine the Goods and Services Tax (GST) and Provincial Sales Tax (PST) into a single sales tax, effectively subjects investment fund management fees to provincial taxation for the first time. Increased taxation of investment fund management fees could result in changes to current fee structures or negatively impact the ability of investment funds, including CI, to retain investors. This could adversely impact the competitiveness of the investment fund industry as compared to other products or services that are not subject to GST and will not be subject to HST.

Administration Vulnerability and Error

The administrative services provided by CI depend on software supplied by third-party suppliers. Failure of a key supplier, the loss of these suppliers' products, or problems or errors related to such products would have a material adverse effect on the ability of CI to provide these administrative services. Changes to the pricing arrangement with such third-party suppliers because of upgrades or other circumstances could have an adverse effect upon the profitability of CI. There can be no assurances that CI's systems will operate or that CI will be able to prevent an extended systems failure in the event of a subsystem component or software failure or in the event of an earthquake, fire or any other natural disaster, or a power or telecommunications failure. Any systems failure that causes interruptions in the operations of CI could have a material adverse effect on its business, financial condition and operating results. CI may also experience losses in connection with employee errors. Although expenses incurred by CI in connection with employee errors have not been significant in the past, there can be no assurances that these expenses will not increase in the future.

Sufficiency of Insurance

Members of CI maintain various types of insurance which may include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, agents' insurance and general commercial liability insurance. There can be no assurance that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the relevant policies. A judgment against any member of CI in excess of available coverage could have a material adverse effect on CI both in terms of damages awarded and the impact on the reputation of CI.

Regulation of CI

Certain subsidiaries of CI are heavily regulated in all jurisdictions where they carry on business. Laws and regulations applied at the national and provincial level generally grant governmental agencies and self-regulatory bodies broad administrative discretion over the activities of CI, including the power to limit or restrict business activities as well as impose additional disclosure requirements on CI products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of CI's business segments or its key personnel or financial advisors, and the imposition of fines and censures. It is also possible that the laws and regulations governing a subsidiary's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to CI. To the extent that existing or future regulations affecting the sale or offering of CI's products or services or CI's investment strategies cause or contribute to reduced sales of CI's products or lower margins or impair the investment performance of CI's products, CI's aggregate assets under management and its revenues may be adversely affected.

General Business Risk and Liability

Given the nature of CI's business, CI may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing CI, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's subsidiaries' right to carry on their existing business. CI may incur significant costs in connection with such potential liabilities.

Leverage and Restrictive Covenants

The ability of CI to pay dividends or make other payments is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of CI and its subsidiaries (including CI's credit facility). The degree to which CI is leveraged could have important consequences to shareholders, including: CI's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; CI may be unable to refinance indebtedness on terms acceptable to it or at all; and a significant portion of CI's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing the funds available for future operations. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in CI's credit facility could result in a default which, if not cured or waived, could result in a termination of dividends by CI and permit acceleration of the relevant indebtedness. If the indebtedness under CI's current credit facility were to be accelerated, there can be no assurance that CI's assets would be sufficient to repay in full that indebtedness. In addition, CI's current credit facility matures no later than the fourth anniversary thereof (unless the bank elects to extend the term at its annual renewal). There can be no assurance that future borrowings or equity financing will be available to CI, or available on acceptable terms, in an amount sufficient to fund CI's needs.

Fluctuation of Cash Dividends

Although CI intends to distribute some portion of the income it earns, there can be no assurance regarding the amount of cash dividends distributed upstream from its subsidiaries. The actual amount of dividends paid depends upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of CI. Dividends are not guaranteed and will fluctuate with the performance of the business.

Share Price Risk

Share price risk arises from the potential adverse impact on CI's earnings due to movements in CI's share price. Prior to July 1, 2010, CI was affected by share price risk as CI's equity-based compensation liability fluctuated based on the market value of CI's share price. As at December 31, 2010, CI is no longer affected by share price risk as CI's equity-based compensation is accounted for using the fair value method which is not adjusted for future fluctuations in CI's share price.

Commitment of Financial Advisors and Other Key Personnel

The market for financial advisors is extremely competitive and is increasingly characterized by frequent movement by financial advisors among different firms. Individual financial advisors of AWM have regular direct contact with clients, which can lead to a strong and personal client relationship based on the client's trust in the individual financial advisor. The loss of a significant number of financial advisors could lead to the loss of client accounts which could have a material adverse effect on the results of operations and prospects of AWM, and, in turn, CI. Although AWM uses or has used a combination of competitive compensation structures and equity with vesting provisions as a means of seeking to retain financial advisors, there can be no assurance that financial advisors will remain with AWM.

The success of CI is also dependent upon, among other things, the skills and expertise of its human resources including the management and investment personnel and its personnel with skills related to, among other things, marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These individuals play an important role in developing, implementing, operating, managing and distributing CI's products and services. Accordingly, the recruitment of competent personnel, continuous training and transfer of knowledge are key activities that are essential to CI's performance. In addition, the growth in total assets under management in the industry and the reliance on investment performance to sell financial products have increased the demand for experienced and high-performing portfolio managers. Compensation packages for these managers may increase at a rate well in excess of inflation and well above the rates of increase observed in other industries and the rest of the labour market. CI believes that it has the resources necessary for the operation of CI's business. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could adversely affect CI's business.

Capital Requirements

Certain subsidiaries of CI are subject to minimum regulatory capital requirements. This may require CI to keep sufficient cash and other liquid assets on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may subject it to fines, suspension or revocation of registration by the relevant securities regulator. A significant operating loss by a registrant subsidiary or an unusually large charge against regulatory capital could adversely affect the ability of CI to expand or even maintain its present level of business, which could have a material adverse effect on CI's business, results of operations, financial condition and prospects.

Risks Specific to the Common Shares

Unpredictability and Volatility of Market Price

Shares of a publicly traded company do not necessarily trade at values determined by reference to the underlying value of the business. The prices at which the common shares of the Corporation will trade cannot be predicted. The market price of CI's common shares could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The market price for the common shares may be adversely affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of CI.

Dilution

Pursuant to its articles of incorporation, as amended, the Corporation is authorized to issue an unlimited number of common shares for the consideration and on those terms and conditions as are established by the Directors without the approval of any shareholders. Any further issuance of common shares may dilute the interests of existing shareholders.

Changes in Legislation and Administrative Policy

There can be no assurance that certain laws applicable to CI and its subsidiaries, including income tax laws, will not be changed in a manner that could adversely affect the value of CI. In addition, there can be no assurance that the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the holders of common shares. CI may also be affected by changes in regulatory requirements, or other taxes in Canada or foreign jurisdictions. Such changes could, depending on their nature, benefit or adversely affect CI.

Risk Specific to the Debentures

Changes in Creditworthiness

There can be no assurance that the creditworthiness of CI or CI Investments and any credit rating assigned to the debentures issued by CI (“Debentures”) or CI Investments (“CI Investment Debentures”) will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such rating may have an adverse effect on the market price or value and the liquidity of the Debentures and the CI Investment Debentures.

Market Value Risk

Prevailing interest rates will affect the market value of the Debentures and the CI Investment Debentures. The price or market value of the Debentures and the CI Investment Debentures will decline as prevailing interest rates for comparable securities rise. CI may choose to redeem Debentures and the CI Investment Debentures from time to time, in accordance with its rights, including when prevailing interest rates are lower than the yield borne by the Debentures or the CI Investment Debentures. If prevailing rates are lower at the time of redemption, a holder may not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Debentures or the CI Investment Debentures being redeemed.

Liquidity Risk

Each of the Debentures and the CI Investment Debentures constitute a new issue of securities with no established trading market. In addition, the Debentures and the CI Investment Debentures are not listed on any exchange. As a result, the trading market for the Debentures and the CI Investment Debentures may not be active or liquid. There can be no assurance that an active market for the Debentures or the CI Investment Debentures will develop or be sustained or that holders of the Debentures or the CI Investment Debentures will be able to sell their debentures at any particular price or at all.

Ranking of the Debentures

The Debentures are unsecured obligations of CI, unconditionally guaranteed by CI Investments and may be guaranteed by certain other subsidiaries of CI. Therefore, holders of secured indebtedness of CI or of its subsidiaries will have a claim on the assets securing such indebtedness that ranks in priority to the claims of holders of the Debentures and will have a claim that ranks equally with the claims of holders of Debentures to the extent that such security is insufficient to satisfy the secured indebtedness. Furthermore, although covenants given by CI or its subsidiaries in certain agreements may restrict incurring secured indebtedness, such indebtedness may, subject to certain conditions, be incurred.

The CI Investment Debentures are unsecured obligations of CI Investments, unconditionally guaranteed by CI. Therefore, holders of secured indebtedness of CI Investments will have a claim on the assets securing such indebtedness that ranks in priority to the claims of holders of the CI Investment Debentures and will have a claim that ranks equally with the claims of holders of CI Investment Debentures to the extent that such security is insufficient to satisfy the secured indebtedness. Furthermore, CI Investments is not precluded from incurring additional debt.

Information Regarding Guarantors

The following tables provide unaudited consolidated financial information for CI, CI Investments and non-guarantor subsidiaries for the periods identified below, presented with a separate column for: (i) CI; (ii) CI Investments, (iii) the non-guarantor subsidiaries of CI on a combined basis [the "Other Subsidiaries"]; (iv) consolidating adjustments; and (v) the total consolidated amounts.

