

Annual Report
December 31, 2012

2012





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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 manages or administers approximately \$105 billion in assets (as at March 31, 2013). CI operates primarily through subsidiaries CI Investments Inc. and Assante Wealth Management (Canada) Ltd.

CI Investments offers the industry's broadest selection of investment funds under the CI, Black Creek, Cambridge, Harbour, Red Sky, Signature, Synergy, Portfolio Series, Portfolio Select Series and SunWise Essential Series 2 banners.

Assante Wealth Management provides financial advisory services through a national network of 750 professional financial advisors. Stonegate Private Counsel, a division of CI Private Counsel LP, provides wealth planning services to high net worth individuals and families.

CI's other businesses include Perimeter Markets Inc., which operates alternative marketplaces for trading Canadian fixed-income products under the CBID brand. CI also owns interests in Altrinsic Global Advisors, LLC, a global investment manager based in Greenwich, Connecticut, and in Toronto-based alternative asset managers Red Sky Capital Management Ltd. and Lawrence Park Capital Partners Ltd.

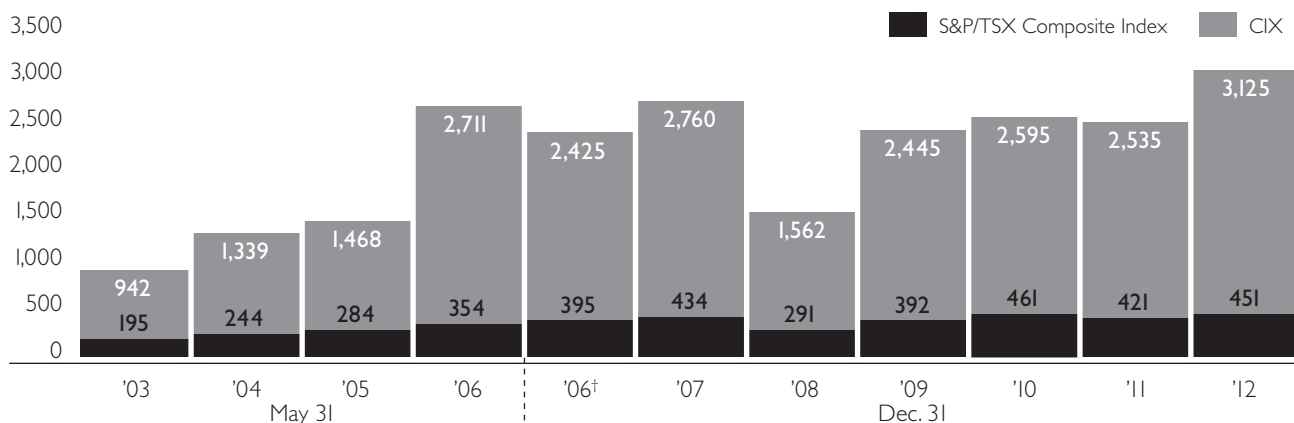
Financial Highlights

<i>(in millions of dollars, except share amounts)</i>	As at December 31, 2012	As at December 31, 2011	% change
Assets under management	75,723	69,558	9
Total assets	98,922	91,102	9
Shares outstanding	282,914,642	283,567,039	0

<i>(in millions of dollars, except share amounts)</i>	For the year ended As at December 31, 2012	For the year ended As at December 31, 2011	% change
Average assets under management	72,606	72,186	1
Management fees	1,277.7	1,302.8	(2)
Total revenues	1,457.8	1,496.3	(3)
SG&A	286.0	290.8	(2)
Trailer fees	374.0	379.5	(1)
Net income	352.2	376.9	(7)
Earnings per share	1.24	1.31	(5)
EBITDA*	703.6	726.2	(3)
EBITDA* per share	2.48	2.53	(2)
Dividends recorded per share	0.96	0.89	8
Average shares outstanding	283,389,571	286,997,604	(1)

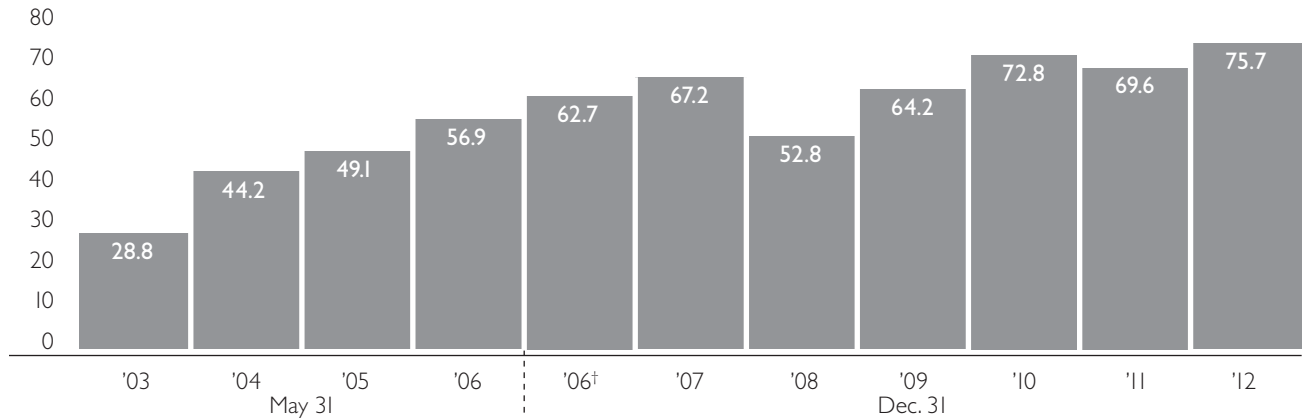
*EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a standardized earnings measure prescribed by IFRS; however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. CI's method of calculating this measure may not be comparable to similar measures presented by other companies.

CIX vs S&P/TSX COMPOSITE INDEX TOTAL RETURN (IPO IN JUNE 1994 = 100)



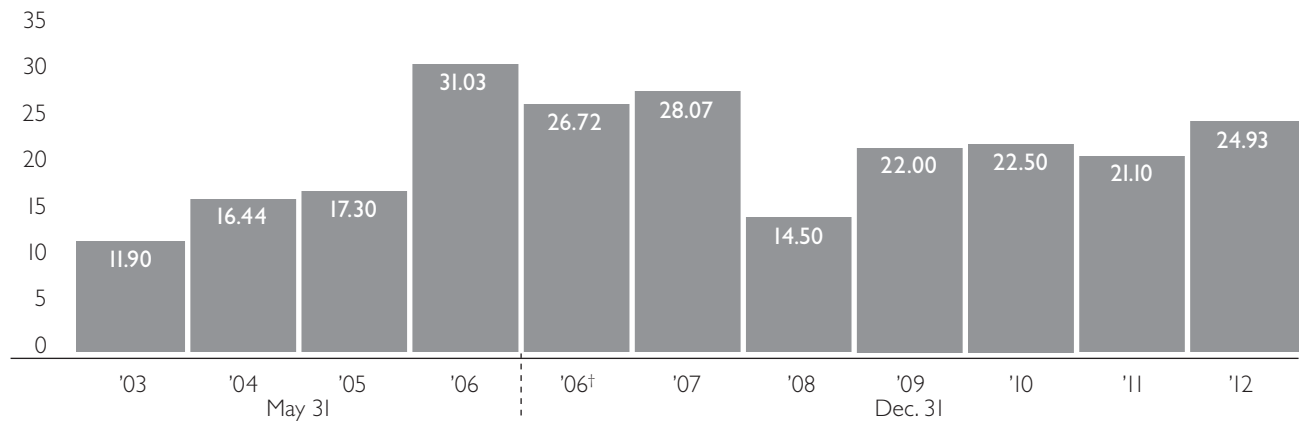
† Dec. 2006, seven month period.

ASSETS UNDER MANAGEMENT (\$ BILLIONS)



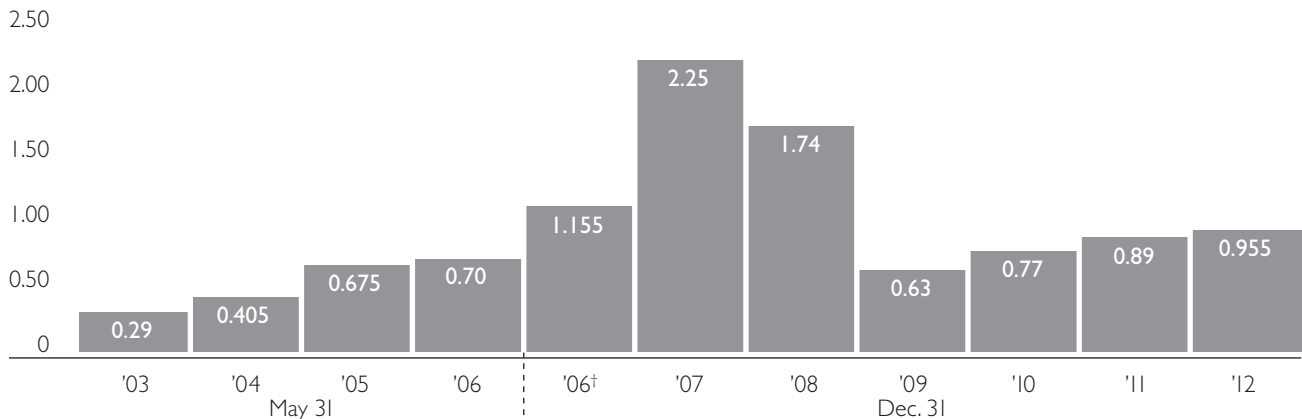
† Dec. 2006, seven month period.

CIX SHARE PRICE (\$)



† Dec. 2006, seven month period.

DIVIDENDS PER SHARE (\$)



† Dec. 2006, seven month period.



DEAR SHAREHOLDERS,

Your company had an excellent year in 2012. In the face of continued volatility in financial markets and lingering doubts about the strength of the global economy, CI Financial delivered strong results. Most notably, our assets under management grew 9% year over year to reach a new record, our net sales increased 200%, and our cash flow supported an increase in the dividend and a continued strengthening of our financial position.

Although 2012 marked the fourth year of recovery following the global financial crisis, investor confidence was still sensitive to the latest news. Equity markets fell sharply in the second quarter and were choppy over the following months in response to concerns over the ongoing European debt issues, the pace of growth in the U.S. and China, as well as the U.S. presidential election and the “fiscal cliff.”

In the fourth quarter, however, share prices staged a decisive rally that continued into the first quarter of 2013. For the year, the S&P/TSX Composite Index gained 7.2%, while the S&P 500 Index rose 13.5% and the MSCI World Index was up 14.1% (all in Canadian dollars). It’s worthwhile noting that the Canadian index underperformed U.S. stocks for the second year in a row and remains below both its 2011 high and its all-time high reached in 2008. Meanwhile, in the U.S., the Dow Jones Industrial Average and the S&P 500 Index powered to new closing highs in March 2013. These moves signalled a meaningful shift in sentiment, as investors seemed to accept that the recovery is genuine and Europe has its debt problems more or less under control.

At CI, we stuck to our game plan, investing in our portfolio management teams, product lineup, technology, the training and development of staff, and sales and marketing. You can see our long-term strategy outlined in the next section. The result of these efforts has been that CI has continued to grow and build on its success, while many competitors have retrenched and shrunk. And with the recent turn in the markets, CI was well positioned to reap the rewards. In the first quarter of 2013, CI posted its highest level of first quarter net sales in seven years.

CI'S LONG-TERM STRATEGY

- ▶ **Product quality and diversity.** By providing a broad selection of high-quality products and services to Canadian investors, we reduce our dependence on any single market sector, product or portfolio manager and ensure we are well positioned to respond to the changing needs of investors. More importantly, it enhances our relationships with advisors by allowing them to meet their clients' needs through a single supplier.
- ▶ **Talented and experienced investment managers.** CI has significant assets under management, and we use this size and scale to attract and retain the best investment managers in the industry. We select portfolio managers based on a reputation for skilled investment management and their long-term track records.
- ▶ **Operational and performance excellence.** This includes the prudent and efficient management of our funds and our company, the development of high-quality products and a well-known brand.
- ▶ **Superior service.** By exceeding the service expectations of our investors and our multiple distribution networks, we aim to solidify these relationships and maintain a reputation for sound management.
- ▶ **Skill and knowledge.** CI's managers and employees possess the specialized knowledge and experience to anticipate client needs, develop appropriate products and market those products effectively. CI provides training programs to ensure that the expertise of its employees and advisors remains at a high level.

FINANCIAL RESULTS

Robust asset growth

Assets under management were \$75.7 billion at December 31, 2012, a robust increase of 9% from \$69.6 billion a year earlier. This was a month-end record for CI and compares to the increase of 7.2% for the S&P/TSX Composite Index. Total assets, which include assets under administration, were \$98.9 billion at year-end, which is also a gain of 9%. With the strong performance of our funds early this year, assets under management grew another 6% to \$80.5 billion at March 31, 2013, and total assets reached \$104.7 billion.

Average assets under management also reached a record level of \$72.6 billion in 2012, though the year-over-year gain was 1%. This reflects the pattern of market volatility throughout 2012, as the growth in our assets was not achieved in a steady, upwards progression.

Reflecting the change in average assets, revenues for the year were flat, at \$1.5 billion. Net income was \$352.2 million in 2012, down 7% from \$376.9 million in the prior year. Earnings per share were down 5% to \$1.24 from \$1.31 in 2011. However, there were two items that affected this comparison: CI received an insurance settlement of \$3.5 million in 2011, and there was an \$18 million non-cash tax adjustment in 2012, resulting from an increase in future corporate income taxes imposed by the Ontario government. Adjusting for those two items means that the decline in net income was less than 1%. In looking at pre-tax operating earnings per share, which is designed to show CI's underlying profitability before taxes and other items, we see that this measure was \$2.26 in 2012 and \$2.28 in 2011 – again, a change of less than 1%.

One of the themes in our industry in recent years has been the dominance of income funds in the sales charts as investors have continued to shun equity funds since the severe bear market of 2008-09. Statistics provided by research firm Investor Economics Inc. indicate that net sales of funds classified as fixed-income and income balanced accounted for 137% of industry net sales in 2012 (excluding money market funds).