STATEMENT OF INCOME DATA FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009*

<i>(in millions of dollars)</i>	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Amounts	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	–	–	1,102.4	1,017.6	368.4	282.4	(92.4)	(81.5)	1,378.4	1,218.5
Income from										
continuing operations	(16.8)	(24.4)	319.2	299.2	24.5	28.6	3.9	(7.2)	330.8	296.2
Net income	(16.8)	(24.4)	319.2	299.2	24.5	(26.5)	3.9	(3.5)	330.8	244.8

STATEMENT OF INCOME DATA FOR THE THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009*

<i>(in millions of dollars)</i>	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Amounts	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	–	–	295.2	270.4	96.7	84.3	(24.7)	(21.2)	367.2	333.5
Income from										
continuing operations	(4.8)	(4.0)	86.7	107.2	6.3	14.1	3.2	(1.5)	91.4	115.8
Net income	(4.8)	(4.0)	86.7	107.2	6.3	13.4	3.2	1.4	91.4	118.0

BALANCE SHEET DATA AS AT DECEMBER 31, 2010 AND 2009*

(in millions of dollars)	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Amounts	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Current assets	250.6	701.3	264.4	110.8	278.5	370.5	(338.7)	(886.0)	454.8	296.6
Non-current assets	1,675.5	1,381.2	2,590.4	2,646.2	78.7	48.8	(1,534.1)	(1,366.4)	2,810.5	2,709.8
Current liabilities	164.2	79.2	168.7	106.6	192.2	200.9	(21.3)	(33.6)	503.8	353.1
Non-current liabilities	467.7	668.0	1,011.1	1,239.3	–	–	(331.0)	(864.9)	1,147.8	1,042.4

*Some comparative figures have been reclassified to conform to the presentation in the current year.

Related Party Transactions

The Bank of Nova Scotia (“Scotiabank”) owns approximately 36% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the three and 12 months ended December 31, 2010, CI incurred charges for deferred sales commissions of \$0.5 million and \$2.5 million, respectively [three and 12 months ended December 31, 2009 – \$0.8 million and \$2.4 million, respectively] and trailer fees of \$1.8 million and \$7.0 million, respectively [three and 12 months ended December 31, 2009 – \$1.6 million and \$5.9 million, respectively] which were paid or payable to Scotiabank. The balance payable to Scotiabank as at December 31, 2010 of \$0.6 million [December 31, 2009 – \$0.6 million] is included in accounts payable and accrued liabilities.

Scotiabank is the provider and administrative agent for CI’s revolving credit facility. As at December 31, 2010, CI had drawn long-term debt of \$24.0 million [December 31, 2009 – \$129.0 million] in the form of bankers’ acceptances. During the three and 12 months ended December 31, 2010, interest and stamping fees of \$0.9 million and \$2.8 million, respectively [three and 12 months ended December 31, 2009 – \$7.6 million and \$24.7 million, respectively] was recorded as interest expense.

On December 14, 2010, Scotiabank acted as an agent in offering CI’s debentures and received \$0.3 million. On December 16, 2009, Scotiabank and Blackmont acted as agents in offering CI’s debentures and received \$0.5 million and \$0.1 million, respectively. These amounts have been netted against long-term debt and will be amortized using the effective interest rate method over the term of the debentures. Also, on December 16, 2009, CI entered into an interest rate swap agreement with Scotiabank as described in Note 7 of the Notes to the 2010 Consolidated Financial Statements.

Share Capital

As at December 31, 2010, CI had 287,434,257 shares outstanding.

At December 31, 2010, 6.3 million options to purchase shares were outstanding, of which 0.7 million options were exercisable.

Contractual Obligations

The table that follows summarizes CI's contractual obligations at December 31, 2010.

PAYMENTS DUE BY YEAR

(millions)	Total	1 year or less	2	3	4	5	More than 5 years
Credit facility	\$24.0	\$3.0	\$6.0	\$15.0	\$-	\$-	\$-
Debentures	850.0	100.0	250.0	-	200.0	-	300.0
Operating leases	119.2	13.3	10.0	9.2	8.3	7.8	70.6
Total	\$993.2	\$116.3	\$266.0	\$24.2	\$208.3	\$7.8	\$370.6

Significant Accounting Estimates

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Consolidated Financial Statements included in CI's 2010 Annual Report. CI carries significant goodwill and intangible assets on its balance sheet. CI uses valuation models that use estimates of future market returns and sales and redemptions of investment products as the primary determinants of fair value. CI also uses a valuation approach based on a multiple of assets under administration for the Asset Administration Segment. The multiple used by CI reflects recent transactions and research reports by independent equity research analysts. CI has reassessed these key variables in light of the current economic climate. Estimates of sales and redemptions are very likely to change as economic conditions either improve or deteriorate, whereas estimates of future market returns are less likely to do so. The models are most sensitive to current levels of assets under management and administration as well as estimates of future market returns. While these balances are not currently impaired, a decline of 20% in the fair value of certain models may result in an impairment of goodwill or other intangibles recorded on the balance sheet.

Future Accounting Changes

International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB"), confirmed that effective January 1, 2011, all publicly listed companies will be required to prepare interim and annual financial reports in accordance with International Financial Reporting Standards ("IFRS"). These standards will replace Canadian generally accepted accounting principles ("Canadian GAAP"). CI will adopt IFRS for the year beginning January 1, 2011 and will present the interim and annual consolidated financial statements including comparative 2010 financial statements in accordance with IFRS.

In 2009, CI developed a transition plan for the changeover to IFRS. CI has now substantially completed its assessment of the impact IFRS has on accounting policies and implementation decisions; information technology and data systems; financial statement presentation and disclosures; internal control over financial reporting; disclosure controls and procedures and business activities including the impact on debt covenants. Along with this assessment, an implementation plan was developed to transition CI's financial reporting process, including internal controls and information systems to IFRS. CI is on schedule to meet the timelines of its transition plan.

During the quarter ended December 31, 2010, CI completed the opening balance sheet adjustments and internally reported its quarterly financial results in accordance with IFRS in preparation for adoption on January 1, 2011. Although the IFRS adjustments have been determined, they are still subject to final review and approval by senior management and the Board of Directors.

Listed below is an analysis of the IFRS standards affecting CI.

IFRS 1 First-time adoption of IFRS

IFRS 1 provides entities adopting IFRS for the first time with certain optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. CI has analyzed the various accounting policy choices available and will implement those determined to be most appropriate in CI's circumstance.

The most significant IFRS 1 exemption decisions for CI are as follows:

IFRS 2 – Share-based Payment

At the date of transition, IFRS 2 – Share-based Payment must be applied retrospectively. However some relief is provided in IFRS 1 for first time adopters. CI is electing not to apply retrospective treatment to the following::

- Equity instruments granted on or before November 7, 2002;
- Equity instruments granted after November 7, 2002 that vested before the date of transition to IFRS; and
- Liabilities arising from share-based payment transactions that were settled before the date of transition to IFRS.

CI expects that the transition adjustment related to the adoption of IFRS 2 will cause an increase in equity-based compensation liability and a corresponding increase in the deficit.

IFRS 3 – Business Combinations

CI may elect, on transition to IFRS, to either restate all past business combinations or to apply a more limited restatement approach. If the limited restatement approach is chosen, specific requirements must be met, such as: maintaining the classification of the acquirer and the acquiree, recognizing or derecognizing certain acquired assets or liabilities as required under IFRS and remeasuring certain assets and liabilities at fair value.

CI expects to apply the business combinations exemption in IFRS 1 to not apply IFRS 3 – Business Combinations retrospectively to past business combinations. Accordingly, CI will not restate business combinations that took place prior to the January 1, 2010 transition date or modify the carrying amounts arising on business combinations occurring before the transition date.

IAS 12 - Income Taxes

CI expects the most significant impact of adopting IAS 12 – Income Taxes will be derived directly from the accounting policy decisions made under IFRS 2, IAS 37, and IAS 38. The impact on CI of accounting for the tax consequences of transactions and other events under IFRS versus Canadian GAAP will result in adjustments to the opening balance sheet at transition.

CI expects that the transition adjustment related to the adoption of IAS 12 will cause a decrease in the future tax liability with a corresponding decrease in the deficit.

IAS 27 – Consolidated and Separate Financial Statements

Currently under Canadian GAAP, there are two models to determine whether entities are to be consolidated: the variable interest model and the voting interest model. Under IFRS, consolidation is based solely on control which under IAS 27 – Consolidated and Separate Financial Statements is defined as “the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.”

The adoption of IAS 27, and the related interpretive guidance in SIC-12 – Consolidation – Special Purpose Entities, will have an immaterial impact on the financial position and results of operations in 2010.

IAS 36 – Impairment of Assets

IFRS requires a one-step approach using discounted cash flow techniques for asset impairment testing and measurement. Canadian GAAP has a two-step approach which requires the application of discounted cash flow techniques to measure the impairment amount, but only after the use of undiscounted cash flow analysis has indicated the existence of impairment. The adoption of IAS 36 may result in more frequent asset write downs since the carrying values of assets which are supported by undiscounted future cash flows may be determined to be impaired when the future cash flows are discounted in accordance with IFRS requirements. Unlike Canadian GAAP, previous impairment losses may be reversed or reduced (except in the case of goodwill) under IFRS if the circumstances which led to the impairment change.

IAS 36 also requires impairment testing to be applied at a cash-generating unit level. In addition, goodwill must be allocated to cash-generating units for impairment testing purposes. Under Canadian GAAP goodwill is allocated to a reporting unit for purposes of impairment testing.

CI has revised its impairment testing models to comply with the requirements of IAS 36. This includes analyzing its operations in order to determine the cash-generating units and revising its impairment models to reflect the IAS 36 concept of recoverable amount. While the methodology for testing goodwill and intangible assets will change upon adoption of IFRS, CI does not expect the adoption of the new impairment models to cause any significant changes in financial reporting.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

IAS 37 requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. “Probable” in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is “likely”, which is a higher threshold than “probable”. Therefore, it is possible that there may be some provisions or contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low end of the range), and the requirement under IFRS for provisions to be discounted where material.

CI expects that the transition adjustment related to the adoption of IAS 37 will cause an increase in provisions relating to contingent liabilities with a corresponding increase in the deficit.