CI is well represented in the income segment with a number of funds with good performance and sales. However, income funds have lower management fees than balanced or equity funds. Our institutional products, which are becoming an increasingly important part of our business, also have lower management fees than most retail funds. What this means for our results is that funds with lower fees are becoming a larger part of our overall asset mix.

A high level of efficiency

CI has been able to offset this trend and maintain its profitability through the strict control of expenses. Selling, general and administrative expenses expressed as percentage of average assets under management declined 3% to 39 basis points in 2012 from 40 basis points in 2011. We are proud of this achievement by our staff, especially given that it occurred while assets under management grew by 9% and we increased our expenditure in key areas of our operations, including portfolio management and sales and marketing.

Free cash flow amounted to \$423.9 million in 2012 and it was used to strengthen the financial position of the company by paying down debt and to return cash to you, our shareholders, through share repurchases and dividends.

During the year, CI's debt, net of cash and marketable securities not needed for regulatory capital, was reduced by \$204.2 million to \$526.5 million, which included the repayment of \$250 million in debentures that matured in December 2012, partially offset by an increase in our credit facility. This level of debt is quite manageable for CI, leaving us with the capacity to finance acquisitions or other strategic opportunities. It represents a ratio of net debt to EBITDA (earnings before interest, taxes, depreciation and amortization) of 0.7:1 – a decrease from 1.1:1 a year earlier.

Creating wealth for shareholders

In 2012, we repurchased 1.4 million shares at a cost of \$30.5 million, and paid dividends of \$269.2 million. The dividend rate was raised to \$0.08 per month per share from \$0.075 during the year, with a further increase to \$0.085 effective March 2013.

CI has been consistent in boosting its dividend as our business has grown. Our annual dividend payment has increased from \$0.57 per share in 2009, when CI converted back to a corporation from an income trust, to its current rate of \$1.02 per share – an increase of 79%. At the same time, we have been prudent in ensuring that the dividend is supported by our cash flow. As a percentage of free cash flow, our dividend payout ratio in 2012 was 63%, compared to 59% in the prior year.

This is driven by our long-term commitment to return cash not required to finance the company's operations and growth to our shareholders, and we believe that our record in this is matched by few companies. Since our \$25 million initial public offering in 1994, CI has returned \$4.2 billion to shareholders, consisting of \$3.0 billion in dividends and distributions and \$1.2 billion in share repurchases (as of February 28, 2013).

In 2012, CI's share price responded to the improving financial markets and our asset growth, appreciating to \$24.93 from \$21.10 over the 12-month period. The return including dividends during the year was 23.3%. With rising markets in early 2013, CI's share price appreciated a further 13.7% to \$28.10, and our market capitalization reached \$8.0 billion as of March 31.

We are especially proud of CI's long-term return. From the June 1994 IPO to the end of March 2013, CI has returned 3,454%, versus 366% for the S&P/TSX Composite Index and 1,135% for the financial services sub-index. This equates to a compound annual growth rate of 20.9%, making CI one of the Top 5 performing stocks on the index over that period.

OPERATING RESULTS

Net sales increase 200%

CI had impressive sales in 2012, reaching \$10.6 billion in gross sales – the first time we exceeded \$10 billion since 2008 – and \$973 million in net sales. This represents increases of 16.1% and 201%, respectively, over the year before. Industry net sales as reported by the Investment Funds Institute of Canada rose 43% to \$30.4 billion.

Approximately three-quarters of our net sales for the year were posted in the fourth quarter, accompanying the improvement in investor confidence and the turnaround in the markets. As we said at the start of this letter, CI is well positioned to benefit from the change in sentiment given the performance of our portfolio managers and the quality and breadth of our product lineup.

The sources of our sales were quite diversified, with both the institutional and retail divisions contributing. On the retail side, our key distribution partners all contributed to our tally of net sales. (See below for a more detailed discussion of our distribution strategy.)

When we look at our sales by product, there are a few observations we would like to share. By asset class, income-related funds continued to dominate our sales. There are signs of a growing interest in equity funds, though this comes after stocks have already experienced a four-year bull market. (The S&P 500 Index, for example, gained 133% from its March 2009 low to the end of March 2013.) By product platform, segregated funds, which combine mutual funds with insurance-based guarantees, continue to provide good gross sales but remain in net redemptions. Though these funds provide unique benefits, their appeal has been diminished as insurance companies have been forced to reduce benefits and increase prices to reflect the increased costs of providing the guarantees. In addition, many policies within our older segregated fund families continue to mature.

Meanwhile, our managed solutions are attracting strong flows. These include CI Private Investment Management, a program aimed at higher net worth investors, and our portfolio solutions, which include Portfolio Select Series, the award-winning Portfolio Series and, in the Assante channel, Evolution Private Managed Accounts. The shift to portfolio solutions, also known as wrap or fund-of-funds products, has been a notable industry phenomenon. According to Investor Economics, fund wraps have experienced a compound annual growth rate in assets of 9.0% since 2007, versus 1.1% for stand-alone mutual funds. As we often say, a portfolio program is only as good as its underlying funds and so CI's products in this category stand out for the quality of performance and portfolio management. CI Investment Consulting, which oversees our managed solutions, also adds significant value through asset allocation, risk management and currency management.

The sales momentum of the fourth quarter has accelerated in 2013, with CI posting excellent sales and the best first quarter for net sales in seven years.

Outstanding performance

As we noted earlier, the solid performance of our funds is a crucial factor in our sales and CI has provided consistent, above-average returns. At December 31, 2012, 60% of our long-term assets under management were first or second quartile over one year and 81% were in the top two quartiles over 10 years. This strength is seen across our portfolio management lineup, from teams such as Signature Global Advisors, Cambridge Advisors, Harbour Advisors and Black Creek Investment Management. Notable highlights in 2012 include Cambridge Canadian Growth Companies Fund and Cambridge Pure Canadian Equity Fund, which were up 40.5% and 34.3%, respectively, and Black Creek International Equity Fund, which gained 30.5% (all Class A versions).

CI's performance continues to be recognized by industry awards. CI was the recipient of two 2012 Morningstar Canadian Investment Awards, with Portfolio Series winning Best Fund of Funds for the second consecutive year and Signature High Income Fund winning its fourth trophy. CI and its portfolio managers have taken home 33 Morningstar Canadian Investment Awards over the past 10 years. CI funds also earned eight Lipper Fund Awards in 2012 and another seven in 2013. CI has received 46 Lipper Fund Awards, which recognize funds that have excelled in delivering consistently strong risk-adjusted performance relative to peers, since the start of the program in Canada in 2007.

In addition, CI Investments was one of the three top firms in the 2012 Brendan Wood International Canadian investment rankings, with seven of our professionals being named "TopGun Investment Minds." TopGun status recognizes investment professionals "who on a competitive basis ranked highest for investment wisdom and professionalism."

Exceptional portfolio management

In conjunction with providing a wide selection of product platforms and fund mandates, CI follows a strategy of providing a broad choice of portfolio management teams offering a variety of investment approaches and specialties. CI has relationships with 18 portfolio management teams, of which three are in-house – Signature, Cambridge and Harbour – and the remainder are sub-advisors. CI holds minority interests in three – Altrinsic Global Advisors of Greenwich, Connecticut, and Toronto-based alternative asset managers Red Sky Capital Management, which focuses on North American equities, and Lawrence Park Capital Partners, which boasts a unique approach to fixed-income investing. CI Investment Consulting, an in-house group of analysts, monitors the portfolio management teams, and oversees our managed solutions.

Over the long-term, our three in-house teams have performed well and their share of our overall assets under management has increased. Today, their share stands at about 75% of total. We continue to invest in building the expertise of our in-house teams, and the example of Cambridge Advisors illustrates the success of our approach. Cambridge was founded in January 2008 under the direction of veteran portfolio manager Alan Radlo and has offices in Boston and Toronto. Mr. Radlo was joined by senior Portfolio Managers Robert Swanson and Brandon Snow in 2011. In just five years, the team has established an excellent track record of performance and attracted over \$6 billion in assets. The potential for growth in the Cambridge family remains outstanding, in both the retail and institutional channels.

Our stakes in Red Sky and Lawrence Park were purchased in 2010 and March 2012, respectively, as part of our efforts to diversify our sources of growth. CI provides administrative services for each firm's hedge fund and our backing has assisted them in raising assets. We have continued to develop our relationships with them by retaining each firm to manage a portion of the portfolio of an existing CI fund. In addition, we launched Red Sky Canadian Equity Corporate Class to provide exclusive exposure to the Red Sky team. We expect to launch a dedicated Lawrence Park income fund later this year.

CI's portfolio management strategy not only allows for diversity and fosters performance, but also offers a deep roster of talent to launch new products and provide continuity of management. For example, in 2012, our sub-advisory relationship with Barometer Capital ended, and the portfolios they managed were switched to Cambridge Advisors in a seamless transfer of responsibilities.

Quality and choice

CI continually reviews its product lineup to ensure it remains relevant to the marketplace and meets the needs of Canadian investors. In 2012, our new retail products included:

- ▶ Cambridge Income Fund, the first income fund managed by the Cambridge team. It has attracted over \$580 million in assets in just over a year.
- ▶ Signature High Yield Bond Fund, which offers dedicated exposure to this asset class.
- ▶ Signature Global Dividend Fund, which provides conservative exposure to high-quality dividend-paying global companies and which we believe is especially timely today, as investors become more open to increasing their investments in equities.
- ▶ Red Sky Canadian Equity Corporate Class, a North American equity fund.
- ▶ SunWise Essential Series 2, a segregated fund program offered in partnership with Sun Life Financial. This program, launched to replace SunWise Essential Series, which was closed to new investors, maintains CI and Sun Life's presence in this market.

We also made a significant change to our fund lineup by merging the Castlerock-branded funds into the CI lineup. When we purchased Hartford Investments Canada Corp. in December 2010, we were able to integrate its corporate operations immediately, but were not in a position to integrate the funds, which were being administered by a third-party service provider. We created the Castlerock brand and operated the funds as a separate division of CI.

In mid-2012, we moved the funds to the CI administrative platform, which allowed us to reduce duplication in our lineup by merging 18 Castlerock and CI funds into other CI funds, and to replace the variable operating expenses of the former Castlerock funds with a lower fixed administration fee – benefiting the investors in those funds. The funds were also renamed and we are no longer using the Castlerock brand.

This was the final step in integrating this very successful acquisition, which though small relative to CI's assets, was beneficial in growing our assets and developing and strengthening valuable relationships in portfolio management and distribution.

Building strong partnerships

CI has been successful over the past 10 to 15 years in developing multiple channels of distribution for its funds and its investment management expertise. This strategy has been an important driver of CI's growth and differentiates us from other independent fund companies.

Today, our distribution strategy has three central pillars: building the Assante dealership into the premier wealth planning organization in Canada; growing our retail investment fund business through an intense focus on selected distribution partners; and expanding our presence in the institutional market through CI Institutional Asset Management.

Assante

Assante continued to grow through 2012, building upon its status as one of Canada's pre-eminent financial advisory firms. Assets at Assante and Stonegate Private Counsel increased 8.0% over the year to \$24.3 billion, reflecting the improving performance of financial markets and increasing levels of investment from our clients. Assante's advisors maintain a focus on the conservative management of the financial affairs of Canadian families. Assante continues to attract new clients and additional assets from existing clients as Canadians continue to seek out holistic financial advice. Assante clients were well served through the volatile environment of the past few years by our emphasis on investing discipline and patience. Our advisors provide diversified portfolio solutions, backed by the expertise of leading money managers, including the portfolio management teams of CI Investments. Strong financial markets and increasing sales through the first three months of this year increased assets to \$25.3 billion as at March 31, 2013.

Assante sets itself apart from its competitors by providing extensive resources related to meeting the wealth management needs of its clients. Assante's commitment to an integrated approach to wealth management that incorporates all aspects of managing a client's finances – risk management, estate planning and tax planning, in addition to sound investment management – is demonstrated through its programs and services. Assante assists its advisors in providing this advanced level of service through a large in-house staff that includes tax, insurance, estate planning and other experts. In addition, Assante has launched a practice management initiative providing its clients with clear roadmaps for achieving their wealth management objectives. An extension of this program is ongoing professional development for Assante advisors, both new and experienced, in areas such as compliance and advanced financial planning topics.

Assante continues a comprehensive communications program for advisors and clients that provides timely insights from portfolio managers on market developments and the positioning of their mandates, as well as relevant information on issues such as income, estate and succession planning. Through initiatives such as the Wealth Matters series, Assante continues to demonstrate its leadership and a focus on delivering valued advice to Canadians.

Assante's recruiting efforts consist of a two-pronged focus on attracting experienced advisors who embrace its philosophy of wealth management, as well as younger advisors who will provide ongoing relationship continuity for clients as part of existing advisory teams. Assante continued to add new advisors in its network in 2012.

Sound advice coupled with financial stability and operating efficiency is critical in fostering trusting relationships with clients in the continued uncertainty of today's environment. 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 its portfolio management expertise and products. With this solid foundation, Assante is pursuing a growth strategy based on continuing recruitment and fostering the growth of our advisors' practices through the provision of wealth planning expertise, enhanced systems support and sophisticated portfolio solutions.

Distribution Partners

In distributing its retail funds, CI maintains solid relationships with financial advisors at numerous firms across Canada. However, our size and financial resources enable us to provide additional sales support and service to certain preferred partners: Assante, Sun Life advisors and Edward Jones. Our preferred partners continue to make significant contributions to our sales and growth. Our goal is to strengthen our existing relationships and extend this model into new channels.

CIIAM

CI Institutional Asset Management (CIIAM) experienced 12% growth during the year due to strong net sales and portfolio returns, and ended the year with \$11.5 billion in assets under management. CIIAM operates in two general institutional markets: Alliance, which typically involves sub-advising mandates or participating in fund-of-fund programs at other financial institutions, and the more traditional area of pensions, foundations and endowments. The Alliance part of our operations was awarded two sizable new mandates in 2012. Our pensions and endowments business experienced another excellent year of client growth with six new clients, bringing the total to 20 new clients won in the past two years in this segment.

As part of its growth strategy, CIIAM has boosted our commitment to a true multi-manager, multi-product institutional offering with a core Canadian equity fund, a global equity mandate and a series of target date funds joining our balanced mandate on our product shelf. The target date funds, the CI LifeCycle Portfolios, which were launched in 2012, are important solutions for defined contribution pension plans as well as other types of employer-sponsored group savings plans.

Driving growth through sales and marketing

CI has successfully established enduring relationships with the thousands of advisors who sell our funds. This is a credit to our staff in our administration, client services and sales and marketing departments who provide crucial day-to-day support to advisors. However, our industry has become increasingly competitive and we are not taking advisors and investors for granted.

Sales and marketing is one area where we have increased our commitment to providing superior support and service. We have responded with initiatives that build awareness of the CI brand, and with a significant expansion of events and communication efforts that deepen our connections to our clients. In 2012, these initiatives included:

- ▶ A national advertising campaign for CI Investments with commercials airing on television, radio and websites during the critical RRSP season. The commercials emphasized CI's attributes of size, experience, expertise, and a strong product lineup and ended with the message: "CI – Canada's Investment Company." With the success of this initiative, we instituted a similar campaign with even broader reach in early 2013.
- ▶ Our second annual Leadership Forum, a three-day conference in Las Vegas that was attended by approximately 800 advisors. Our portfolio managers and CI employees provided extensive information about the markets and our investment products. We believe that the Leadership Forum has become one of the most highly regarded educational events in our industry and the 2013 edition is scheduled for October in Los Angeles.
- ▶ Three national roadshows, in which portfolio management teams presented to advisors in cities from coast to coast.
- ▶ Two digital roadshows, in which our portfolio managers participated in a full afternoon of webcast presentations.
- ▶ The launch of the Monthly Review, a newsletter for advisors that contains information about our funds in an eye-catching newspaper format.
- ▶ Expanded communications between our portfolio managers and advisors through online platforms such as podcasts, videocast and online presentations. And, in February 2013, Cambridge Advisors started CI's first portfolio managers' blog. These efforts complement our more traditional written commentaries and in-person events such as dealer branch meetings.
- ▶ The hiring of a highly qualified wealth management expert to provide tax, estate planning and other wealth planning information to advisors.

OUTLOOK

In a recent report on the state of the investment fund industry, Investor Economics noted that fewer than half of the companies in our industry reported positive net inflows in 2012. Notably, this occurred in a year when global equity markets experienced double-digit returns and the Canadian fund industry as a whole reported approximately \$30 billion in net sales. In fact, the research firm says, the percentage of companies in net redemptions increased to 54% from 38% over the past two years.

Clearly, the divisions in our industry are growing ever larger as sales are increasingly concentrated with a smaller number of firms. CI has anticipated this and other trends highlighted by the Investor Economics report for over a decade and our strategic direction has ensured that CI remains an industry leader. As we described in this letter, we continue to build on our competitive advantages, which include:

- ▶ An exceptional portfolio management lineup
- ▶ Outstanding fund performance
- ▶ Economies of scale
- ▶ Financial strength
- ▶ Extensive and experienced sales and marketing operations
- ▶ Strong and diverse distribution relationships
- ▶ Increasing brand awareness
- ▶ An entrepreneurial corporate culture.

Our exceptional sales and asset growth in 2012 and the first three months of 2013 is a testament to the validity of our long-term strategy and the strength of our position within the industry. CI has never been better equipped to compete. We are operating at a high level across all aspects of our business and providing incredible value to our clients. CI remains Canada's premier independent wealth management company, and we see many opportunities for continued growth at your company.

In closing, we thank our employees and portfolio managers for their dedication, and our fund investors, advisors and our shareholders for their support.

Sincerely,



William T. Holland
Chairman



Stephen A. MacPhail
President and Chief Executive Officer

MARCH 31, 2013

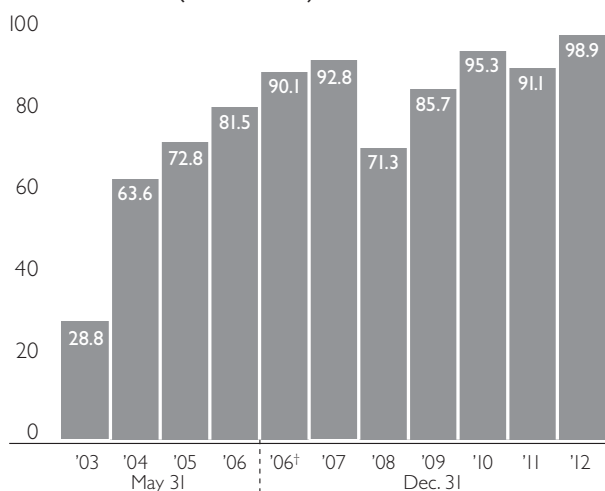
Ten-Year Historical Financial Highlights

(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

(from continuing operations)	Years Ended Dec. 31			
	2012	2011	2010	2009
Assets under management, end of year	75,723	69,558	72,825	64,226
Assets under administration	23,199	21,544	22,497	21,489
Total assets	98,922	91,102	95,322	85,715
Net sales of funds	973	323	1,059	1,451
Management fees	1,277.7	1,302.8	1,193.0	1,041.5
Other income	180.1	193.5	186.7	177.0
Total revenues	1,457.8	1,496.3	1,379.7	1,218.5
Selling, general and administrative	286.0	290.8	263.6	278.9
Trailer fees	374.0	379.5	346.2	299.7
Other expenses	294.0	304.9	295.4	298.4
Total expenses	954.0	975.2	905.2	877.0
Income taxes	151.6	144.2	146.0	45.3
Net income	352.2	376.9	328.6	296.2
EBITDA*	703.6	726.2	669.7	539.3
Earnings per share	1.24	1.31	1.14	1.01
EBITDA* per share	2.48	2.53	2.32	1.84
Dividends per share	0.96	0.89	0.77	0.63
Shareholders' equity, end of year	1,676.0	1,620.2	1,566.1	1,610.9
Shares outstanding, end of year	282,914,642	283,567,039	287,434,257	291,821,114

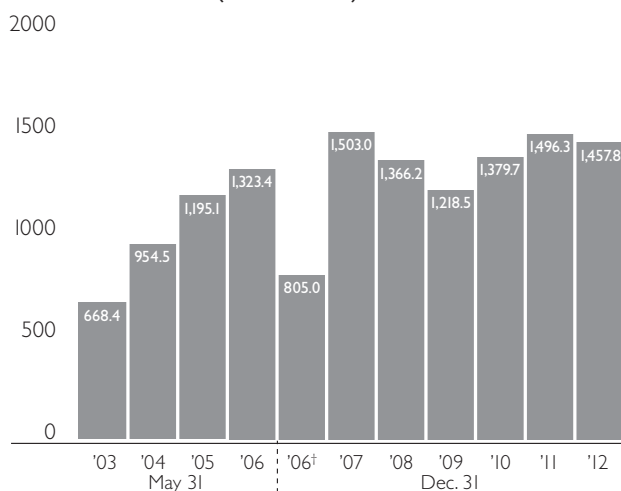
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TOTAL ASSETS (\$ BILLIONS)



† Dec. 2006, seven month period.

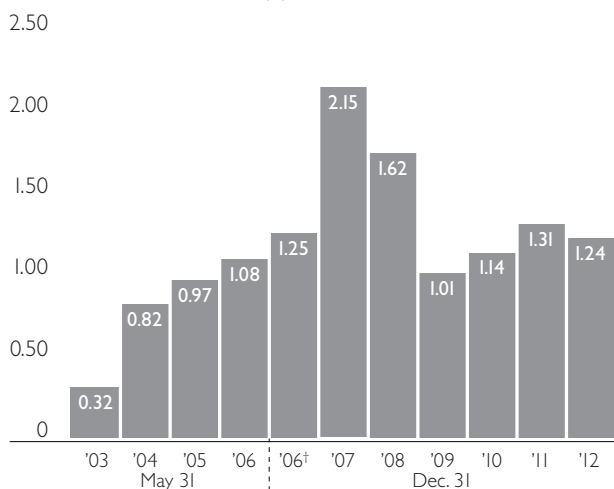
TOTAL REVENUES (\$ MILLIONS)



† Dec. 2006, seven month period.

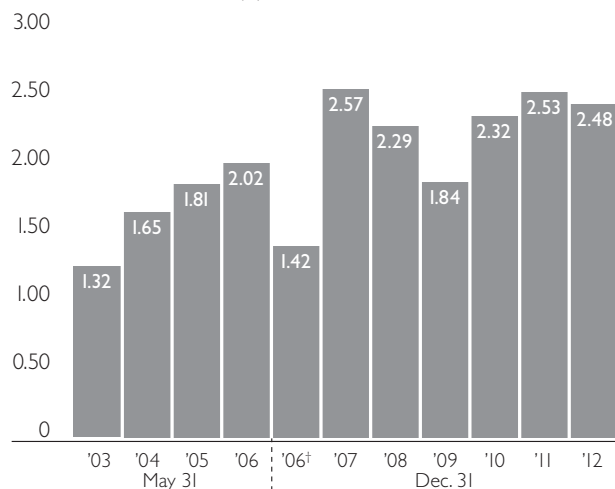
Years Ended Dec. 31		Seven Months Ended Dec. 31, 2006	Years Ended May 31			
2008	2007		2006	2005	2004	2003
52,801	67,171	62,737	56,905	49,055	44,223	28,773
18,449	25,657	27,319	24,563	23,751	19,349	-
71,250	92,828	90,056	81,468	72,806	63,572	28,773
1,740	1,898	437	3,111	1,717	898	(596)
1,163.8	1,292.7	693.8	1,110.0	994.6	820.7	595.8
202.4	210.3	111.2	213.4	200.5	133.8	72.6
1,366.2	1,503.0	805.0	1,323.4	1,195.1	954.5	668.4
256.4	291.1	147.8	353.6	328.1	256.8	203.3
336.1	369.1	193.3	291.0	250.7	197.8	147.4
340.0	291.7	140.3	204.2	168.3	108.1	197.8
932.5	951.9	481.4	848.8	747.1	562.7	548.5
(17.5)	(54.4)	(31.1)	165.6	163.2	170.7	49.0
451.2	605.5	354.7	309.0	284.7	221.0	71.0
638.6	724.3	403.5	577.4	529.5	442.2	297.4
1.62	2.15	1.25	1.08	0.97	0.82	0.32
2.29	2.57	1.42	2.02	1.81	1.65	1.32
1.74	2.25	1.155	0.70	0.675	0.405	0.29
1,601.7	1,450.7	1,371.1	1,545.0	1,472.8	1,533.9	632.7
292,492,805	281,514,003	280,132,687	285,680,519	286,643,091	295,199,027	235,525,648

EARNINGS PER SHARE (\$)



† Dec. 2006, seven month period.

EBITDA* PER SHARE (\$)



† Dec. 2006, seven month period.



CI INVESTMENTS INC.

CI Investments is one of Canada's largest investment management companies, with approximately \$80 billion in assets under management (at March 31, 2013) on behalf of two 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 brands include CI, Harbour, Signature, Synergy, Cambridge, Black Creek, Red Sky, Portfolio Series, Portfolio Select Series, CI Private Investment Management, and SunWise Essential Series 2. 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 Stephen Jenkins; and Cambridge Advisors, led by Alan Radlo. CI and its managers have been recognized through 33 Morningstar Canadian Investment Awards over the past 10 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. CI has also been the recipient of 46 Lipper Fund Awards, which recognize funds that have excelled in delivering consistently strong risk-adjusted performance relative to peers.



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 \$24 billion in assets (at March 31, 2013) 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

December 31, 2012
CI Financial Corp.

This Management's Discussion and Analysis ("MD&A") dated February 14, 2013 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at December 31, 2012, compared with December 31, 2011, and the results of operations for the year ended and quarter ended December 31, 2012, compared with the year ended and quarter ended December 31, 2011 and the quarter ended September 30, 2012.

CI's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and its subsidiaries, including CI Private Counsel LP ("CIPC"). 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").

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 which is available at www.sedar.com.

This MD&A includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS 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-IFRS measures and reconciliations to IFRS, where necessary, are shown as highlighted footnotes to the discussion throughout the document.

TABLE 1: SELECTED ANNUAL INFORMATION

<i>(millions, except per share amounts)</i>	FISCAL YEARS ENDING DECEMBER 31		
	2012	2011	2010
Total revenue	\$1,457.8	\$1,496.3	\$1,379.7
Total expenses	954.0	975.2	905.1
Income before income taxes	\$503.8	\$521.1	\$474.6
Income taxes	151.6	144.2	146.0
Net income	\$352.2	\$376.9	\$328.6
Earnings per share	\$1.24	\$1.31	\$1.14
Diluted earnings per share	\$1.24	\$1.31	\$1.13
Dividends recorded per share	\$0.96	\$0.89	\$0.77
EBITDA (see Table 7)	\$703.6	\$726.2	\$669.7
Total assets	\$2,971.6	\$3,085.0	\$3,206.4
Gross debt	\$594.4	\$780.4	\$870.4
Net debt (gross debt less excess cash)	\$526.5	\$730.7	\$789.1
Average shares outstanding	283.4	287.0	289.1
Shares outstanding	282.9	283.6	287.4
Share price	\$24.93	\$21.10	\$22.50
Market capitalization	\$7,053.1	\$5,983.3	\$6,467.3

TABLE 2: SUMMARY OF QUARTERLY RESULTS

(millions of dollars, except per share amounts)

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
INCOME STATEMENT DATA								
Management fees	325.8	318.8	313.5	319.6	312.1	321.4	337.3	332.0
Administration fees	31.7	30.1	31.3	32.8	30.6	31.6	33.2	36.8
Other revenues	13.8	12.6	14.0	13.8	14.0	14.4	15.0	17.9
Total revenues	371.3	361.5	358.8	366.2	356.7	367.4	385.5	386.7
Selling, general & administrative	73.2	69.9	70.7	72.2	70.2	72.2	75.1	73.3
Trailer fees	95.8	93.5	91.6	93.0	90.8	93.7	98.3	96.6
Investment dealer fees	24.7	23.3	24.5	25.8	23.8	24.8	26.0	29.1
Amortization of deferred sales commissions	40.4	40.4	41.0	41.4	40.5	41.1	41.3	41.4
Interest expense	6.2	6.3	6.1	6.3	6.8	7.0	6.7	7.0
Other expenses	1.7	2.5	1.9	1.6	1.6	3.0	2.4	2.5
Total expenses	242.0	235.9	235.8	240.3	233.7	241.8	249.8	249.9
Income before income taxes	129.3	125.6	123.0	125.9	123.0	125.6	135.7	136.8
Income taxes	34.3	34.3	51.7	31.3	35.2	34.8	37.4	36.7
Net income	95.0	91.3	71.3	94.6	87.8	90.8	98.3	100.1
Earnings per share	0.34	0.32	0.25	0.33	0.31	0.32	0.34	0.35
Diluted earnings per share	0.34	0.32	0.25	0.33	0.31	0.31	0.34	0.35
Dividends recorded per share	0.240	0.240	0.240	0.235	0.225	0.225	0.225	0.215

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 on which it earns an acceptable margin. Management believes this can be achieved by focusing on the following factors: quality and diversity of products offered by CI; experience and depth of investment managers; performance of the funds; service levels provided to dealers and investors; and the skill and knowledge of its employees.