IAS 38 - Intangible Assets, Deferred Sales Commissions

Under Canadian GAAP, CI’s deferred sales commissions are amortized on a straight-line basis over 84 months from the date recorded, except for commissions on low load mutual fund securities, which are amortized on a straight-line basis over 36 months. Under IFRS, IAS 38 – Intangible Assets requires CI to choose either the cost method or the revaluation method for measuring the deferred sales commission. As no active market exists for deferred sales commissions, the cost method is used to value the intangible.

IAS 38 requires that under the cost method the intangible assets should be carried at cost less any amortization and impairment losses. The amortization method should reflect the pattern of benefits. Currently, when CI receives redemption fees from assets that are redeemed, the corresponding unamortized deferred sales commissions related to those revaluation are not written off. This is not consistent with the requirements of IAS 38 where the amortization should match the benefit.

CI will have an adjustment for IAS 38 in the opening balance sheet at transition to reflect the relieving of deferred sales commissions related to redemptions. CI expects that the transition adjustment related to the adoption of IAS 38 will cause a decrease in deferred sales commissions with a corresponding increase in the deficit.

Financial Instruments

Over the past number of years Canadian GAAP has substantially converged with the reporting guidelines of IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures with respect to the recognition, measurement and disclosure of financial instruments. CI does not expect the transition to IAS 39 and IFRS 7 to have a significant impact on the financial position or results of operations.

Framework for the Preparation and Presentation of Financial Statements

CI has reviewed the definition of a liability under IFRS as described in the framework and has determined that a deferred credit not meeting the definition of a liability will be reversed with a corresponding decrease in the deficit upon adoption of IFRS.

CI continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards during the transition year.

Since 2009, the Audit Committee has been provided with quarterly IFRS updates. At these updates, management provided the Audit Committee with a review of the conversion project, including an overview of the project structure and the timeline for IFRS implementation, as well as an overview of the key areas of potential financial reporting impact. The Audit Committee will continue to receive quarterly presentations and project status updates from management.

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), together with management, are responsible for the design of CI’s disclosure controls and procedures. Management has evaluated, with participation of the CEO and CFO, the effectiveness of the disclosure controls and procedures as at December 31, 2010. Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these Disclosure Controls and Procedures were effective and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

Management, under the supervision of the CEO and CFO, is responsible for the design and maintenance of adequate internal controls over financial reporting for the purposes of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. However, due to its inherent limitations, internal controls over financial reporting can only provide reasonable, not absolute, assurance that the financial statements are free of misstatements. The COSO framework was used to assist management, along with the CEO and CFO, in the evaluation of these internal control systems. Management, under the direction of the CEO and CFO, have concluded that the internal controls over financial reporting are effective. Management used various tools to evaluate internal controls over financial reporting which included interaction with key control systems, review of policy and procedure documentation, observation or reperformance of control procedures to evaluate the effectiveness of controls and concluded that these controls are effective. For the year ended December 31, 2010, there have been no changes to the internal controls over financial reporting that have materially affected, or are reasonably likely to affect, internal controls over financial reporting.

Additional information relating to CI, including the most recent audited financial statements, management information circular and annual information form are available on SEDAR at www.sedar.com.

Financial Statements

Management's Report to Shareholders

Management of CI Financial Corp. ["CI"] is responsible for the integrity and objectivity of the consolidated financial statements and all other information contained in this document. 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 CI's assets are safeguarded, that transactions are executed in accordance with appropriate authorization, and that accounting records may be relied upon to properly reflect CI'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 CI's financial reporting and internal control. The Audit Committee reviews the financial information prepared by management and the results of the audit by the auditors prior to recommending 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 CI's affairs in the best interests of its shareholders.



Stephen A. MacPhail
Chief Executive Officer



Douglas J. Jamieson
Chief Financial Officer

Independent Auditors' Report

To the shareholders of
CI Financial Corp.

We have audited the accompanying consolidated financial statements of CI Financial Corp. ["CI"], which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

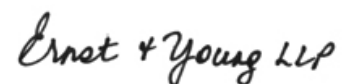
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CI as at 31 December 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 23, 2011

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script.

**Chartered Accountants
Licensed Public Accountants**

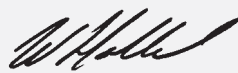
Consolidated Balance Sheets

As at December 31

<i>[in thousands of dollars]</i>	2010 \$	2009 \$
ASSETS		
Current		
Cash and cash equivalents	216,537	72,120
Client and trust funds on deposit	108,726	109,004
Marketable securities	33,300	6,460
Accounts receivable and prepaid expenses	96,194	92,711
Future income taxes <i>[note 16]</i>	—	9,644
Assets held for sale <i>[note 3]</i>	—	6,670
Total current assets	454,757	296,609
Capital assets, net <i>[note 4]</i>	38,101	18,238
Deferred sales commissions, net of accumulated amortization of \$668,791 [2009 - \$590,843] <i>[note 15]</i>	569,090	582,127
Fund contracts <i>[note 5]</i>	1,038,724	1,010,078
Goodwill <i>[note 2]</i>	1,122,892	1,051,285
Other assets <i>[note 6]</i>	41,702	47,826
Assets held for sale <i>[note 3]</i>	—	268
	3,265,266	3,006,431
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[notes 3 and 15]</i>	142,708	138,140
Dividends payable <i>[note 13]</i>	60,320	35,096
Client and trust funds payable	107,673	108,004
Income taxes payable	90,304	8,727
Equity-based compensation <i>[note 9(b)]</i>	—	33,877
Preferred shares issued by subsidiary <i>[note 8]</i>	—	20,662
Current portion of long-term debt <i>[notes 7 and 15]</i>	102,747	8,062
Liabilities held for sale <i>[note 3]</i>	—	561
Total current liabilities	503,752	353,129
Deferred lease inducement	19,072	—
Long-term debt <i>[notes 7 and 15]</i>	767,615	668,462
Future income taxes <i>[note 16]</i>	361,187	373,905
Total liabilities	1,651,626	1,395,496
Commitments and contingencies <i>[note 14]</i>		
Shareholders' equity		
Share capital <i>[note 9(a)]</i>	1,984,488	2,008,846
Contributed surplus	16,146	11,445
Deficit	(387,138)	(409,086)
Accumulated other comprehensive income (loss)	144	(270)
Total shareholders' equity	1,613,640	1,610,935
	3,265,266	3,006,431

(see accompanying notes)

On behalf of the Board of Directors:



William T. Holland
Director



G. Raymond Chang
Director

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31

	2010	2009
	\$	\$
<i>[in thousands of dollars, except per share amounts]</i>		
REVENUE		
Management fees	1,187,989	1,041,519
Administration fees	134,376	124,323
Redemption fees	30,895	30,231
Gain (loss) on sale of marketable securities	(149)	2,903
Other income <i>[note 6]</i>	25,284	19,509
	1,378,395	1,218,485
EXPENSES		
Selling, general and administrative <i>[note 6]</i>	261,499	278,924
Trailer fees <i>[note 15]</i>	346,391	299,701
Investment dealer fees	98,244	88,119
Amortization of deferred sales commissions and fund contracts	174,144	164,372
Interest <i>[notes 7 and 15]</i>	18,152	26,540
Other <i>[note 6]</i>	9,955	19,379
	908,385	877,035
Income from continuing operations before income taxes	470,010	341,450
Provision for (recovery of) income taxes <i>[note 16]</i>		
Current	138,898	(3,132)
Future	297	48,399
	139,195	45,267
Net income from continuing operations for the year	330,815	296,183
Net loss from discontinued operations for the year <i>[note 3]</i>	—	(51,337)
Net income for the year	330,815	244,846
Other comprehensive income, net of tax		
Unrealized income on available-for-sale financial assets, net of income taxes of \$13 [2009 – \$4]	315	122
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of \$17 [2009 – \$44]	99	233
Total other comprehensive income, net of tax	414	355
Comprehensive income	331,229	245,201
Basic earnings per share from continuing operations <i>[note 9(e)]</i>	\$1.14	\$1.01
Diluted earnings per share from continuing operations <i>[note 9(e)]</i>	\$1.14	\$1.01

(see accompanying notes)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31

<i>[in thousands of dollars]</i>	2010 \$	2009 \$
SHARE CAPITAL <i>[note 9(a)]</i>		
Balance, beginning of year	2,008,846	1,985,912
Issuance of share capital on exercise of options	386	—
Share repurchase, net of issuance of share capital on vesting of deferred equity units <i>[note 9(c)]</i>	(24,744)	22,934
Balance, end of year	1,984,488	2,008,846
CONTRIBUTED SURPLUS <i>[note 9(c)]</i>		
Balance, beginning of year	11,445	47,587
Modification of option plan <i>[note 9(b)]</i>	10,920	—
Compensation expense for equity-based plans	7,536	249
Vesting of deferred equity units and options	(13,755)	(36,391)
Balance, end of year	16,146	11,445
DEFICIT		
Balance, beginning of year	(409,086)	(431,162)
Net income for the year	330,815	244,846
Cost of shares repurchased in excess of stated value <i>[note 9(a)]</i>	(63,614)	(21,139)
Dividends declared <i>[note 13]</i>	(245,253)	(201,631)
Balance, end of year	(387,138)	(409,086)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of year	(270)	(625)
Other comprehensive income	414	355
Balance, end of year	144	(270)
Net change in shareholders' equity during the year	2,705	9,223
Shareholders' equity, beginning of year	1,610,935	1,601,712
Shareholders' equity, end of year	1,613,640	1,610,935

(see accompanying notes)