CI offers 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 15 external investment managers to provide investment advice regarding the portfolios of the funds. These investment managers typically 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 selects managers with a reputation for skilled investment management. CI 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 several key objectives. These include: meeting 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.

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 its 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.

Fund sales and acquisitions also affect CI's 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 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: net income, earnings per share, pre-tax operating earnings, EBITDA, EBITDA margin, and dealer gross margin.

2012 OVERVIEW

CI's average assets under management for 2012 increased 1% from 2011 as a result of the strong performance of CI's funds and \$973 million in net sales. However, a greater factor in CI's performance this year was the continued trend of investor preference for fixed income products, which generally carry a lower management fee. As well, a larger proportion of CI's assets under management are now institutional mandates, which carry a lower management fee. The resulting change in asset mix reduced management fee revenues by 2% notwithstanding the increase in average assets under management.

This was mitigated by a similar impact on trailer fee expense, which fell 1% year over year, and management's efforts to control spending in which selling, general and administrative ("SG&A") expenses dropped 2% during the year. However, pre-tax operating earnings, as set out in Table 6, still declined 2% in 2012 versus 2011.

While markets in 2012 faced challenges, including lingering concerns over the European debt crisis, the slowing Chinese economy, and the U.S. "fiscal cliff," volatility eventually subsided and investors responded. Industry gross sales of funds picked up in 2012 and CI's gross sales increased 16% year over year and net sales increased 201% year over year.

CI continued to be the third-largest investment fund company in Canada with assets under management of \$75.7 billion at December 31, 2012. CI's market share is approximately 9%.

According to Morningstar, CI led the entire industry with the most four and five-star rated funds (including multiple versions) for all of 2012 and has ranked either first or second place for the past 10 years. In addition, CI and its own portfolio managers have won 47 Canadian Investment Awards since 1998 and 39 Lipper Awards since 2007.

KEY EVENTS

In February, CI announced that it had acquired a significant minority stake in Lawrence Park Capital Partners Ltd., an alternative asset manager focusing on fixed-income and credit strategies. This relationship is part of CI's strategy to seek selected growth opportunities in the alternative asset management space.

In May, CI held its second annual sales conference, a four-day event attended by over 800 leading investment advisors. This was an opportunity for advisors to watch presentations and participate in discussions covering economic and financial issues, and to learn more about CI's investment products. CI's sales team, senior management and several portfolio managers presented their outlooks, opinions and strategies to these key distributors of CI's funds.

CI introduced several new products during the year as it continued its strategy to provide a broad shelf of products to its clients and their financial advisors. In January, CI partnered with Sun Life Financial to enhance the SunWise Essential Series segregated fund program which includes an option to receive guaranteed income for life as early as age 55. CI Private Investment Management was also added to the program in order to meet the needs of higher net worth investors. In October, the institutional division of CI Investments announced the offering of CI LifeCycle Portfolios, a multi-asset class, multi-manager program of seven target date retirement funds that is designed to service pension plan sponsors and members.

CI continued to expand its in-house portfolio management teams, particularly within the Cambridge team, adding three new members and the Signature team, adding four new members during the year. This expansion of internal portfolio management expertise should be viewed in conjunction with the move to reduce the number of external sub-advisory mandates that have been inherited as part of previous asset management company acquisitions. These changes are made to improve performance of the funds as well as to reduce SG&A expenses over the long term.

ASSETS AND SALES

Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, pooled assets and assets under administration were \$98.9 billion at December 31, 2012, an increase of 9% from \$91.1 billion at December 31, 2011. As shown in Table 3, these assets consisted of \$75.7 billion in assets under management and \$23.2 billion in assets under administration at December 31, 2012, which increased 9% and 8%, respectively during the year, primarily due to market performance.

TABLE 3: TOTAL ASSETS

<i>(in billions)</i>	As at Dec. 31, 2012	As at Dec. 31, 2011	% change
Assets under management	\$75.7	\$69.6	9
Assets under administration*	23.2	21.5	8
Total assets under management	\$98.9	\$91.1	9

*Includes \$10.9 billion and \$9.8 billion of managed assets in CI and United funds in 2012 and 2011, respectively.

Assets under management form the majority of CI's total assets and provide most of its revenue and net income. The change in assets under management during each of the past two years is detailed in Table 4. Gross sales increased in 2012 as CI won additional institutional mandates and strong fund performance led to higher retail sales.

TABLE 4: CHANGE IN ASSETS UNDER MANAGEMENT

<i>(in billions)</i>	2012	2011
Assets under management at January 1	\$69.6	\$72.8
Gross sales	10.6	9.1
Redemptions	9.6	8.8
Net sales	1.0	0.3
Market performance	5.1	(3.5)
Assets under management at December 31	\$75.7	\$69.6
Average assets under management for the year	\$72.6	\$72.2

Table 5 sets out the levels and changes in CI's average 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.

TABLE 5: CHANGE IN AVERAGE ASSETS UNDER MANAGEMENT

<i>(in billions)</i>	Quarter ended Dec. 31, 2012	Quarter ended Sept. 30, 2012	Quarter ended Dec. 31, 2011
Average assets under management for the quarter	\$74.323	\$72.437	\$69.349
Change to December 31, 2012		2.6%	7.2%
Gross sales	\$3.5	\$2.4	\$1.7
Net sales	\$0.7	\$0.4	(\$0.4)

The Investment Funds Institute of Canada (IFIC) reported \$30.4 billion in industry net sales of mutual funds for the year ended December 31, 2012, up \$9.2 billion from net sales of \$21.2 billion in the same period for 2011. Total industry assets as reported by IFIC at December 31, 2012 of \$849.7 billion were up 10% from \$769.7 billion at December 31, 2011.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2012

For the year ended December 31, 2012, CI reported net income of \$352.2 million (\$1.24 per share) versus \$376.9 million (\$1.31 per share) for the year ended December 31, 2011. Included in 2011 was \$4.9 million (\$3.5 million after-tax) in revenue from an insurance settlement and 2012 included an \$18.8 million non-cash future tax provision. Adjusting for these items, the year-over-year decline in net income was only \$2.4 million, or less than 1%.

CI's pre-tax operating earnings, as set out in Table 6, adjust for the impact of 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 \$641.5 million in 2012, a decrease of 2% from 2011, reflecting the decline in management fee revenue as a result of the change in asset mix toward fixed-income products.

In 2012, CI recorded \$151.6 million in income tax expense for an effective tax rate of 30.1%. In the second quarter of 2012, CI recorded a non-cash future income tax provision of \$18.8 million. Adjusting for this, CI's effective tax rate for 2012 was 26.4%, compared to an effective tax rate of 27.7% in 2011. CI's statutory rate for 2012 was 26.5% versus 28.2% in 2011.

For the year ended December 31, 2012, redemption fee revenue was \$27.4 million compared with \$28.6 million for the year ended December 31, 2011. The decrease is a result of a decline in redemptions of deferred load funds that are subject to redemption fees.

Other income for the year ended December 31, 2012 was \$26.7 million compared to \$32.6 million in the prior year. The decline was primarily due to the non-recurring \$4.9 million in insurance proceeds received in 2011.

Amortization of deferred sales commissions and fund contracts was \$165.4 million in 2012, a decrease from \$166.7 million in 2011. This represents the average amount of deferred sales commissions paid in the last seven years plus a small amount of accelerated amortization as deferred load units are redeemed ahead of their seven-year scheduled term. The level of spending on deferred sales commissions has declined from that of the prior year.

Interest expense of \$24.9 million was recorded for the year ended December 31, 2012 compared with \$27.5 million for the year ended December 31, 2011. The decrease in interest expense reflects lower average debt levels during 2012, as discussed under “Liquidity and Capital Resources.”

Other expenses for the year ended December 31, 2012 were \$5.3 million compared to \$6.9 million in the prior year. The decline from the prior year is primarily a result of the elimination of capital taxes payable by CI mid-way through 2011.

As illustrated in Table 7, EBITDA for the year ended December 31, 2012 was \$703.6 million (\$2.48 per share) compared with \$726.2 million (\$2.53 per share) for the year ended December 31, 2011. The 3% decline is consistent with the above discussion on pre-tax operating earnings. EBITDA as a percentage of total revenues (EBITDA margin) for 2012 was 48.3%, consistent with that of 2011.

TABLE 6: 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.

<i>(in millions, except per share amounts)</i>	Quarter ended Dec. 31, 2012	Quarter ended Sept. 30, 2012	Quarter ended Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Income before income taxes	\$129.3	\$125.6	\$123.0	\$503.8	\$521.1
Less:					
Redemption fees	6.1	6.5	6.9	27.4	28.6
Non-recurring item(s)	–	–	–	–	4.9
Gain (loss) on marketable securities	0.1	–	(0.1)	0.3	(0.5)
Add:					
Amortization of DSC and fund contracts	40.9	40.9	41.1	165.4	166.7
Pre-tax operating earnings	\$164.0	\$160.0	\$157.3	\$641.5	\$654.8
per share	\$0.58	\$0.56	\$0.55	\$2.26	\$2.28

QUARTER ENDED DECEMBER 31, 2012

For the quarter ended December 31, 2012, CI reported net income of \$95.0 million (\$0.34 per share) versus \$87.8 million (\$0.31 per share) for the quarter ended December 31, 2011 and \$91.3 million (\$0.32 per share) for the quarter ended September 30, 2012. Average assets under management for the fourth quarter of 2012 were up 2.6% from the level of the third quarter and 7.2% from the fourth quarter of 2011.

Pre-tax operating earnings were \$164.0 million in the fourth quarter of 2012, an increase of 4% from \$157.3 million in the fourth quarter of 2011 and 2% higher than the \$160.0 million in the prior quarter. These increases reflect the change in assets under management as well as the change in asset mix, which reduced management fee revenues.

For the fourth quarter of 2012, CI recorded \$34.3 million in income tax expense for an effective tax rate of 26.5%, compared to \$35.2 million in the fourth quarter of 2011 for an effective tax rate of 28.6%. The third quarter of 2012 included \$34.3 million in income tax expense, for an effective tax rate of 27.3%. The decrease in the year over year effective tax rates reflects the decrease in statutory tax rates.

For the quarter ended December 31, 2012, redemption fee revenue was \$6.1 million compared with \$6.9 million for the quarter ended December 31, 2011 and \$6.5 million from the quarter ended September 30, 2012. The decrease from these prior periods relates to a decrease in redemptions from deferred load funds.

TABLE 7: EBITDA AND EBITDA MARGIN

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, 2012	Quarter ended Sept. 30, 2012	Quarter ended Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Net income	\$95.0	\$91.3	\$87.8	\$352.2	\$376.9
Add (deduct):					
Interest expense	6.2	6.3	6.8	24.9	27.5
Income tax expense	34.3	34.3	35.2	151.6	144.2
Amortization of DSC and fund contracts	40.9	40.9	41.1	165.4	166.7
Amortization of other items	2.4	2.4	2.7	9.5	10.9
EBITDA	\$178.8	\$175.2	\$173.6	\$703.6	\$726.2
per share	\$0.63	\$0.62	\$0.61	\$2.48	\$2.53
EBITDA margin (as a % of revenue)	48.2%	48.5%	48.7%	48.3%	48.5%

Amortization of deferred sales commissions and fund contracts was \$40.9 million in the fourth quarter of 2012, a decrease from \$41.1 million in the fourth quarter of 2011 and unchanged from the third quarter of 2012. The trend of lower amortization expense is consistent with the trend in lower spending on deferred sales commissions in recent years.

Interest expense of \$6.2 million was recorded for the quarter ended December 31, 2012 compared with \$6.8 million for the quarter ended December 31, 2011 and \$6.3 million for the quarter ended September 30, 2012. As mentioned earlier, the decrease in interest expense from the prior year period reflected lower average debt levels, as discussed under “Liquidity and Capital Resources.”

As illustrated in Table 7, EBITDA for the quarter ended December 31, 2012 was \$178.8 million (\$0.63 per share) compared with \$173.6 million (\$0.61 per share) for the quarter ended December 31, 2011 and \$175.2 million (\$0.62 per share) for the quarter ended September 30, 2012. The 3% year-over-year increase in quarterly EBITDA reflects the increase in average assets under management offset by the effect of the change in asset mix. EBITDA as a percentage of total revenues (EBITDA margin) for the fourth quarter of 2012 was 48.2%, down slightly from 48.7% in the last quarter of 2011 and 48.5% in the prior quarter.

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 CIPC.

TABLE 8: RESULTS OF OPERATIONS – ASSET MANAGEMENT SEGMENT

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

<i>(in millions)</i>	Quarter ended Dec. 31, 2012	Quarter ended Sept. 30, 2012	Quarter ended Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Management fees	\$325.8	\$318.8	\$312.1	\$1,277.7	\$1,302.8
Other revenue	10.1	9.0	10.2	39.0	45.5
Total revenue	\$335.9	\$327.8	\$322.3	\$1,316.7	\$1,348.3
Selling, general and administrative	\$59.6	\$57.7	\$57.3	\$233.3	\$235.9
Trailer fees	99.7	97.4	94.3	389.1	394.1
Amortization of deferred sales commissions and fund contracts	41.6	41.6	41.8	168.1	169.7
Other expenses	0.3	1.1	0.8	2.0	4.1
Total expenses	\$201.2	\$197.8	\$194.2	\$792.5	\$803.8
Income before taxes and non-segmented items	\$134.7	\$130.0	\$128.1	\$524.2	\$544.5

YEAR ENDED DECEMBER 31, 2012

Revenues

Revenues from management fees were \$1,278 million for the year ended December 31, 2012, a decrease of 2% from \$1,303 million for the year ended December 31, 2011. While average assets under management were up 1% year over year, the change in asset mix toward fixed-income products and institutional mandates reduced the average management fee rate in 2012 to 1.760% from 1.805% in 2011.

For the year ended December 31, 2012, other revenue was \$39.0 million versus \$45.5 million for the year ended December 31, 2011. The largest component of other revenue is redemption fees. Redemption fees were \$27.4 million for 2012 compared with \$28.6 million for 2011. The prior year also included \$4.9 million in proceeds from an insurance settlement.

Expenses

SG&A expenses for the Asset Management segment were \$233.3 million for the year ended December 31, 2012, a decrease from \$235.9 million for the year ended December 31, 2011. As a percentage of average assets under management, SG&A expenses were 0.321% in 2012 and 0.327% in 2011, as spending declined 1.1% and average assets were up 0.6%. Although spending was increased on certain product initiatives and on in-house portfolio management teams, offsetting cost savings were found in other areas of the business.

Trailer fees were \$389.1 million for 2012 compared with \$394.1 million for 2011. Net of inter-segment amounts, this expense was \$374.0 million for the year ended December 31, 2012 versus \$379.5 million for the year ended December 31, 2011. The decline in trailer fee expense is a result of the change in asset mix, as lower trailer fees are paid on fixed-income products compared to equity products, and institutional funds where trailers are typically not paid.

Amortization of deferred sales commissions and fund contracts was \$168.1 million for 2012, down from \$169.7 million for the prior year. This change is consistent with the change in deferred sales commissions paid in recent years and the amount of accelerated amortization related to redemptions of deferred load funds.

Other expenses were \$2.0 million for the year ended December 31, 2012 compared to \$4.1 million in the year ended December 31, 2011. The decline in these expenses is primarily due to the legislated elimination of capital taxes on CI in 2011.

Income before income taxes and interest expense for CI's principal segment was \$524.2 million for 2012, compared with \$544.5 million in 2011. The decrease from the prior year is primarily due to the change in asset mix which reduced management fee revenue.

QUARTER ENDED DECEMBER 31, 2012

Revenues

Revenues from management fees were \$325.8 million for the quarter ended December 31, 2012, an increase of 4% from \$312.1 million for the quarter ended December 31, 2011 and 2% from \$318.8 million for the quarter ended September 30, 2012. The changes were mainly attributable to increases in average assets under management, which were up 7.2% and up 2.6% from the quarters ended December 31, 2011 and September 30, 2012, respectively. The average management fee rate declined from 1.786% in the fourth quarter of 2011 to 1.751% in the third quarter of 2012 and to 1.744% in the fourth quarter of 2012, again as a result of the change in asset mix.

For the quarter ended December 31, 2012, other revenue was \$10.1 million versus \$10.2 million and \$9.0 million for the quarters ended December 31, 2011 and September 30, 2012, respectively. The largest component of other revenue is redemption fees, which were \$6.1 million for the quarter ended December 31, 2012 compared with \$6.9 million and \$6.5 million for the quarters ended December 31, 2011 and September 30, 2012, respectively.

Expenses

SG&A expenses for the Asset Management segment were \$59.6 million for the quarter ended December 31, 2012, an increase from \$57.3 million for the fourth quarter in 2011 and from \$57.7 million for the quarter ended September 30, 2012. As a percentage of average assets under management, SG&A expenses were 0.319% for the quarter ended December 31, 2012, down from 0.328% for the quarter ended December 31, 2011 and up slightly from 0.317% for the quarter ended September 30, 2012. Generally, the decrease in this rate over time results from CI's ongoing drive to find operating efficiencies in its fixed costs, which account for a large proportion of CI's total costs. At the same time, in any given quarter, management may choose to increase or decrease discretionary spending.

Trailer fees were \$99.7 million for the quarter ended December 31, 2012 compared with \$94.3 million for the quarter ended December 31, 2011 and \$97.4 million for the quarter ended September 30, 2012. Net of inter-segment amounts, this expense was \$95.8 million for the quarter ended December 31, 2012 versus \$90.8 million for the fourth quarter of 2011 and \$93.5 million for the third quarter of 2012. The increase from the comparable periods is primarily due to the respective increases in average assets under management, tempered by the changes in asset mix.

Amortization of deferred sales commissions and fund contracts, before intersegment eliminations, was \$41.6 million for the quarter ended December 31, 2012, down from \$41.8 million in the same quarter last year and unchanged from the previous quarter. This decrease is consistent with the decrease in deferred sales commissions paid in the past several years.

Income before income taxes and interest expense for CI's principal segment was \$134.7 million for the quarter ended December 31, 2012 compared with \$128.1 million in the same period in 2011 and \$130.0 million in the previous quarter. Income has generally increased in line with the increase in average assets under management over the comparable periods.

ASSET ADMINISTRATION SEGMENT

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries.

TABLE 9: RESULTS OF OPERATIONS – ASSET ADMINISTRATION SEGMENT

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

<i>(in millions)</i>	Quarter ended Dec. 31, 2012	Quarter ended Sept. 30, 2012	Quarter ended Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Administration fees	\$55.2	\$52.6	\$52.5	\$220.7	\$226.2
Other revenue	3.7	3.6	3.8	15.0	15.6
Total revenue	\$58.9	\$56.2	\$56.3	\$235.7	\$241.8
Selling, general and administrative	\$13.6	\$12.3	\$12.9	\$52.7	\$54.8
Investment dealer fees	43.6	41.3	41.5	174.5	179.5
Amortization of fund contracts	0.4	0.4	0.4	1.6	1.5
Other expenses	0.8	0.8	0.2	3.2	2.8
Total expenses	\$58.4	\$54.8	\$55.0	\$232.0	\$238.6
Income before taxes and non-segmented items	\$0.5	\$1.4	\$1.3	\$3.7	\$3.2

YEAR ENDED DECEMBER 31, 2012

Revenues

Administration fees are earned on assets under administration in the AWM business and from the administration of third-party business. These fees were \$220.7 million for the year ended December 31, 2012, a decrease of 2% from \$226.2 million for the same period last year. Net of inter-segment amounts, administration fee revenue was \$126.0 million for the year ended December 31, 2012, down from \$132.3 million for the year ended December 31, 2011. The decrease from the prior year is a result of lower commission revenue earned on the sale of mutual funds and other securities. 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 generally derived from non-advisor related activities. For 2012, other revenues were \$15.0 million, decreasing slightly from \$15.6 million for 2011.

Expenses

Investment dealer fees represent the payout to advisors on revenues they generate and were \$174.5 million for the year ended December 31, 2012, compared to \$179.5 million for the year ended December 31, 2011. The decrease in these fees relates directly to the decrease in administration fee revenues discussed above.

As detailed in Table 10, dealer gross margin was \$46.2 million or 21.0% of administration fee revenue for 2012, compared to \$46.7 million or 20.6% for 2011. The change in gross margin from the prior period relates to the change in average investment dealer fees paid out to financial advisors on their administration fees. Generally, as an advisor's assets under administration and administration fee revenues grow, the payout rates to the respective advisor will correspondingly increase up to a maximum payout rate.

SG&A expenses for the segment were \$52.7 million for the year ended December 31, 2012 compared to \$54.8 million in the year ended December 31, 2011. The level of discretionary spending decreased during 2012 compared to 2011.

The Asset Administration segment had income before income taxes and non-segmented items of \$3.7 million for 2012, up from \$3.2 million in 2011. This increase is a result of the decline in SG&A spend and dealer gross margin rose slightly year over year.

TABLE 10: 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.

<i>(in millions)</i>	Quarter ended Dec. 31, 2012	Quarter ended Sept. 30, 2012	Quarter ended Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Administration fees	\$55.2	\$52.6	\$52.5	\$220.7	\$226.2
Less:					
Investment dealer fees	43.6	41.3	41.5	174.5	179.5
	\$11.6	\$11.3	\$11.0	\$46.2	\$46.7
Dealer gross margin	21.1%	21.4%	21.0%	21.0%	20.6%

QUARTER ENDED DECEMBER 31, 2012

Revenues

Administration fees were \$55.2 million for the quarter ended December 31, 2012, an increase of 5% from \$52.5 million for the same period last year and an increase of 5% from the prior quarter. Net of inter-segment amounts, administration fee revenue was \$31.7 million for the quarter ended December 31, 2012, up from \$30.6 million for the quarter ended December 31, 2011 and from \$30.1 million in the previous quarter. The increase from the prior year was primarily attributable to an increase in assets under administration during the fourth quarter of 2012 leading to higher trailer commissions earned.

As mentioned above, other revenues earned by the Asset Administration segment are mainly comprised of non-advisor related activities. For the quarter ended December 31, 2012, other revenues were \$3.7 million, down from \$3.8 million for the fourth quarter of 2011 and up from \$3.6 million in the third quarter of 2012.

Expenses

Investment dealer fees were \$43.6 million for the quarter ended December 31, 2012, compared to \$41.5 million for the fourth quarter of 2012 and \$41.3 million for the quarter ended September 30, 2012.

As detailed in Table 10, dealer gross margin was \$11.6 million or 21.1% of administration fee revenue for the quarter ended December 31, 2012 compared to \$11.0 million or 21.0% for the fourth quarter of 2011 and \$11.3 million or 21.4% for the previous quarter. The changes in gross margin from the comparable quarters correspond to the level of payout to financial advisors on their 12-month rolling administration fee revenues.

SG&A expenses for the segment were \$13.6 million for the quarter ended December 31, 2012 compared to \$12.9 million in the fourth quarter of 2011 and \$12.3 million in the third quarter of 2012, as the spending on marketing initiatives increased during the quarter.

The Asset Administration segment had income before income taxes and non-segmented items of \$0.5 million for the quarter ended December 31, 2012, down from \$1.3 million for the fourth quarter of 2011 and from \$1.4 million for the prior quarter. The decline in the fourth quarter of 2012 was due to the increase in SG&A expenses exceeding the increase in gross margin.

LIQUIDITY AND CAPITAL RESOURCES

As detailed in Table 11, CI generated \$548.1 million of operating cash flow in the year ended December 31, 2012 down \$26.6 million from \$574.7 million in 2011. CI measures its operating cash flow before the change in working capital and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Working capital is affected by seasonality, interest is primarily paid semi-annually, and tax instalments paid may differ materially from the cash tax accrual. 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. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and pay down debt.

TABLE 11: SUMMARY OF CASH FLOWS

<i>(in millions)</i>	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Operating Cash Flow	\$548.1	\$574.7
Less:		
Deferred sales commission paid	124.2	141.2
Marketable securities, net	21.5	11.6
Capital expenditures	5.6	21.5
Share repurchases	30.5	95.2
Dividends paid	269.2	254.2
Debt repaid	187.0	90.9
Working capital and other	8.6	54.0
	646.6	668.6
Net change in cash	(98.5)	(93.9)
Cash at January 1	122.6	216.5
Cash at December 31	\$24.1	\$122.6

CI paid sales commissions of \$124.2 million in 2012 compared to \$141.2 million in 2011. The decrease in sales commissions from the prior year is consistent with the trend to lower sales of deferred load funds.

CI invested \$26.8 million in marketable securities in 2012. During the same period, CI received proceeds of \$5.3 million from the disposition of marketable securities, resulting in a gain of \$0.3 million. The fair value of marketable securities at December 31, 2012 was \$66.2 million. Marketable securities are comprised of seed capital investments in its funds and strategic investments.

During the year ended December 31, 2012, CI incurred capital expenditures of \$5.6 million, primarily relating to leasehold improvements and investments in technology.

During the year, CI repurchased 1.4 million shares at a cost of \$30.5 million under its normal course issuer bid. CI declared dividends of \$271.9 million (\$269.2 million paid), which was less than net income for the year by \$80.3 million. At year end, CI's dividend payments were \$0.08 per share per month, or approximately \$272 million per fiscal year.

The statement of financial position for CI at December 31, 2012 reflects total assets of \$2.972 billion, a decrease of \$113.0 million from \$3.085 billion at December 31, 2011. This change can be attributed to a decrease in current assets of \$71.2 million and a decrease in long-term assets of \$42.2 million.

CI's cash and cash equivalents decreased by \$98.4 million in 2012 primarily due to the repayment of a debenture that matured on December 17, 2012. Marketable securities increased by \$24.1 million due to a \$20.0 million investment along with some smaller investments. Accounts receivable and prepaid expenses remain relatively unchanged at \$70.6 million compared to \$70.2 million.

Deferred sales commissions decreased \$38.9 million to \$452.3 million as a result of the \$163.1 million in amortization expense offset by the \$124.2 million in sales commissions paid. Capital assets decreased \$2.7 million during the year as a result of \$8.3 million amortized during the year offset by \$5.6 million in capital additions.

Total liabilities decreased by \$169.2 million during 2012 to \$1.296 billion at December 31, 2012. The primary contributors to this change were a \$186.0 million decrease in long-term debt offset by a \$17.8 million increase in future income taxes. The increase in future income taxes relates to the Ontario government's decision to rescind previously legislated reductions in corporate tax rates.

On December 17, 2012, CI repaid \$250 million of debentures that matured. At December 31, 2012, CI had \$500 million in outstanding debentures at an average interest rate of 3.51% with a carrying value of \$498.4 million. In addition, CI had \$96.0 million drawn against its credit facility at an average rate of 1.83%. At December 31, 2011, CI had \$780.4 million of debt outstanding at an average rate of 3.19%. Net of cash and marketable securities, debt was \$504.1 million at December 31, 2012, down from \$615.7 million at December 31, 2011. The average debt level for the year ended December 31, 2012 was approximately \$749 million, compared to \$848 million for 2011.