Consolidated Statements of Cash Flows

For the years ended December 31

<i>[in thousands of dollars]</i>	2010 \$	2009 \$
OPERATING ACTIVITIES		
Net income from continuing operations for the year	330,815	296,183
Add (deduct) items not involving cash		
Loss (gain) on sale of marketable securities	149	(2,903)
Equity-based compensation	(9,670)	33,782
Amortization of deferred sales commissions and fund contracts	174,144	164,372
Amortization of other	7,460	6,899
Future income taxes	297	48,399
	503,195	546,732
Net change in non-cash working capital balances related to continuing operations	73,490	53,620
Cash provided by continuing operating activities	576,685	600,352
Cash used in discontinued operating activities	—	(47,081)
Cash provided by operating activities	576,685	553,271
INVESTING ACTIVITIES		
Purchase of marketable securities	(28,121)	(465)
Proceeds on sale of marketable securities	1,651	8,099
Additions to capital assets	(26,735)	(4,116)
Deferred sales commissions paid	(157,753)	(152,885)
Proceeds on sale of other assets	6,124	18,671
Purchase of subsidiary, net of cash and cash equivalents acquired <i>[note 2]</i>	(109,076)	—
Proceeds on sale of discontinued operations	—	93,300
Cash used in investing activities	(313,910)	(37,396)
Cash provided by discontinued investing activities	—	7,168
Cash used in investing activities	(313,910)	(30,228)

(continued)

Consolidated Statements of Cash Flows

For the years ended December 31

<i>[in thousands of dollars]</i>	2010 \$	2009 \$
FINANCING ACTIVITIES		
Decrease in long-term debt	(105,000)	(870,376)
Issuance of Debentures <i>[note 7]</i>	298,250	547,480
Repurchase of share capital <i>[note 9(a)]</i>	(96,965)	(36,573)
Issuance of share capital <i>[note 9(a)]</i>	386	—
Dividends paid to shareholders <i>[note 13]</i>	(220,029)	(166,535)
Cash used in financing activities	(123,358)	(526,004)
Net increase (decrease) in cash and cash equivalents during the year	139,417	(2,961)
Cash and cash equivalents, beginning of year	77,120	80,081
Cash and cash equivalents, end of year	216,537	77,120
Cash and cash equivalents, beginning of year includes:		
Cash from continuing operations	72,120	35,168
Cash from discontinued operations	5,000	44,913
	77,120	80,081
Cash and cash equivalents, end of year includes:		
Cash from continuing operations	216,537	72,120
Cash from discontinued operations	—	5,000
	216,537	77,120
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	15,662	26,501
Income taxes paid	57,403	11,340

(see accompanying notes)

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

CI Financial Corp. ["CI"] [formerly CI Financial Income Fund] is incorporated under the laws of the Province 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.

On January 1, 2009, CI Financial Income Fund converted by way of a Plan of Arrangement [the "Conversion"], to a corporation known as CI Financial Corp. Under the Conversion, unitholders of CI Financial Income Fund exchanged each of their trust units ["Trust unit"] and Class B limited partner units of Canadian International LP ["Exchangeable LP unit"] for common shares of CI Financial Corp. on a one-for-one basis. As a result, the consolidated financial statements of CI have been prepared using the continuity of interest in the assets, liabilities and operations of CI Financial Income Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation

The consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"], United Financial Corporation ["United"] and Assante Wealth Management (Canada) Ltd. ["AWM"] and their subsidiaries. On January 1, 2010, United amalgamated with CI Investments. The consolidated financial statements also include the assets and liabilities and results of operations of variable interest entities where CI is the primary beneficiary. Hereinafter, CI and its subsidiaries are referred to as CI.

Revenue recognition

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

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, and advisory fees, which are recorded when the services related to the underlying engagements are completed.

Redemption fees payable by securityholders 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.

Financial instruments

Financial assets may be classified as held-for-trading ["HFT"], available-for-sale ["AFS"], held-to-maturity ["HTM"] or loans and receivables. Financial liabilities may be classified as either HFT or other. All financial instruments are initially measured at fair value. After initial recognition, financial instruments classified as HFT or AFS are measured at fair value using quoted market prices in an active market. For financial instruments where an active market does not exist, fair value is based on valuation techniques, unless it is an equity instrument classified as AFS, in which case it is measured at cost. All other financial instruments, which include those classified as HTM investments, loans and receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method. Changes in fair value of financial assets classified as AFS are reflected in other comprehensive income until the financial asset is disposed of or becomes impaired. Changes in fair value of financial instruments, other than those classified as AFS, are reflected in net income.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

Financial instruments included in CI's accounts have the following classifications:

- Cash and cash equivalents and derivative financial instruments are classified as HFT and measured at fair value.
- Client and trust funds on deposit and accounts receivable are classified as loans and receivables and measured at amortized cost.
- Marketable securities are classified as AFS and measured at fair value, unless it is an equity instrument that does not have an active market quotation, in which case it is measured at cost.
- Other assets are classified as loans and receivables and measured at amortized cost.
- Accounts payable and accrued liabilities, dividends payable, client and trust funds payable and long-term debt are classified as other financial liabilities and measured at amortized cost.

All financial instruments recognized at fair value in the consolidated balance sheet are classified into three fair value hierarchy levels as follows:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuation techniques with significant unobservable market inputs.

Transaction costs on Debentures

Transaction costs and the discount associated with the issuance of long-term debt classified as other financial liabilities are included in the carrying amount of the liability and amortized over the term of the Debentures.

Derivatives and hedging

CI may enter into interest rate swap agreements to reduce its exposure to interest rate risk on its long-term debt. CI does not enter into derivative financial instruments for trading or speculative purposes. At the inception of the swap agreement, CI formally documents the hedging relationship, detailing the risk management objective and the hedging strategy of the hedge. The documentation specifies the asset, liability or cash flows being hedged, the related hedging item, the nature of the specific risk exposure or exposures being hedged, the intended term of the hedging relationship, the method for assessing the effectiveness of the hedging relationship, and the method for measuring the ineffectiveness of the hedging relationship. Derivative financial instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges. Effective December 16, 2009, CI entered into interest rate swap agreements which are designated as fair value hedges. No other derivative financial instruments were entered into in 2010 or 2009.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

Changes in the fair value of the interest rate swaps are recognized in the consolidated statement of income and comprehensive income as other income. Similarly, changes in the fair value of the hedged item attributable to the hedged risk are also recognized in the consolidated statement of income and comprehensive income as other income, with a corresponding adjustment to the long-term debt in the consolidated balance sheet. Hedge accounting is discontinued prospectively if the hedging relationship no longer qualifies as an effective hedge or if the hedging item is settled. The hedged item is no longer adjusted to reflect changes in fair value. Amounts previously recorded as cumulative adjustments to the effective portion of gains and losses attributable to the hedged risk are amortized using the effective interest rate method and recognized in the consolidated statement of income and comprehensive income over the remaining useful life of the hedged item. Hedge accounting is also discontinued if the hedged item is sold or terminated before maturity. In such a situation, the cumulative adjustments with respect to the effective portion of gains and losses attributable to the hedged risk are immediately recorded in the consolidated statement of income and comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit, highly liquid investments and interest bearing deposits with original maturities of 90 days or less.

Client and trust funds

Client and trust funds on deposit include 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. Client and trust funds on deposit also include amounts for client transactions that are entered into on either a cash or margin basis and recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. For margin accounts, CI extends credit to a client for the purchase of securities, collateralized by the financial instruments in the client's account. Amounts loaned are limited by margin regulations of the Investment Industry Regulatory Organization of Canada ["IIROC"] and other regulatory authorities, and are subject to CI's credit review and daily monitoring procedures.

The corresponding liabilities related to the above accounts and transactions are included in client and trust funds payable.

Marketable securities

Marketable securities consist of investments in mutual fund securities. Marketable securities are measured at fair value. Mutual fund securities are valued using the net asset value per unit of each fund. Realized and unrealized gains and losses are recognized using average cost. Except for impairment losses, gains and losses in the fair value of marketable securities are recorded as other comprehensive income (loss) until disposed of, at which time any gain or loss is recorded in net income. When a decline in fair value is other than temporary and there is objective evidence of impairment, the cumulative loss that had been recognized directly in other comprehensive income (loss) is removed and recognized in net income, even though the financial asset has not been derecognized. Distributions from mutual fund securities are recorded as other income. Distributions that are reinvested increase the cost base of the marketable securities.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

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

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. Deferred sales commissions are recorded net of any write-down for impairment. CI evaluates the carrying value of deferred sales commissions for potential impairment based on estimated discounted future cash flows from fees earned on the related mutual fund securities. Deferred sales commissions are amortized on a straight-line basis over 84 months from the date recorded, except for commissions on low-load mutual fund securities, which are amortized on a straight-line basis over 36 months.

Fund contracts

Fund administration contracts and fund management contracts [collectively, "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 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 25 years. Fund management contracts with a finite life are amortized on a straight-line basis over a period of up to 20 years, depending on the contractual terms of such agreements and management's best estimate of their useful lives. Fund management contracts with an indefinite life are not amortized.

Goodwill

Goodwill is recorded as the excess of purchase price over identifiable assets acquired. Goodwill is allocated to the reporting units and any impairment is identified by comparing the carrying value of a reporting unit with its fair value. If the carrying value of a reporting unit exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit. 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.

Equity-based compensation

CI uses the fair value method to account for equity-settled employee incentive share options. The value of the equity-based compensation, as at the date of grant, is recognized over the applicable vesting period as compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received, together with the amount in contributed surplus, are credited to share capital.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

Employee incentive share options that included a cash-settlement option are recognized as compensation expense and recorded as a liability based upon the intrinsic value of outstanding share options at the balance sheet date and the proportion of the expired vesting period. On the exercise of these share options for cash, the liability recorded with respect to the options is reduced for settlement. If these options are settled with shares, the liability recorded with respect to the options and consideration paid by the option holders are credited to share capital.

CI also has a deferred equity unit plan for senior executives and other key employees whereby deferred equity units ["DEU Awards"] are granted in lieu of compensation. Compensation expense is recognized and recorded as contributed surplus based upon the market value of DEU Awards at the grant date. Forfeitures of DEU Awards reduce compensation expense to the extent contributed surplus was previously recorded for such awards. On vesting of DEU Awards, share capital is credited for the amounts initially recorded as contributed surplus to reflect the issuance of share capital.