As mentioned earlier, at December 31, 2012 CI had drawn \$96.0 million against its \$250 million credit facility. Principal repayments on any drawn amounts are only required should the bank decide not to renew the facility on its anniversary, in which case 6.25% of the principal would be repaid at each calendar quarter-end, with the balance payable at the end of the credit facility term (March 14, 2015). These payments would be payable beginning March 31, 2013 should the bank not renew the facility.

CI's current ratio of debt (net of excess cash) to EBITDA is at 0.7 to 1, well below CI's long-term target of 1 to 1. CI expects that, absent acquisitions in which debt is increased, excess cash flow will be used to 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 \$40 billion, based on a rolling 30-day average.

Shareholders' equity increased by \$55.8 million in 2012 to \$1.676 billion at December 31, 2012 which approximates net income less dividends and share repurchases.

RISK MANAGEMENT

There is risk inherent in the conduct of a wealth management business. Some factors which introduce or exacerbate risk are within the control of management and others are by their nature outside of direct control but must still be managed. Effective risk management is a key component to achieving CI's business objectives. It requires management to identify and anticipate risks in order to develop strategies and procedures which minimize or avoid negative consequences. Management has developed an approach to risk management that involves executives in each core business unit and operating area of CI. These executives identify and evaluate risks, applying both a quantitative and a qualitative analysis and then assess the likelihood of occurrence of a particular risk. The final step in the process is to identify mitigating factors or strategies and a course for implementing mitigation procedures.

The disclosures below provide a summary of the key risks and uncertainties that affect CI's financial performance. For a more complete discussion of the risk factors which may adversely impact CI's business, please refer to the "Risk Factors" section of CI's Annual Information Form, which is available at www.sedar.com.

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 ability to pay 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 Operating Officer, with the assistance of the Chief Compliance Officer. CI has a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's compliance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk. 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, 2012, approximately 26% 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 50 basis point change in the value of these securities would cause a change of about \$1 million in annual pre-tax earnings in the Asset Management segment.

At December 31, 2012, about 65% 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 20% 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 about \$16 million in the Asset Management segment's annual pre-tax earnings.

About 67% of CI's assets under management were held in equity securities at December 31, 2012, 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 about \$56 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 1% of the total income before non-segmented items (this segment had income of \$3.7 million before income taxes and non-segmented items for the year ended December 31, 2012). 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.

LIQUIDITY RISK

Liquidity risk is the risk that CI may not be able to generate sufficient funds and within the time required in order to meet its obligations as they come due. While CI currently has access to financing, unfavourable market conditions may affect the ability of CI to obtain loans or make other arrangements on terms acceptable to CI.

STRATEGIC RISKS

Strategic risks are risks that directly impact the overall direction of CI and the ability of CI to successfully implement proposed strategies. The key strategic risk is the risk that management fails to anticipate, and respond to changes in the business environment including demographic and competitive changes. CI's performance is directly affected by financial market and business conditions, including the legislation and policies of the governments and regulatory authorities having jurisdiction over CI's operations. These are beyond the control of CI; however, an important part of the risk management process is the on-going review and assessment of industry and economic trends and changes. Strategies are then designed to mitigate the impact of any anticipated changes, including the introduction of new products and cost control strategies.

DISTRIBUTION RISK

CI distributes its investment products through a number of distribution channels including brokers, independent financial planners and insurance advisors. CI's access to these distribution channels is impacted by the strength of the relationship with certain business partners and the level of competition faced from the financial institutions that own those channels. While CI continues to develop and enhance existing relationships, there can be no assurance that CI will continue to enjoy the level of access that it has in the past, which would adversely affect its sales of investment products.

OPERATIONAL RISKS

Operational risks are risks related to the actions, or failure in the processes, that support the business including administration, information technology, product development and marketing. 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.

TAXATION RISK

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency, and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment.

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. While CI continues to develop and market new products and services, 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.

REGULATORY AND LEGAL RISK

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 product 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.

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.

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.

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.

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.

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31* (unaudited)

<i>(in millions of dollars)</i>	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Revenue	225.3	669.8	1,289.5	1,358.4	389.0	395.7	(446.1)	(927.6)	1,457.7
Net income	211.0	654.4	312.8	380.0	39.3	37.1	(210.9)	(694.6)	352.2	376.9

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA AS AT DECEMBER 31* (unaudited)

<i>(in millions of dollars)</i>	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Current assets	215.6	486.8	206.2	170.2	196.4	199.9	(329.6)	(497.1)	288.6	359.8
Non-current assets	1,836.2	1,697.5	2,875.6	2,936.1	176.3	137.4	(2,205.1)	(2,045.8)	2,683.0	2,725.2
Current liabilities	70.0	301.9	116.1	106.9	152.9	150.4	(16.5)	(3.3)	322.5	555.9
Non-current liabilities	270.7	222.1	1,129.8	1,302.0	0.5	0.2	(427.9)	(615.4)	973.1	908.9

*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 37% 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, 2012, CI incurred charges for deferred sales commissions of \$1.0 million and \$4.9 million, respectively [three and 12 months ended December 31, 2011 – \$1.0 million and \$4.9 million, respectively] and trailer fees of \$5.1 million and \$20.3 million, respectively [three and 12 months ended December 31, 2011 – \$5.0 million and \$20.0 million, respectively] which were paid or payable to Scotiabank. The balance payable to Scotiabank as at December 31, 2012 of \$1.7 million [December 31, 2011 – \$1.7 million] is included in accounts payable and accrued liabilities.

SHARE CAPITAL

As at December 31, 2012, CI had 282,914,642 shares outstanding.

At December 31, 2012, 6.4 million options to purchase shares were outstanding, of which 2.4 million options were exercisable.

CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI’s contractual obligations at December 31, 2012.

PAYMENTS DUE BY YEAR

<i>(millions of dollars)</i>	Total	1 year or less	2	3	4	5	More than 5 years
Credit facility	96.0	24.0	24.0	48.0	—	—	—
Debentures	500.0	—	200.0	—	300.0	—	—
Operating leases	104.9	11.0	9.6	9.1	9.0	8.6	57.6
Total	700.9	35.0	233.6	57.1	309.0	8.6	57.6

SIGNIFICANT ACCOUNTING ESTIMATES

The December 31, 2012 Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Consolidated Financial Statements. Included in the Notes to the Consolidated Financial Statements is Note 3 which provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

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 management and assets under administration for each of CI's operating segments. The multiple used by CI reflects recent transactions and research reports by independent equity research analysts. CI has renewed 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 statement of financial position.

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, 2012. 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 IFRS. 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, 2012, 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.



Consolidated Financial Statements

December 31, 2012

CI Financial Corp.

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 International Financial Reporting Standards 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 statements of financial position as at December 31, 2012 and 2011, 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 International Financial Reporting Standards, 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 December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
February 14, 2013

Ernst + Young LLP
Chartered Accountants
Licensed Public Accountants

Consolidated Statements

OF FINANCIAL POSITION

As at December 31

	2012	2011
<i>[in thousands of Canadian dollars]</i>	\$	\$
ASSETS		
Current		
Cash and cash equivalents	24,137	122,550
Client and trust funds on deposit	127,712	124,978
Marketable securities	66,155	42,099
Accounts receivable and prepaid expenses	70,597	70,168
Total current assets	288,601	359,795
Capital assets, net <i>[note 2]</i>	46,879	49,634
Deferred sales commissions, net of accumulated amortization of \$492,856 [December 31, 2011 – \$494,642]	452,319	491,216
Intangibles <i>[note 3]</i>	2,161,403	2,162,122
Other assets <i>[note 4]</i>	22,413	22,215
Total assets	2,971,615	3,084,982
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	119,721	120,797
Provisions for other liabilities <i>[note 6]</i>	1,097	2,417
Dividends payable <i>[note 8]</i>	45,254	42,526
Client and trust funds payable	125,773	123,745
Income taxes payable <i>[note 9]</i>	6,608	8,736
Current portion of long-term debt <i>[note 5]</i>	24,000	257,763
Total current liabilities	322,453	555,984
Deferred lease inducement	17,165	18,489
Long-term debt <i>[note 5]</i>	570,368	522,592
Provisions for other liabilities <i>[note 6]</i>	6,611	6,530
Deferred income taxes <i>[note 9]</i>	379,030	361,202
Total liabilities	1,295,627	1,464,797
Shareholders' equity		
Share capital <i>[note 7(a)]</i>	1,964,433	1,964,334
Contributed surplus	14,511	20,059
Deficit	(303,126)	(362,377)
Accumulated other comprehensive income (loss)	170	(1,831)
Total shareholders' equity	1,675,988	1,620,185
	2,971,615	3,084,982

(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

	2012	2011
	\$	\$
<i>[in thousands of Canadian dollars, except per share amounts]</i>		
REVENUE		
Management fees	1,277,698	1,302,773
Administration fees	125,985	132,272
Redemption fees	27,388	28,629
Gain (loss) on sale of marketable securities	303	(489)
Other income <i>[note 4]</i>	26,368	33,108
	1,457,742	1,496,293
EXPENSES		
Selling, general and administrative	286,009	290,776
Trailer fees <i>[note 14]</i>	373,954	379,454
Investment dealer fees	98,263	103,753
Amortization of deferred sales commissions	163,100	164,431
Amortization of intangibles	2,437	2,386
Interest <i>[note 5]</i>	24,937	27,496
Other <i>[note 4]</i>	5,265	6,927
	953,965	975,223
Income before income taxes	503,777	521,070
Provision for income taxes <i>[note 9]</i>		
Current	134,092	131,420
Deferred	17,522	12,751
	151,614	144,171
Net income for the year	352,163	376,899
Other comprehensive income (loss), net of tax		
Unrealized gain (loss) on available-for-sale financial assets, net of income taxes of \$287 [2011 – \$(449)]	1,899	(2,656)
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of \$19 [2011 – \$125]	102	681
Total other comprehensive income (loss), net of tax	2,001	(1,975)
Comprehensive income	354,164	374,924
Basic and diluted earnings per share <i>[note 7(c)]</i>	\$1.24	\$1.31

(see accompanying notes)

Consolidated Statements

OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31

	Share capital <i>[note 7(a)]</i>	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
<i>[in thousands of Canadian dollars]</i>	\$	\$	\$	\$	\$
Balance, December 31, 2011	1,964,334	20,059	(362,377)	(1,831)	1,620,185
Comprehensive income	—	—	352,163	2,001	354,164
Dividends declared <i>[note 8]</i>	—	—	(271,912)	—	(271,912)
Shares repurchased	(9,534)	—	(21,000)	—	(30,534)
Issuance of share capital on exercise of options	9,633	(9,434)	—	—	199
Compensation expense for equity-based plans	—	3,886	—	—	3,886
Change during the year	99	(5,548)	59,251	2,001	55,803
Balance, December 31, 2012	1,964,433	14,511	(303,126)	170	1,675,988
Balance, December 31, 2010	1,984,488	21,846	(440,404)	144	1,566,074
Comprehensive income	—	—	376,899	(1,975)	374,924
Dividends declared <i>[note 8]</i>	—	—	(236,407)	—	(236,407)
Shares repurchased	(32,729)	—	(62,465)	—	(95,194)
Issuance of share capital on exercise of options and vesting of deferred equity units	12,575	(8,787)	—	—	3,788
Compensation expense for equity-based plans	—	7,000	—	—	7,000
Change during the year	(20,154)	(1,787)	78,027	(1,975)	54,111
Balance, December 31, 2011	1,964,334	20,059	(362,377)	(1,831)	1,620,185

(see accompanying notes)

Consolidated Statements

OF CASH FLOWS

For the years ended December 31

	2012	2011
	\$	\$
<i>[in thousands of Canadian dollars]</i>		
OPERATING ACTIVITIES (*)		
Net income	352,163	376,899
Add (deduct) items not involving cash		
Gain (loss) on sale of marketable securities	(303)	489
Equity-based compensation	3,886	7,000
Amortization of deferred sales commissions	163,100	164,431
Amortization of intangibles	2,437	2,386
Amortization and depreciation of other	9,328	10,773
Deferred income taxes	17,522	12,751
Cash provided by operating activities before changes in operating assets and liabilities	548,133	574,729
Net change in non-cash working capital balances	(6,700)	(63,679)
Cash provided by operating activities	541,433	511,050
INVESTING ACTIVITIES		
Purchase of marketable securities	(26,761)	(43,740)
Proceeds on sale of marketable securities	5,315	32,082
Additions to capital assets	(5,560)	(21,477)
Deferred sales commissions paid	(124,203)	(141,232)
Decrease (increase) in other assets	(400)	7,745
Additions to intangibles	(1,718)	(1,924)
Cash used in investing activities	(153,327)	(168,546)
FINANCING ACTIVITIES		
Increase in long-term debt	63,000	9,092
Repayment of debentures	(250,000)	(100,000)
Repurchase of share capital	(30,534)	(95,194)
Issuance of share capital	199	3,812
Dividends paid to shareholders	(269,184)	(254,201)
Cash used in financing activities	(486,519)	(436,491)
Net decrease in cash and cash equivalents during the year	(98,413)	(93,987)
Cash and cash equivalents, beginning of year	122,550	216,537
Cash and cash equivalents, end of year	24,137	122,550
(*) Included in operating activities are the following:		
Interest paid	25,101	27,507
Income taxes paid	136,165	213,326

(see accompanying notes)

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

CI Financial Corp. ["CI"] 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of CI have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

These consolidated financial statements were authorized for issuance by the Board of Directors of CI on February 14, 2013.

Basis of presentation

The consolidated financial statements of CI have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements have been prepared on a going concern basis. CI's presentation currency is the Canadian dollar. The functional currency of CI and its subsidiaries is also the Canadian dollar.

Basis of consolidation

The consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"] and Assante Wealth Management (Canada) Ltd. ["AWM"] and their subsidiaries, which are entities over which CI has control. Control exists when CI has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Hereinafter, CI and its subsidiaries are referred to as CI.

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to CI and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, CI applies the following specific revenue recognition policies:

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.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

Financial instruments

Financial assets are classified at fair value through profit or loss ["FVPL"], available-for-sale ["AFS"] or loans and receivables. Financial liabilities are classified as FVPL or other.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability. The fair value of financial instruments is generally determined by reference to quoted market bid prices where an active market exists. Where there is no active market, the fair value is determined using valuation techniques.

Financial instruments classified as FVPL are carried at fair value in the statement of financial position and any gains or losses are recorded in net income in the period in which they arise. Financial instruments classified as FVPL include cash and cash equivalents as well as an amount included in accounts payable and other liabilities.

Financial assets classified as AFS are carried at fair value in the statement of financial position. Movements in the fair value are recorded in other comprehensive income until disposed, at which time the cumulative amount recorded in comprehensive income is recognized in net income. Where there is objective evidence that an AFS asset is impaired, the cumulative impairment loss is reclassified from other comprehensive income to net income with subsequent movements also recognized in net income. Financial assets classified as AFS include marketable securities.

Loans and receivables and other financial liabilities are recognized at amortized cost using the effective interest rate method. Such accounts include client and trust funds on deposits, accounts receivable, accounts payable and accrued liabilities, dividends payable, client and trust funds payable and long-term debt.

All financial instruments recognized at fair value in the consolidated statement of financial position 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.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

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.

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 statement of financial position. 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.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

Marketable securities

Marketable securities consist of investments in mutual fund securities and publicly traded companies. Marketable securities are measured at fair value and recognized on trade date. Mutual fund securities are valued using the net asset value per unit of each fund. The fair value of publicly traded companies is determined using quoted market prices. 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.

Capital assets

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

Computer hardware	Straight-line over three years
Office equipment	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 product. Deferred sales commissions are amortized over the expected investment period of 24 to 84 months on a straight-line basis from the date recorded. When redemptions occur, the actual investment period is shorter than expected, and the unamortized deferred sales commission related to the original investment in the mutual funds is charged to net income and included in the amortization of deferred sales commissions.

Intangible assets

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 amounts of fund contracts for potential impairment by comparing the recoverable amount with their carrying amounts. 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.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

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. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is evaluated for impairment at least annually and any impairment is recognized immediately in income and not subsequently reversed. Goodwill is allocated to the appropriate cash-generating unit for the purpose of impairment testing.

Other intangibles

Other intangibles include the costs of trademarks and computer software, capitalized where it is probable that future economic benefits that are attributable to the assets will flow to CI and the cost of the assets can be measured reliably. Computer software is recorded initially at cost and amortized over its expected useful life of two to ten years on a straight-line basis. Trademarks have an indefinite life and are not amortized.

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.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

Deferred lease inducements

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

Income taxes

Current income tax liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the statement of financial position date.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

The liability method of tax allocation is used in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying amount and tax basis 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. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising in investments in subsidiaries and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognized on temporary differences that arise from the initial recognition of goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Provisions for other liabilities

A provision for other liabilities is recognized if, as a result of a past event, CI has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and the risks specific to the liability.

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the statement of financial position 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 month. 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 month in which they occur.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

Critical accounting estimates and judgements

In the process of applying CI's accounting policies, management has made significant judgements involving estimates and assumptions which are summarized as follows:

(i) Impairment of intangible assets

Indefinite life intangible assets, including goodwill, are tested for impairment annually or more frequently if changes in circumstances indicate that the carrying amount may be impaired. The values associated with intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates require significant judgement regarding market growth rates, fund flow assumptions, expected margins and costs which could affect CI's future results if the current estimates of future performance and fair values change. These determinations also affect the amount of amortization expense on fund contracts with finite lives recognized in future periods.

(ii) Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Provisions for other liabilities

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgements, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions. Further details are provided in Note 6.

(iv) Share-based payments

The cost of employee services received (compensation expense) in exchange for awards of equity instruments recognized is estimated using a Black-Scholes option valuation model which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in Note 7 [b].

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2. CAPITAL ASSETS

Capital assets consist of the following:

	Computer hardware \$	Office equipment \$	Leasehold improvements \$	Total \$
Cost				
Balance, December 31, 2010	18,872	12,401	48,068	79,341
Additions	4,371	1,880	15,226	21,477
Retired	(11,444)	(4,888)	(9,832)	(26,164)
Balance, December 31, 2011	11,799	9,393	53,462	74,654
Additions	607	791	4,162	5,560
Retired	(751)	(6)	—	(757)
Balance, December 31, 2012	11,655	10,178	57,624	79,457
Accumulated depreciation				
Balance, December 31, 2010	15,893	8,816	16,699	41,408
Depreciation	2,805	1,177	5,794	9,776
Retired	(11,444)	(4,888)	(9,832)	(26,164)
Balance, December 31, 2011	7,254	5,105	12,661	25,020
Depreciation	2,500	1,239	4,576	8,315
Retired	(751)	(6)	—	(757)
Balance, December 31, 2012	9,003	6,338	17,237	32,578
Carrying amounts				
At December 31, 2010	2,979	3,585	31,369	37,933
At December 31, 2011	4,545	4,288	40,801	49,634
At December 31, 2012	2,652	3,840	40,387	46,879

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3. INTANGIBLES

Intangible assets consist of the following:

	Goodwill	Fund administration contracts	Fund management contracts finite life	Fund management contracts indefinite life	Other intangibles	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2010	1,119,926	37,600	27,500	999,082	20,422	2,204,530
Additions	—	—	—	—	1,924	1,924
Balance, December 31, 2011	1,119,926	37,600	27,500	999,082	22,346	2,206,454
Additions	—	—	—	—	1,718	1,718
Balance, December 31, 2012	1,119,926	37,600	27,500	999,082	24,064	2,208,172
Accumulated amortization						
Balance, December 31, 2010	—	10,552	14,906	—	16,488	41,946
Amortization	—	1,504	775	—	107	2,386
Balance, December 31, 2011	—	12,056	15,681	—	16,595	44,332
Amortization	—	1,504	775	—	158	2,437
Balance, December 31, 2012	—	13,560	16,456	—	16,753	46,769
Carrying amounts						
At December 31, 2010	1,119,926	27,048	12,594	999,082	3,934	2,162,584
At December 31, 2011	1,119,926	25,544	11,819	999,082	5,751	2,162,122
At December 31, 2012	1,119,926	24,040	11,044	999,082	7,311	2,161,403
Remaining term	N/A	15.9 – 16.4 yrs	14.3 yrs	N/A	N/A	

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(a) Cash-generating units

CI has two cash-generating units ["CGU"] for the purpose of assessing the carrying amount of the allocated goodwill and intangible assets, being the asset management and asset administration operating segments as described in Note 15.

(b) Impairment testing of goodwill

As at December 31, 2012 and 2011, CI has allocated goodwill of \$927,344 and \$192,582 to the asset management and asset administration operating segments, respectively. The recoverable amount of goodwill for the asset management and asset administration operating segments as at December 31, 2012 and 2011 has been determined based on a fair value less costs to sell calculation, using a valuation multiple applied to assets under management and assets under administration, respectively. This methodology is commonly used in the marketplace by independent equity research analysts.

The calculation of the recoverable amounts exceeds the carrying amounts of both the asset management and the asset administration operating segments, including goodwill. Recent equity market performance, recent market transactions and CI's current market capitalization provide additional evidence that the recoverable amount of these operating segments is in excess of the carrying amounts.

(c) Impairment testing of fund contracts

As at December 31, 2012 and 2011, CI had indefinite life fund management contracts within the asset management CGU of \$999,082. These are contracts for the management of open end funds which have no expiry or termination provisions. The fair value of indefinite life intangibles within the asset management operating segment as at December 31, 2012 and 2011 has been determined based on a value in use calculation, using 10 year forecasts and a terminal value for the period thereafter. The key assumptions used in the forecast calculation include assumptions on market appreciation, net sales of funds and operating margins. The terminal value has been calculated assuming a long-term growth rate of 2% per annum in perpetuity [December 31, 2011 - 2%], based on a long-term real GDP growth rate. A discount rate of 7.25% per annum [December 31, 2011 - 8.05%] has been applied to the recoverable calculation.

The calculation of the recoverable amount exceeds the carrying amount of indefinite life management contracts as at December 31, 2012 and 2011. Recent equity market performance provides additional evidence that the recoverable amount of indefinite life intangibles is in excess of the carrying amount.

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4. 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, 2012, the carrying amount of employee share purchase loans is \$9,162 [December 31, 2011 - \$10,450] 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, 2012, the shares held as collateral have a market value of approximately \$16,651 [December 31, 2011 - \$16,941].

Other assets include shareholder loans in the amount of \$3,054 as at December 31, 2012 [December 31, 2011 - \$3,185] 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, 2012, the shares held as collateral have a market value of approximately \$3,769 [December 31, 2011 - \$3,190].

CI has a hiring and retention incentive program whereby loans are extended to current investment advisors. These loans are initially recorded at their fair value, may bear interest at prescribed rates and are contractually forgiven on a straight-line basis over the applicable contractual period, which varies in length from three to seven years. CI utilizes the effective interest rate method to amortize the forgiven amount. The forgiven amount is included in selling, general and administrative expenses. As at December 31, 2012, loans to investment advisors of \$3,670 [December 31, 2011 - \$1,576] 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 fees received for the administration of third party mutual funds, custody fees, equity income, foreign exchange gains (losses) and interest income. Other expenses consist mainly of distribution fees to limited partnerships, legal settlements, amortization of debenture transaction costs and capital taxes.

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5. LONG-TERM DEBT

Long-term debt consists of the following:

	As at December 31, 2012	As at December 31, 2011
	\$	\$
Credit facility		
Bankers' acceptances	88,000	26,000
Prime rate loan	8,000	7,000
	96,000	33,000
Debentures		
\$250 million, 3.30%, due December 17, 2012	—	249,514
\$200 million, 4.19%, due December 16, 2014	199,536	199,258
\$300 million, 3.94% until December 13, 2015 and floating rate until December 14, 2016	298,832	298,583
	498,368	747,355
Long-term debt	594,368	780,355
Current portion of long-term debt	24,000	257,763

Credit facility

Effective March 1, 2012, CI renewed its revolving credit facility with two chartered banks and on May 11, 2012 increased the amount that may be borrowed under the credit facility to \$250 million. Amounts may be borrowed under the facility in Canadian dollars through prime rate loans, which bear interest at the greater of the bank's prime rate and the Canadian Deposit Offering Rate plus 1.00%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.75%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 0.75%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.75% on any undrawn portion. As at December 31, 2012 and 2011, CI had not accessed the facility by way of letters of credit.

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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 instalments 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 funded debt to annualized earnings before interest, taxes, depreciation and amortization ratio remain below 2.5:1 and that CI's assets under management not fall below \$40 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.

Debentures

On December 17, 2012, CI repaid \$250 million of debentures [the "2012 Debentures"] and on December 16, 2011, CI repaid \$100 million of floating rate debentures [the "Floating Rate Debentures"].

On December 16, 2009, CI entered into interest rate swap agreements with a Canadian chartered bank to swap the semi-annual fixed rate payments on the \$250 million 2012 Debentures and the \$200 million debentures due December 16, 2014 [the "2014 Debentures"] for floating rate payments. Based on the terms of the agreements, CI pays a rate equivalent to the three-month Canadian bankers' acceptance rate 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. The swap agreement on the 2012 Debentures terminated on the maturity date of December 17, 2012. As at December 31, 2012, the fair value of the interest rate swap agreements was an unrealized gain of \$4,787 [December 31, 2011 - unrealized gain of \$9,899] and is included in long-term debt in the consolidated statements of financial position.

For the year ended December 31, 2012, interest expense attributable to the 2012 Debentures, the 2014 Debentures and the 2016 Debentures was \$6,553, \$5,722 and \$11,820, respectively [2011 - \$6,799, \$5,740 and \$11,885, respectively]. Interest on the Floating Rate Debentures was paid at the average three-month bankers' acceptance rate plus 1.20%. Interest expense attributable to the Floating Rate Debentures was \$2,385 for the year ended December 31, 2011.

Issuance costs and the issuance discount are amortized over the term of the Debentures using the effective interest rate method. The amortization expense related to the discount and transaction costs for CI's issued Debentures for the year ended December 31, 2012 were \$1,013 [2011 - \$998] which is included in other expenses.

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CI may, at its option, redeem 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 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.

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.

The 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.

6. PROVISION FOR OTHER LIABILITIES AND CONTINGENCIES

CI is a party to a number of claims, proceedings and investigations, including legal, regulatory and tax, in the ordinary course of its business. Due to the inherent uncertainty involved in these matters, it is difficult to predict the final outcome or the amount and timing of any outflow related to such matters. Based on current information and consultations with advisors, CI does not expect the outcome of these matters, individually or in aggregate, to have a material adverse effect on its financial position or on its ability to continue normal business operations.

CI has made provisions based on current information and the probable resolution of any such claims, proceedings and investigations. The movement in amounts provided for contingent liabilities and related expenses during the years ended December 31, are as follows:

	2012	2011
	\$	\$
Provision for other liabilities, beginning of year	8,947	11,428
Additions	1,659	1,417
Amounts used	(2,319)	(1,597)
Unused amounts reversed	(579)	(2,301)
Provision for other liabilities, end of year	7,708	8,947
Current portion of provision for other liabilities	1,097	2,417

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CI maintains insurance policies that may provide coverage against certain claims. Amounts receivable under these policies are not accrued for unless the realization of income is virtually certain. During the year ended December 31, 2011, CI received insurance proceeds of \$16,004 related to the settlement of legal claims for 2011 and prior years [2012 – nil]. At December 31, 2012, CI has accrued \$475 for amounts to be received under insurance policies [2011 - \$40], which is included in accounts receivable.

Litigation

CI is a defendant to two class action lawsuits related to events and transactions that gave rise to a settlement agreement with the Ontario Securities Commission in 2004. Although CI continues to believe that this settlement fully compensated investors affected by frequent trading activity, a provision has been made based on the probable resolution of these claims and related expenses.

Taxation

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency, and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment.