Compensation trust

CI uses a compensation trust, which holds CI's common shares, to fulfill obligations to employees arising from CI's deferred equity unit plan. CI is the primary beneficiary of the trust and, therefore, the trust is consolidated in accordance with the principles of Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 1590, Subsidiaries.

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 temporary 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. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income in the year that the change is substantially enacted.

Earnings per share

Basic earnings per share is determined by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, adjusting the weighted average number of shares for the dilutive effect of DEU Awards under the deferred equity unit plan and the exercise of share options under the employee incentive share option plan. Prior to July 1, 2010, the employee incentive share option plan did not have a dilutive effect on earnings per share as CI accounted for its share options as a liability.

Foreign currency translation

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 exchange rates. Revenue and expenses are translated at average rates prevailing during the period. Other foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date. Translation exchange gains and losses are included in other income in the period in which they occur.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

Comprehensive income

Comprehensive income includes all changes to shareholders' equity other than those resulting from investments by owners and distributions to owners and is presented in the consolidated statement of income and comprehensive income. In addition to net income, it includes other comprehensive income (loss), such as unrealized gains and losses on financial assets classified as AFS and other changes from non-owner sources. Accumulated other comprehensive income (loss) is presented in the consolidated statement of changes in shareholders' equity.

Disposal of long-lived assets and discontinued operations

Long-lived assets classified as "held for sale" are measured at the lower of carrying value and fair value less disposal costs and are not amortized. Assets and liabilities of operations to be discontinued are classified as "held for sale" in the consolidated balance sheet until the transaction is completed. The results of operations that have been disposed of or that are classified as "held for sale" are reported net of applicable income taxes as a net gain or loss from discontinued operations in the consolidated statement of income and comprehensive income. The cash flows from discontinued operations are presented separately in the consolidated statement of cash flows.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP 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 periods. Actual results could differ from those estimates.

2. BUSINESS ACQUISITION

On December 15, 2010, CI acquired control of Hartford Investments Canada Corp. ["Hartford"], a mutual fund company, for cash consideration of \$115,000. CI accounted for the acquisition using the purchase method and the results of operations have been consolidated from the date of the transaction.

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

	\$
Cash and cash equivalents	5,947
Other assets	1,482
Future income taxes	13,135
Fund management contracts	32,000
Accounts payable and accrued liabilities	(9,148)
Goodwill on acquisition	71,607
	115,023

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

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

	\$
Cash	115,000
Transaction costs	23
	115,023

The acquired fund management contracts with a fair value of \$32,000 have an indefinite life. The goodwill on acquisition is not deductible for income tax purposes. Goodwill of \$71,607 relates to the Asset Management segment. Included in accounts payable and accrued liabilities are accruals for severance and exit costs of \$2,000, of which nil had been paid as at December 31, 2010.

3. DISCONTINUED OPERATIONS

On October 26, 2009, CI announced that it had reached an agreement to sell the retail brokerage division of Blackmont Capital Inc. ["Blackmont"] for \$93.3 million. This transaction closed on December 31, 2009. The capital markets division of Blackmont was spun out into a new, wholly owned subsidiary of CI Investments, named CI Capital Markets Inc. ["CI Capital"]. On February 4, 2010, CI sold CI Capital to the employees of this subsidiary. This transaction closed on March 12, 2010. The results of operations of Blackmont and CI Capital have been reported as discontinued operations in the comparative consolidated financial statements. As at December 31, 2009, assets and liabilities held for sale represent the assets and liabilities of CI Capital after the disposition of Blackmont. CI recorded a loss of \$44,017 after transaction costs of \$9,500 on the sale, which is presented as an impairment of goodwill.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

Summarized financial information for the discontinued operations is as follows for the year ended December 31:

	2009
	\$
<hr/>	
Revenue	
Administration fees	102,018
Other income	4,410
	----- 106,428
Expenses	
Selling, general and administrative	65,378
Investment dealer fees	43,056
Impairment of goodwill	44,017
Other	7,833
	----- 160,284
Loss from discontinued operations before income taxes	----- (53,856)
Provision for (recovery of) income taxes	
Current	7
Future	(2,526)
	----- (2,519)
Net loss from discontinued operations for the year	----- (51,337)
Basic and diluted loss per share from discontinued operations [note 9(e)]	----- (0.18)

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

Summarized financial information for the assets and liabilities held for sale is as follows as at December 31:

	2009
	\$
<hr/>	
Current assets held for sale	
Cash and cash equivalents	5,000
Client and trust funds on deposit	299
Securities owned, at market	86
Accounts receivable and prepaid expenses	1,285

	6,670

Non-current assets held for sale	
Capital assets, net	268

	268

Total assets held for sale	6,938

Current liabilities held for sale	
Accounts payable and accrued liabilities	266
Client and trust funds payable	288
Securities sold short, at market	7

Total liabilities held for sale	561

Net assets held for sale	6,377

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

4. CAPITAL ASSETS

Capital assets consist of the following as at December 31:

	2010		2009	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer hardware and software	35,467	32,382	33,645	30,101
Office equipment	12,463	8,816	9,158	8,089
Leasehold improvements	48,068	16,699	26,460	12,836
	95,998	57,897	69,263	51,026
Less accumulated amortization	57,897		51,025	
Net book value	38,101		18,238	

5. FUND CONTRACTS

Fund contracts consist of the following as at December 31:

	2010		2009	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Fund administration contracts	37,600	10,552	37,600	9,048
Fund management contracts				
Finite life	27,500	14,906	27,500	13,056
Indefinite life	999,082	—	967,082	—
	1,064,182	25,458	1,032,182	22,104
Less accumulated amortization	25,458		22,104	
Net book value	1,038,724		1,010,078	

6. OTHER ASSETS, INCOME AND EXPENSE

Other assets consists mainly of an investment in a limited partnership, long-term accounts receivable, deferred charges and loans advanced to employees, shareholders and investment advisors.

CI has an employee share purchase loan program for key employees. These loans are renewable yearly and bear interest at prescribed rates. As at December 31, 2010, the carrying amount of employee share purchase loans is \$13,902 [2009 - \$15,846] and is included in other assets. These loans become due immediately upon termination of employment or sale of the shares that are held as collateral. As at December 31, 2010, the shares held as collateral have a market value of approximately \$25,985 [2009 - \$29,030].

Other assets include shareholder loans in the amount of \$10,368 as at December 31, 2010 [2009 - \$11,303] issued primarily to investment advisors. These amounts are secured primarily by common shares of CI that are held as collateral. These loans become due immediately either on termination of the advisor relationship or upon the sale of CI shares that are held as collateral. As at December 31, 2010, the shares held as collateral have a market value of approximately \$18,656 [2009 - \$17,352].

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

CI has a hiring and retention incentive program whereby loans are extended to current investment advisors. These loans are initially recorded at their principal amount, may bear interest at prescribed rates and are forgiven on a straight-line basis over the applicable contractual period, which varies in length from three to seven years. The forgiven amount is included in selling, general and administrative expenses. As at December 31, 2010, loans to investment advisors of \$3,801 [2009 - \$7,151] are included in other assets. These loans become due on demand upon termination or breach in the terms of the agreements.

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, legal settlements, amortization of debenture transaction costs and capital taxes.

7. LONG-TERM DEBT

Long-term debt consists of the following as at December 31:

	2010	2009
	\$	\$
Credit facility		
Bankers' acceptances	24,025	129,025
Prime rate loan	—	—
	24,025	129,025
Debentures		
\$100 million, floating rate, due December 16, 2011	99,748	99,640
\$250 million, 3.30%, due December 17, 2012	249,179	248,960
\$200 million, 4.19%, due December 16, 2014	199,042	198,899
\$300 million, 3.94% until December 13, 2015 and floating rate until December 14, 2016	298,368	—
	846,337	547,499
	870,362	676,524

Credit facility

Effective December 21, 2010, CI's revolving credit facility was amended to reduce the amount that may be borrowed to \$150,000 [2009 - \$250,000]. 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 plus 0.50% and the Canadian Deposit Offering Rate plus 0.60%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 1.50%. 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 plus 0.50% and the federal funds effective rate plus 0.60%, or LIBOR loans which bear interest at LIBOR plus 1.50%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 1.50% on any undrawn portion. As at December 31, 2010, CI had accessed \$360 [2009 - \$480] by way of letters of credit.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

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, 50% of the outstanding principal amount shall be repaid in equal quarterly installments over the following two years, with the remaining 50% of the outstanding principal balance due two years following the first quarter-end payment.

The credit facility is fully and unconditionally guaranteed by CI Investments, a wholly owned subsidiary of CI, and may be guaranteed by certain other subsidiaries of CI. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. CI is within its financial covenants with respect to its credit facility, which require that the debt to earnings before interest, taxes, depreciation and amortization ratio remain below 2.5:1 and that CI's assets under management not fall below \$35 billion, calculated based on a rolling 30-day average. There can be no assurance that future borrowings or equity financing will be available to CI or available on acceptable terms.

As at December 31, 2010, the amount drawn on the credit facility had an effective interest rate of 2.54% [2009 – 1.92%]. Interest expense attributable to the credit facility for the year ended December 31, 2010 was \$5,148 [2010 – \$25,446].

Debentures

On December 14, 2010, CI's subsidiary, CI Investments, completed an offering pursuant to which it issued \$300 million principal amount of debentures due December 14, 2016 [the "2016 Debentures"]. On December 16, 2009, CI completed an offering pursuant to which it issued \$550 million principal amount of debt securities comprised of \$100 million principal amount of floating rate debentures due December 16, 2011 [the "Floating Rate Debentures"], \$250 million principal amount of 3.30% debentures due December 17, 2012 [the "2012 Debentures"] and \$200 million principal amount of 4.19% debentures due December 16, 2014 [the "2014 Debentures"], being referred to collectively herein, including the 2016 Debentures, as the "Debentures".

The Floating Rate Debentures bears interest at the average three-month bankers' acceptance rate, of quotes shown on the Reuters Screen CDOR on the closing date and thereafter on each interest payment date, plus 1.20%, in arrears on March 16, June 16, September 16 and December 16 in each year, which commenced March 16, 2010. Interest on the 2012 Debentures is paid at the rate set out above, semi-annually in arrears on June 17 and December 17 in each year, which commenced June 17, 2010. Interest on the 2014 Debentures is paid at the rate set out above, semi-annually in arrears on June 16 and December 16 in each year, which commenced June 16, 2010. Interest on the 2016 Debentures will be paid at a rate of 3.94% until December 13, 2015, semi-annually in arrears on June 14 and December 14 in each year, commencing June 14, 2011. The 2016 Debentures will bear interest at a floating rate based on the three-month bankers' acceptance rate plus 3.00% and paid quarterly in arrears on March 14, June 14, September 14 and December 14 during the period December 14, 2015 to December 14, 2016.

CI may, at its option, redeem the 2012 Debentures or the 2014 Debentures, and CI Investments may, at its option, redeem the 2016 Debentures, in whole or in part, from time to time, on not less than 30 nor more than 60 days' prior notice to the registered holder, at a redemption price which is equal to the greater of par or the Government of Canada Yield, plus 36 basis points in the case of the 2012 Debentures, 41 basis points in the case of the 2014 Debentures and 37.5 basis points in the case of the 2016 Debentures. CI considers this embedded prepayment option to be closely related to the Debentures and, as such, does not account for it separately as a derivative.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

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In the event that both a change of control occurs and the rating of the Debentures is lowered to below investment grade, defined as below BBB- by Standard and Poors and BBB (low) by DBRS Limited, CI will be required to make an offer to repurchase all or, at the option of each holder, any part of each holder's Debentures at a purchase price payable in cash equivalent to 101% of the outstanding principal amount of the Debentures together with accrued and unpaid interest, to the date of purchase.

When determining the carrying value of the Debentures, CI has considered the likelihood of a change in control event and the likelihood of exercising the prepayment option.

The Debentures issued in 2010 were issued for gross proceeds of \$299,919 or a price of 99.97 [Debentures issued in 2009 – gross proceeds of \$549,905 or a price of 99.98] before issuance costs of \$1,561 [2009 – \$2,425]. The net proceeds of the 2016 Debentures were used to repay amounts owed on CI's revolving credit facility and for the acquisition of Hartford. The issuance costs and the discount of \$81 [2009 – \$95] will be amortized over the term of the Debentures using the effective interest rate method. The amortization expense related to the discount and transaction costs for the year were \$588 [for the period from December 16, 2009 to December 31, 2009 – \$19] which is included in other expenses.

The Floating Rate Debentures, 2012 Debentures and 2014 Debentures are fully and unconditionally guaranteed by CI Investments and may be guaranteed by certain other subsidiaries of CI. The 2016 Debentures are fully and unconditionally guaranteed by CI.

On December 16, 2009, CI entered into interest rate swap agreements with a Canadian chartered bank to swap the fixed rate payments on the 2012 Debentures and the 2014 Debentures for floating rate payments. Based on the terms of the agreements, CI will pay a rate equivalent to the three-month Canadian bankers' acceptance rate CDOR plus a spread of 142.4 basis points on the 2012 Debentures and a spread of 157.6 basis points on the 2014 Debentures. The rates are reset quarterly and paid semi-annually to match the fixed payment obligations of the Debentures. The swap agreements terminate on the maturity date of the respective Debentures unless terminated by CI at an earlier date. As at December 31, 2010, the fair value of the interest rate swap was an unrealized gain of \$2,467 [2009 – unrealized loss of \$3,680] and is included in long-term debt in the consolidated balance sheet. Interest expense attributable to the Debentures was \$12,810 [for the period from December 16, 2009 to December 31, 2009 – \$425].

8. PREFERRED SHARES ISSUED BY SUBSIDIARY

As at December 31, 2009, there were 20,662,500 preferred shares issued and outstanding. On January 22, 2010, the preferred shareholders sold their interests to CI in exchange for cash of \$20,662.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

9. SHARE CAPITAL

[a] Authorized and issued

Common Shares	Number of shares [in thousands] #	Stated value \$
Authorized		
An unlimited number of common shares of CI		
Issued		
Conversion from Trust units, January 1, 2009	234,757	1,634,200
Conversion from Exchangeable LP units, January 1, 2009	57,736	351,712
Issuance of share capital on vesting of deferred equity units	1,588	38,368
Share repurchase	(2,260)	(15,434)
Common shares, balance, December 31, 2009	291,821	2,008,846
Issuance of share capital on vesting of deferred equity units and exercise of share options	455	8,993
Share repurchase	(4,842)	(33,351)
Common shares, balance, December 31, 2010	287,434	1,984,488

During the year ended December 31, 2010, 4,842,451 shares [2009 - 2,131,476 shares] were repurchased under a normal course issuer bid at an average cost of \$20.02 per share [2009 - \$16.10 per share] for total consideration of \$96,965 [2009 - \$34,309]. Deficit was increased by \$63,614 [2009 - \$19,758] for the cost of the shares repurchased in excess of their stated value.

During the year ended December 31, 2009, 128,900 shares were repurchased for CI's deferred equity unit plan for total consideration of \$2,264 increasing the deficit by \$1,381.

[b] Employee incentive share option plan

CI has an employee incentive share option plan [the "Share Option Plan"], as amended and restated, for the executives and key employees of CI. On January 1, 2009, as part of the Conversion from an income trust back to a corporation, the Share Option Plan was amended and restated and all unit options under the Share Option Plan were exchanged for share options.

The March 2010 federal budget, which was enacted in December 2010, included changes designed to restrict the tax deductibility of cash payments to employees made upon exercise of stock options. In response to these changes, the Share Option Plan was amended effective July 1, 2010 such that CI revoked the employee's right to demand cash settlement.

As a result of this modification, all outstanding options granted prior to 2010 that were previously accounted for as liability are accounted for using the fair value method on the modification date. As a result of this change, \$10,920 was transferred to contributed surplus and an incremental compensation expense of \$430 was recorded. The remaining modification date fair value of \$7,738 will be recognized as an expense over the remaining vesting period of the respective options. The fair value of the modified options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Notes to Consolidated Financial Statements

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Year of grant	2005	2006	2008	2009
# of options outstanding at modification date [in thousands]	177	8	792	3,819
Dividend yield	4.4%	4.4%	4.7%	4.7% – 5.1%
Expected volatility	20.0%	20.0%	20.0%	20.0%
Risk-free interest rate	0.55% – 0.94%	1.00% – 1.29%	1.71%	1.75% – 1.85%
Expected life [years]	0 – 0.5	0.6 – 1.3	2.3	2.4 – 2.6
Fair value per stock option	\$0.10 – \$0.47	\$0.05 – \$0.21	\$5.23	\$1.53 – \$6.20
Exercise price	\$18.15 – \$18.94	\$23.06 – \$23.09	\$12.57	\$11.60 – \$18.20

Prior to the modification date, CI accounted for options granted prior to fiscal year 2010 as a liability which was accrued based on the intrinsic value of outstanding options at the consolidated balance sheet dates and the proportion of their vesting periods that had elapsed. On the exercise of share options for cash, the liability recorded with respect to the options was reduced for the settlement. If share options for these grants were exercised for shares, the liability recorded with respect to the options and consideration paid by the option holders was credited to share capital.

During the year ended December 31, 2010, CI granted 2,147,538 options to employees. The fair value method of accounting is used for the valuation of the 2010 share option grants. Compensation expense is recognized over the three-year vesting period, assuming a 0.75% forfeiture rate, with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to share capital. The fair value of the 2010 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year of grant	2010	2010	2010
# of options grants [in thousands]	1,823	130	194
Vesting terms	1/3 at end of each year following the grant date	100% at the end of 3 years	1/3 at end of each year following the grant date
Dividend yield	4.2%	4.2%	4.7%
Expected volatility	20.0%	20.0%	20.0%
Risk-free interest rate	2.22%	2.38%	2.62%
Expected life [years]	3.5	3.8	3.5
Fair value per stock option	\$2.44	\$2.39	\$2.22
Exercise price	\$21.27	\$21.27	\$19.48

The maximum number of shares that may be issued under the Share Option Plan is 14,000,000 shares. As at December 31, 2010, there are 6,270,204 shares [2009 - 6,394,099 shares] reserved for issuance on exercise of share options. These options vest over periods of up to five years, may be exercised at prices ranging from \$11.60 to \$23.09 per share and expire at dates up to 2015.

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

A summary of the changes in the Share Option Plan is as follows:

	Number of options (in thousands) #	Weighted average exercise price \$
Options outstanding, December 31, 2008	3,438	17.03
Options exercisable, December 31, 2008	2,460	18.78
Options granted	4,733	12.40
Options exercised	(1,131)	17.54
Options cancelled	(646)	21.01
Options outstanding, December 31, 2009	6,394	13.11
Options exercisable, December 31, 2009	1,067	16.52
Options granted	2,148	21.11
Options exercised	(2,198)	14.06
Options cancelled	(74)	14.65
Options outstanding, December 31, 2010	6,270	15.50
Options exercisable, December 31, 2010	727	13.52

The option component of equity-based compensation expense under the Share Option Plan for the year ended December 31, 2010 of \$1,914 [2009 - \$36,795] has been included in selling, general and administrative expenses.

Options outstanding and exercisable as at December 31, 2010 are as follows:

Exercise price \$	Number of options outstanding (in thousands) #	Weighted average remaining contractual life (years)	Number of options exercisable (in thousands) #
11.60	2,866	3.2	251
12.57	607	2.9	282
15.59	309	3.3	75
18.10	20	3.5	7
18.20	331	3.4	103
19.48	194	4.4	—
21.27	1,934	4.2	—
23.06	6	0.1	6
23.09	3	0.8	3
11.60 to 23.09	6,270	3.5	727

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[c] Deferred equity unit plan

CI has a deferred equity unit plan ["DEU Plan"] for senior executives, investment advisors and other key employees. DEU Awards are granted to eligible participants in lieu of compensation and vest over a period of up to three years. Each vested DEU Award entitles the participant to receive one common share of CI. Compensation expense is recognized and credited to contributed surplus. Upon release, amounts previously recorded as contributed surplus are credited to share capital.

During the year ended December 31, 2010, CI debited contributed surplus for \$51 [2009 - credited \$249] related to compensation. During the year ended December 31, 2010, CI credited share capital for \$4,748 [2009 - \$37,823] on vesting of 180,000 DEU Awards [2009 - vesting of 1,370,000 DEU Awards and on the release of 190,000 DEU Awards related to the disposition of Blackmont]. Share capital was credited \$1,448 [2009 - \$545] on the transfer of 67,938 shares [28,435 shares] from the compensation trust to the advisor equity plan. As at December 31, 2010, the unamortized value of DEU Awards outstanding is \$46 [2009 - \$73].

[d] Compensation trust

CI uses a compensation trust to acquire shares on the open market in order to fulfill its obligations under the DEU Plan. A summary of the changes in the DEU Awards outstanding and the shares repurchased by the compensation trust for the DEU Plan is as follows:

	Number of DEU's Awards (in thousands)
DEU Awards outstanding, December 31, 2008	2,000
Granted	173
Cancelled	(119)
Disposition of Blackmont	(190)
Vested	(1,370)
DEU Awards outstanding, December 31, 2009	494
Vested	(490)
Cancelled	(2)
DEU Awards outstanding, December 31, 2010	2
Shares held by the compensation trust, December 31, 2008	2,111
Shares repurchased for DEU Plan	129
Disposition of Blackmont	(190)
Transfer to advisor equity plan	(28)
Released on vesting	(1,370)
Shares held by the compensation trust, December 31, 2009	652
Released on vesting	(138)
Transfer to advisor equity plan	(112)
Shares held by the compensation trust, December 31, 2010	402

Notes to Consolidated Financial Statements

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[e] Basic and diluted earnings per share

The weighted average number of shares outstanding for the year ended December 31 is as follows:

(in thousands)	2010	2009
Basic	289,069	292,482
Diluted	289,933	293,596

[f] Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all the outstanding options as at January 31, 2011 were exercised and outstanding:

[in thousands]	
Shares outstanding at January 31, 2011	287,912
DEU Awards outstanding	2
Options to purchase shares	5,513
	<hr/> 293,427

Notes to Consolidated Financial Statements

[in thousands of dollars, except per share amounts]

December 31, 2010 and 2009

10. FINANCIAL INSTRUMENTS

Financial instruments are classified according to the following categories as at December 31:

(in thousands)	2010		2009	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Held-for-trading</i>				
Cash and cash equivalents	216,537	216,537	72,120	72,120
<i>Loans and receivables</i>				
Client and trust funds on deposit	108,726	108,726	109,004	109,004
Accounts receivable	82,703	82,703	84,543	84,543
Other assets	41,702	41,702	47,826	47,826
<i>Available-for-sale</i>				
Marketable securities	33,300	33,300	6,460	6,460
Total financial assets	482,968	482,968	319,953	319,953
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	142,708	142,708	138,140	138,140
Dividends payable	60,320	60,320	35,096	35,096
Client and trust funds payable	107,673	107,673	108,004	108,004
Long-term debt*	870,362	870,362	676,524	676,524
Preferred shares issued by subsidiary	—	—	20,662	20,662
Total financial liabilities	1,181,063	1,181,063	978,426	978,426

* Long-term debt includes the value of the interest rate swap [note 7].

AFS assets as at December 31, 2010 include CI's marketable securities which are reflected at fair value. Marketable securities of \$16,773 have been classified in the Level 1 fair value hierarchy and \$16,527 classified in the Level 2 fair value hierarchy.

The valuation of the interest rate swap and Debentures, included as part of long-term debt, qualifies for hedge accounting and accordingly, the carrying value of the combined amounts approximates fair value.

For all other financial assets and financial liabilities, the carrying value approximates fair value due to the short-term nature of these instruments.

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11. RISK MANAGEMENT

Risk management is an integrated process with independent oversight. CI's compliance group has established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's senior management takes an active role in the risk management process by reviewing policies and procedures within each business segment and assessing and mitigating the various financial risks that could impact CI's financial position and results of operations.

CI's financial instruments bear the following financial risks:

[a] Market risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity prices. Management of CI's market risk is the responsibility of the Chief Financial Officer. The corporate finance group reviews the exposure to interest rate risk, foreign currency risk and equity risk by identifying, monitoring and reporting potential market risks to the Chief Financial Officer. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in the prices and the volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in the performance and may adversely affect CI's assets under management and financial results.

[i] Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Fluctuations in interest rates have a direct impact on the interest payments CI makes on its long-term debt.

Debt outstanding on CI's credit facility of \$24,025 [2009 - \$129,025] 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. As at December 31, 2010, CI also has \$850,000 in Debentures [2009 - \$550,000], of which \$100,000 is based on a floating interest rate and the remaining \$750,000 [2009 - \$450,000] is based on fixed interest rates. In December 2009, CI entered into interest rate swap agreements with a Canadian chartered bank to convert the fixed interest rates on \$450,000 of the Debentures issued in 2009 to floating interest rates.

Based on the amount borrowed under the credit facility and Debentures outstanding as at December 31, 2010, each 25 basis point increase or decrease in interest rates would result in annual interest expense increasing or decreasing by \$1.4 million [2009 - \$1.7 million], respectively.

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[in thousands of dollars, except per share amounts]

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[ii] Foreign exchange risk

As at December 31, 2010, net financial assets of \$5 million [2009 - \$4 million] were denominated in U.S. currency. A 10% increase or decrease in U.S. exchange rates would result in a foreign exchange gain or loss of \$0.5 million [2009 - \$0.4 million], respectively. CI may enter into forward contracts to manage its foreign exchange exposure.

[iii] Equity risk

CI's marketable securities as at December 31, 2010 of \$33,300 [2009 - \$6,460] are exposed to equity risk. Based on the carrying amount of these assets, an increase or decrease in equity market prices by 10% would result in estimated gains or losses of \$3.3 million [2009 - \$0.6 million], respectively.

[b] Liquidity risk

Liquidity risk arises from the possibility that CI will encounter difficulties in meeting its financial obligations as they fall due. CI manages its liquidity risk through a combination of cash received from operations as well as borrowings under its revolving credit facility. Liquidity is monitored through a daily cash management process that includes the projection of cash flows to ensure CI meets its funding obligations.

CI's liabilities have contractual maturities, excluding interest payments, as follows:

	Total	2011	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	142,708	142,708	—	—	—	—	—
Dividends payable	60,320	60,320	—	—	—	—	—
Client and trust funds payable	107,673	107,673	—	—	—	—	—
Long-term debt	874,024	103,000	256,000	15,024	200,000	—	300,000
Total	1,184,725	413,701	256,000	15,024	200,000	—	300,000

[c] Credit risk

Credit risk arises from the potential that investors, clients or counterparties fail to satisfy their obligations.

As at December 31, 2010, financial assets of \$233,131 [2009 - \$241,373], represented by client and trust funds on deposit of \$108,726 [2009 - \$109,004], accounts receivable of \$82,703 [2009 - \$84,543] and other assets of \$41,702 [2009 - \$47,826], were exposed to credit risk. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and holding collateral, where appropriate.

Client and trust funds on deposit consist mainly of cash deposits or unsettled trade receivables. CI may also extend amounts to clients on a margin basis for security purchases. Collateral is provided in margin accounts by each client in the form of securities purchased and/or other securities and cash balances. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties.

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Credit risk associated with accounts receivable is limited as the balance primarily consists of trade receivables that are outstanding for less than 90 days.

Other assets primarily represent loans granted under CI's employee share purchase plan and loans extended to investment advisors under CI's hiring and incentive program. Employee loans are collateralized by CI shares and become due immediately upon termination of the employee or upon the sale of the shares held as collateral. Commissions may be used to offset loan amounts made to investment advisors in the event of default. Credit risk associated with other assets is limited given the nature of the relationship with the counterparties.

12. CAPITAL MANAGEMENT

CI's objectives in managing capital are to maintain a capital structure that allows CI to meet its growth strategies and build long-term shareholder value, while satisfying its financial obligations and meeting its long-term debt covenants.

CI's capital is comprised of shareholders' equity, long-term debt [including current portion of long-term debt] and preferred shares issued by subsidiary. CI's senior management is responsible for the management of capital. CI's Board of Directors is responsible for reviewing and approving CI's capital policy and management.

CI and its subsidiaries are subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may result in fines, suspension or revocation of registration by the relevant securities regulator. As at December 31, 2010 and 2009, CI met its capital requirements.

CI's capital consists of the following as at December 31:

	2010	2009
	\$	\$
Shareholders' equity	1,613,640	1,610,935
Long-term debt	870,362	676,524
Preferred shares issued by subsidiary	—	20,662
Total capital	2,484,002	2,308,121

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13. DIVIDENDS

Dividends are declared quarterly to shareholders of record on or about the last business day of each month and are paid on or about the 15th of the following month.

Dividends declared during the years ended December 31, 2009 and 2010 were as follows:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
March 31, 2009	April 15, 2009	0.16	46,886
May 31, 2009	June 15, 2009	0.10	29,120
June 30, 2009	July 15, 2009	0.05	14,624
July 31, 2009	August 14, 2009	0.05	14,613
August 31, 2009	September 15, 2009	0.05	14,627
September 30, 2009	October 15, 2009	0.05	14,601
October 31, 2009	November 13, 2009	0.05	14,601
November 30, 2009	December 15, 2009	0.06	17,503
December 31, 2009	January 15, 2010	0.06	17,507
January 31, 2010	February 12, 2010	0.06	17,549
March 2, 2010	March 15, 2010	0.06	17,504
March 31, 2010	April 15, 2010	0.06	17,460
April 30, 2010	May 14, 2010	0.06	17,460
May 31, 2010	June 15, 2010	0.065	18,828
June 30, 2010	July 15, 2010	0.065	18,702
July 31, 2010	August 13, 2010	0.065	18,742
August 31, 2010	September 15, 2010	0.065	18,723
September 30, 2010	October 15, 2010	0.065	18,679
October 31, 2010	November 15, 2010	0.065	18,719
November 30, 2010	December 15, 2010	0.07	20,115
December 31, 2010	January 14, 2011	0.07	20,107
January 31, 2011	February 15, 2011	0.07	20,107
February 28, 2011	March 15, 2011	0.07	20,107

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14. 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:

	\$
2011	13,296
2012	10,017
2013	9,161
2014	8,349
2015	7,786
2016 and thereafter	70,568

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 agreements.

Indemnities

CI has agreed to indemnify its directors and officers, and certain of its employees in accordance with its 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 financial position or results of operations of CI.

15. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia ["Scotiabank"] owns approximately 36.4% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the year ended December 31, 2010, CI incurred charges for deferred sales commissions of \$2,514 and trailer fees of \$6,960 [2009 – \$2,449 and \$5,884, respectively] which were paid or payable to Scotiabank. The balance payable to Scotiabank as at December 31, 2010 of \$640 [2009 – \$602] is included in accounts payable and accrued liabilities.

Scotiabank is the provider of and administrative agent for CI's revolving credit facility. As at December 31, 2010, CI had drawn long-term debt of \$24,025 [2009 – \$129,025] in the form of bankers' acceptances of \$24,025 [2009 – \$129,025]. During the year ended December 31, 2010, interest and stamping fees of \$2,782 [2009 – \$25,446] were recorded as interest expense.

On December 14, 2010, Scotiabank acted as an agent in offering CI's Debentures for sale and received \$263. On December 16, 2009, Scotiabank and Blackmont acted as agents in offering CI's Debentures for sale and received \$534 and \$100, respectively. These

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amounts have been netted against long-term debt and will be amortized using the effective interest rate method over the term of the Debentures. Also, on December 16, 2009, CI entered into an interest rate swap agreement with Scotiabank as described in note 7.

16. INCOME TAXES

The following is a reconciliation between CI's statutory and effective income tax rates for the year ended December 31:

	2010	2009
	%	%
Combined Canadian federal and provincial income tax rate	30.9	32.9
Increase (decrease) in income taxes resulting from		
Impact of rate changes on future income taxes	(1.7)	(15.9)
Recovery of prior years' provisions for settled tax items	(0.2)	(2.4)
Other, net	0.6	(1.3)
	29.6	13.3

On March 26, 2009, the Ontario Ministry of Finance, in its 2009 Budget, proposed a reduction to the general corporate provincial income tax rate from 14% to 12% effective July 1, 2010 and to 10% by July 1, 2013. On November 16, 2009, these tax rate changes became substantively enacted, resulting in a \$45,413 non-cash recovery of future income taxes for the year ended December 31, 2009.

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 are as follows at December 31:

	2010	2009
	\$	\$
Future income tax liabilities		
Fund contracts	256,909	248,226
Deferred sales commissions	148,618	159,477
Other	2,468	2,992
Total future income tax liabilities	407,995	410,695
Future income tax assets		
Equity-based compensation	—	9,644
Non-capital loss carryforwards	32,651	19,217
Other	14,157	17,573
Total future income tax assets	46,808	46,434
Net future income tax liabilities	361,187	364,261

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The net future income tax liabilities are classified in the consolidated balance sheets as follows at December 31:

	2010	2009
	\$	\$
Current future income tax assets	—	9,644
Non-current future income tax liabilities	361,187	373,905

17. SEGMENTED INFORMATION

CI has two reportable segments: Asset Management and Asset Administration. These segments reflect CI's internal financial reporting and performance measurement.

The Asset Management segment includes the operating results and financial position of CI Investments and United excluding AWM, 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 financial position of AWM and 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.

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Segmented information as at and for the year ended December 31, 2010 is as follows:

	Asset management \$	Asset administration \$	Intersegment elimination \$	Total \$
Management fees	1,187,989	—	—	1,187,989
Administration fees	—	226,770	(92,394)	134,376
Other revenue	40,616	15,414	—	56,030
Total revenue	1,228,605	242,184	(92,394)	1,378,395
Selling, general and administrative	208,073	53,426	—	261,499
Trailer fees	360,483	—	(14,092)	346,391
Investment dealer fees	—	172,505	(74,261)	98,244
Amortization of deferred sales commissions and fund contracts	176,591	1,504	(3,951)	174,144
Other expenses	6,191	3,764	—	9,955
Total expenses	751,338	231,199	(92,304)	890,233
Income before income taxes and non-segmented items	477,267	10,985	(90)	488,162
Interest expense	—	—	—	(18,152)
Provision for income taxes	—	—	—	(139,195)
Net income for the year				330,815
Identifiable assets	1,956,199	200,717	(14,542)	2,142,374
Goodwill	930,310	192,582	—	1,122,892
Total assets	2,886,509	393,299	(14,542)	3,265,266

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[in thousands of dollars, except per share amounts]

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Segmented information as at and for the year ended December 31, 2009 is as follows:

	Asset management	Asset administration	Intersegment elimination	Total
	\$	\$	\$	\$
Management fees	1,041,519	—	—	1,041,519
Administration fees	—	205,724	(81,401)	124,323
Other revenue	36,062	16,581	—	52,643
Total revenue	1,077,581	222,305	(81,401)	1,218,485
Selling, general and administrative	229,281	49,643	—	278,924
Trailer fees	312,262	—	(12,561)	299,701
Investment dealer fees	—	153,336	(65,217)	88,119
Amortization of deferred sales				
commissions and fund contracts	166,224	1,504	(3,356)	164,372
Other expenses	16,225	3,154	—	19,379
Total expenses	723,992	207,637	(81,134)	850,495
Income before income taxes				
and non-segmented items	353,589	14,668	(267)	367,990
Interest expense	—	—	—	(26,540)
Provision for income taxes	—	—	—	(45,267)
Net income for the year				296,183
Identifiable assets*	1,711,896	257,702	(14,452)	1,955,146
Goodwill	858,703	192,582	—	1,051,285
Total assets	2,570,599	450,284	(14,452)	3,006,431

* including assets held for sale

18. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Canadian publicly accountable enterprises must transition to IFRS for fiscal years beginning on or after January 1, 2011. As a result, CI will adopt IFRS commencing January 1, 2011 and will publish its first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending March 31, 2011. Upon adoption, we will provide fiscal 2010 comparative financial information also prepared in accordance with IFRS, including an opening IFRS consolidated balance sheet as at January 1, 2010.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation in the current year.

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
Toronto, Ontario

Paul W. Derksen
Corporate Director;
Director
Clarksburg, Ontario

William T. Holland
Executive Chairman;
Director
Toronto, Ontario

Stephen A. MacPhail
President and
Chief Executive Officer,
CI Financial;
Director
Toronto, Ontario

Stephen T. Moore
Managing Director,
Newhaven Asset
Management Inc.;
Director
Toronto, Ontario

A. Winn Oughtred
Corporate Director;
Director
Toronto, Ontario

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

OFFICERS

Stephen A. MacPhail
President and
Chief Executive Officer

Peter W. Anderson
Executive Vice-President,
Chief Investment Officer

Sheila A. Murray
Executive Vice-President,
General Counsel and Secretary

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

David C. Pauli
Chief Operating Officer

CI Investments

EXECUTIVES

Derek J. Green
President

Douglas J. Jamieson
Chief Financial Officer

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

Larry H. Rowe
Senior Vice-President
Information Technology

Assante Wealth Management

EXECUTIVES

Steven J. Donald
President

James E. Ross
Senior Vice-President
Wealth & Estate Planning

Robert J. Dorrell
Senior Vice-President
Distribution Services

Corporate Information

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Investor Relations

Contact: Douglas J. Jamieson, Senior Vice-President and Chief Financial Officer
Telephone: 416-364-1145
Toll Free: 1 800 268-9374
E-mail: investorrelations@ci.com

Trading Symbol

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

Auditors

Ernst & Young LLP
Chartered Accountants
Toronto-Dominion Centre
P.O. Box 251
Toronto, Ontario M5K 1J7

Registrar and Transfer Agent

Computershare Investor Services Inc.
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
Telephone: 1 800 564-6253
E-mail: caregistry@computershare.com

Normal Course Issuer Bid

Effective May 29, 2010, the TSX accepted CI's notice of intention to commence a normal course issuer bid (the "Notice") through the facilities of the TSX. Under the bid, CI may purchase up to 15,558,418 shares at the prevailing market price. Purchases under the bid will terminate no later than May 28, 2011. As of April 29, 2011, CI had acquired an aggregate of 1,897,851 shares under the normal course issuer bid at an average price of \$19.16 per share. Shareholders may obtain a copy of the Notice, without charge, by contacting the Corporate Secretary of CI. The Corporation intends to renew its normal course issuer bid effective May 29, 2011, subject to receipt of approval from the Toronto Stock Exchange.

Shareholder rights plan

CI entered into a rights plan agreement dated as of January 1, 2009 with Computershare Investor Services Inc., as rights agent, in connection with the adoption of a shareholder rights plan. The Shareholder Rights Plan is designed to ensure the fair treatment of CI's shareholders in any transaction involving a change of control of CI and to provide the Board and shareholders with adequate time to evaluate any unsolicited takeover bid and, if appropriate, to seek out alternatives to maximize shareholder value. Shareholders will be asked to confirm the continuation of the rights plan at its annual and special meeting of shareholders on June 1, 2011. The complete text of the rights plan may be found on SEDAR at www.sedar.com.

Digital Report

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

This 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 results to differ materially 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.