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7. SHARE CAPITAL

A summary of the changes to CI's share capital is as follows:

[A] AUTHORIZED AND ISSUED

	Number of shares <i>[in thousands]</i>	Stated value \$
Common Shares		
Authorized		
An unlimited number of common shares of CI		
Issued		
Common shares, balance, December 31, 2010	287,434	1,984,488
Issuance of share capital on vesting of deferred equity units and exercise of share options	863	12,575
Share repurchase	(4,730)	(32,729)
Common shares, balance, December 31, 2011	283,567	1,964,334
Issuance of share capital on exercise of share options	722	9,633
Share repurchase	(1,374)	(9,534)
Common shares, balance, December 31, 2012	282,915	1,964,433

During the year ended December 31, 2012, 1,374,300 shares [2011 - 4,729,800 shares] were repurchased under a normal course issuer bid at an average cost of \$22.22 per share [2011 - \$20.13 per share] for total consideration of \$30,534 [2011 - \$95,194]. Deficit was increased by \$21,000 [2011 - \$62,465] for the cost of the shares repurchased in excess of their stated value.

[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.

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During the year, CI granted 2,232,412 options [2011 - 1,577,170 options] to employees. The fair value method of accounting is used for the valuation of the 2012 and 2011 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate of 0% to 1.4%, [options issued 2011 – 0% to 1%], 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 2012 and 2011 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year of grant	2012	2012	2011	2011
# of options grants [in thousands]	243	1,989	370	1,207
Dividend yield	4.892% – 5.257%	4.837% – 5.197%	4.514% – 4.833%	4.702% – 5.035%
Expected volatility (*)	18%	18%	20%	20%
Risk-free interest rate	1.335% – 1.439%	1.374% – 1.528%	2.276% – 2.637%	2.202% – 2.592%
Expected life [years]	2.7 – 4.0	2.7 – 4.0	3.0 – 4.2	3.0 – 4.2
Forfeiture rate	0%	1.4%	0%	1%
Fair value per stock option	\$1.81 – \$2.01	\$1.84 – \$2.06	\$2.40 – \$2.71	\$2.26 – \$2.54
Exercise price	\$21.73	\$21.98	\$22.45	\$21.55

(*) Based on the historical volatility of CI's share price

The maximum number of shares that may be issued under the Share Option Plan is 14,000,000 shares. As at December 31, 2012, there are 6,363,963 shares [2011 - 6,018,092 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 \$22.45 per share and expire at dates up to 2017.

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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, 2010	6,270	15.50
Options exercisable, December 31, 2010	727	13.52
Options granted	1,577	21.76
Options exercised (*)	(1,665)	12.90
Options cancelled	(164)	18.02
Options outstanding, December 31, 2011	6,018	17.80
Options exercisable, December 31, 2011	1,585	15.96
Options granted	2,232	21.95
Options exercised (*)	(1,777)	13.32
Options cancelled	(109)	21.05
Options outstanding, December 31, 2012	6,364	20.45
Options exercisable, December 31, 2012	2,418	18.34

(*) Weighted-average share price of options exercised was \$22.15 during the year 2012 [2011 – \$21.68]

The equity-based compensation expense under the Share Option Plan for the year ended December 31, 2012 of \$3,886 [2011 - \$7,000] has been included in selling, general and administrative expenses.

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Options outstanding and exercisable as at December 31, 2012 are as follows:

Exercise price \$	Number of options outstanding <i>[in thousands]</i>	Weighted average remaining contractual life <i>[years]</i>	Number of options exercisable <i>[in thousands]</i>
11.60	503	1.2	503
12.57	153	0.9	153
15.59	120	1.3	120
18.20	135	1.4	135
19.48	89	2.4	24
21.27	1,714	2.2	1,029
21.55	1,081	3.1	331
21.73	243	4.4	--
21.98	1,956	4.1	--
22.45	370	3.2	123
11.60 to 22.45	6,364	2.9	2,418

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[C] BASIC AND DILUTED EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share for the years ended December 31:

<i>[in thousands]</i>	2012	2011
Numerator:		
Net income – basic and diluted	\$352,163	\$376,899
Denominator:		
Weighted average number of common shares – basic	283,390	286,998
Weighted average effect of dilutive stock options (*)	640	1,202
Weighted average number of common shares – diluted	284,030	288,200
Net earnings per common share		
Basic	\$1.24	\$1.31
Diluted	\$1.24	\$1.31

(*) The determination of the weighted average number of common shares – diluted excludes nil shares related to stock options that were anti-dilutive for the year ended December 31, 2012 [and 3,393 thousand shares for the year ended December 31, 2011].

[D] 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, 2013 were exercised and outstanding:

<i>[in thousands]</i>	
Shares outstanding at January 31, 2013	283,193
Options to purchase shares	5,029
	288,222

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8. DIVIDENDS

The following dividends were paid by CI during the year ended December 31, 2012:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2011	January 13, 2012	0.075	21,220
January 31, 2012	February 15, 2012	0.075	21,274
February 29, 2012	March 15, 2012	0.08	22,703
March 31, 2012	April 13, 2012	0.08	22,698
April 30, 2012	May 15, 2012	0.08	22,705
May 31, 2012	June 15, 2012	0.08	22,666
June 30, 2012	July 13, 2012	0.08	22,667
July 31, 2012	August 15, 2012	0.08	22,668
August 31, 2012	September 14, 2012	0.08	22,647
September 30, 2012	October 15, 2012	0.08	22,648
October 31, 2012	November 15, 2012	0.08	22,646
November 30, 2012	December 14, 2012	0.08	22,642
Paid during the year ended December 31, 2012			269,184

The following dividends were declared but not paid by CI during the year ended December 31, 2012:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2012	January 15, 2013	0.08	22,627
January 31, 2013	February 15, 2013	0.08	22,627
Declared and accrued as at December 31, 2012			45,254

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December 31, 2012 and 2011

The following dividends were paid by CI during the year ended December 31, 2011:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2010	January 14, 2011	0.07	20,146
January 31, 2011	February 15, 2011	0.07	20,179
February 28, 2011	March 15, 2011	0.07	20,183
March 31, 2011	April 15, 2011	0.075	21,615
April 30, 2011	May 13, 2011	0.075	21,620
May 31, 2011	June 15, 2011	0.075	21,632
June 30, 2011	July 15, 2011	0.075	21,634
July 31, 2011	August 15, 2011	0.075	21,501
August 31, 2012	September 15, 2012	0.075	21,569
September 30, 2012	October 14, 2012	0.075	21,500
October 31, 2012	November 15, 2012	0.075	21,324
November 30, 2012	December 15, 2012	0.075	21,298
Paid during the year ended December 31, 2011			254,201

The following dividends were declared but not paid by CI during the year ended December 31, 2011:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2011	January 13, 2012	0.075	21,263
January 31, 2012	February 15, 2012	0.075	21,263
Declared and accrued as at December 31, 2011			42,526

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9. INCOME TAXES

[a] The following are the major components of income tax expense for the years ended December 31:

	2012	2011
	\$	\$
Statement of Income		
Current income tax expense		
Based on taxable income of the current year	136,653	132,387
Adjustments in respect of prior years	(2,561)	(967)
	134,092	131,420
Deferred income tax expense		
Origination and reversal of temporary differences	17,417	12,203
Other	105	548
	17,522	12,751
Income tax expense reported in the statement of income	151,614	144,171
Statement of Other Comprehensive Income (Loss)		
Deferred income taxes		
Unrealized gain (loss) on available-for-sale financial assets	287	(449)
Reversal of losses to net income on available-for-sale financial assets	19	125
Income tax expense (recovery) reported in other comprehensive income (loss)	306	(324)

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

	2012	2011
	%	%
Combined Canadian federal and provincial income tax rate	26.5	28.2
Increase (decrease) in income taxes resulting from		
Impact of rate changes on deferred income taxes	3.6	(1.0)
Recovery of prior years' provisions for settled tax items	(0.5)	0.4
Other, net	0.5	0.1
	30.1	27.7

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[c] Deferred 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 deferred income tax liabilities and assets are as follows at December 31, 2012:

	As at December 31, 2011	Recognized in net income	Recognized in other comprehensive income (loss)	As at December 31, 2012
	\$	\$	\$	\$
Deferred income tax liabilities				
Fund contracts	261,732	12,885	—	274,617
Deferred sales commissions	122,854	(5,135)	—	117,719
Total deferred income tax liabilities	384,586	7,750	—	392,336
Deferred income tax assets				
Equity-based compensation	6,104	(5,070)	—	1,034
Non-capital loss carryforwards	8,140	(3,222)	—	4,918
Provisions for other liabilities	2,174	(305)	—	1,869
Other	6,966	(1,175)	(306)	5,485
Total deferred income tax assets	23,384	(9,772)	(306)	13,306
Net deferred income tax liabilities	361,202	17,522	306	379,030

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Significant components of CI's deferred income tax liabilities and assets are as follows at December 31, 2011:

	As at December 31, 2010	Recognized in net income	Recognized in other comprehensive income (loss)	As at December 31, 2011
	\$	\$	\$	\$
Deferred income tax liabilities				
Fund contracts	264,831	(3,099)	—	261,732
Deferred sales commissions	132,874	(10,020)	—	122,854
Total deferred income tax liabilities	397,705	(13,119)	—	384,586
Deferred income tax assets				
Equity-based compensation	6,576	(472)	—	6,104
Non-capital loss carryforwards	32,652	(24,512)	—	8,140
Provisions for other liabilities	2,609	(435)	—	2,174
Other	7,093	(451)	324	6,966
Total deferred income tax assets	48,930	(25,870)	324	23,384
Net deferred income tax liabilities	348,775	12,751	(324)	361,202

The ultimate realization of deferred tax assets is dependent upon future taxable profits during the periods in which those temporary differences become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that CI will realize the benefits of these deductible differences.

10. FINANCIAL INSTRUMENTS

Financial assets are classified into three categories, FVPL, loans and receivables and available-for sale. As at December 31, 2012, FVPL assets include cash and cash equivalents carried at fair value and classified as Level 1 fair value hierarchy of \$24,137 [December 31, 2011 - \$122,550]. The carrying amount of loans and receivables include client and trust funds on deposit of \$127,712 [December 31, 2011 - \$124,978], accounts receivable of \$62,585 [December 31, 2011 - \$63,300] and other assets of \$18,252 [December 31, 2011 - \$18,184]. AFS assets as at December 31, 2012 include CI's marketable securities of \$66,155 carried at fair value of which \$26,875 have been classified in the Level 1 fair value hierarchy and \$39,280 in the Level 2 fair value hierarchy, respectively [December 31, 2011 - \$42,099 and \$25,798 in the Level 1 fair value hierarchy and \$16,301 in the Level 2 fair value hierarchy, respectively].

Notes to Consolidated Financial Statements

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Financial liabilities are classified into two categories, FVPL and other liabilities. Included in accounts payable and accrued liabilities as at December 31, 2012 is \$2,940 classified as Level 1 fair value hierarchy [December 31, 2011 – \$460]. Other liabilities include accounts payable and accrued liabilities of \$115,250 [December 31, 2011 - \$118,745], dividends payable of \$45,254 [December 31, 2011 - \$42,526] and long-term debt of \$594,368 [December 31, 2011 - \$780,355].

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

11. RISK MANAGEMENT

Risk management is an integrated process with independent oversight. CI's management and 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.

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[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 \$96,000 [2011 - \$33,000] 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, 2012, CI also has \$500,000 fixed interest rate Debentures [2011 - \$750,000]. In 2009 CI entered into interest rate swap agreements with a Canadian chartered bank to convert the fixed interest rates on \$250,000 of the 2012 Debentures and \$200,000 of the 2014 Debentures to floating interest rates.

Based on the amount borrowed under the credit facility and Debentures outstanding as at December 31, 2012, each 0.50% increase or decrease in interest rates would result in annual interest expense increasing or decreasing by \$1.5 million [2011 - \$2.4 million], respectively.

[ii] Foreign exchange risk

As at December 31, 2012, net financial assets of \$8 million [2011 - \$7 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 \$0.8 million [2011 - \$0.7 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, 2012 of \$66,155 [2011 - \$42,099] 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 \$6.6 million [2011 - \$4.2 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.

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

	Total	2013	2014	2015	2016
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	119,721	119,721	—	—	—
Dividends payable	45,254	45,254	—	—	—
Client and trust funds payable	125,773	125,773	—	—	—
Long-term debt	596,000	24,000	224,000	48,000	300,000
Total	886,748	314,748	224,000	48,000	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, 2012, financial assets of \$208,549 [2011 - \$206,462], represented by client and trust funds on deposit of \$127,712 [2011 - \$124,978], accounts receivable of \$62,585 [2011 - \$63,300] and other assets of \$18,252 [2011 - \$18,184], 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.

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.

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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 and long-term debt [including current portion of long-term debt]. 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, 2012 and 2011, CI met its capital requirements.

CI's capital consists of the following:

	As at December 31, 2012	As at December 31, 2011
	\$	\$
Shareholders' equity	1,675,988	1,620,185
Long-term debt	594,368	780,355
Total capital	2,270,356	2,400,540

13. COMMITMENTS

Lease commitments

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

	\$
2013	11,030
2014	9,621
2015	9,054
2016	8,989
2017	8,574
2018 and thereafter	57,604

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[in thousands of Canadian dollars, except per share amounts]

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Advisor services agreements

CI is a party to certain advisor services agreements, which provide that the 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 advisor services 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.

14. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia ["Scotiabank"] owns approximately 37% 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 and its related parties. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the year ended December 31, 2012, CI incurred charges for deferred sales commissions of \$4,926 and trailer fees of \$20,278, respectively [2011 - \$4,896 and \$19,978, respectively] which were paid or payable to Scotiabank and its related parties. The balance payable to Scotiabank and its related parties as at December 31, 2012 of \$1,745 [December 31, 2011 - \$1,681] is included in accounts payable and accrued liabilities.

Scotiabank was the provider of and administrative agent for CI's revolving credit facility during the period January 1, 2011 to March 17, 2011. During the period January 1, 2011 to March 17, 2011, interest and stamping fees of \$389 were recorded as interest expense.

Also, on December 16, 2009, CI entered into an interest rate swap agreement with Scotiabank as described in Note 5.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

15. 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 CI Private Counsel LP, 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.

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

Segmented information as at and for the year ended December 31, 2012 is as follows:

	Asset management \$	Asset administration \$	Intersegment eliminations \$	Total \$
Management fees	1,277,698	—	—	1,277,698
Administration fees	—	220,722	(94,737)	125,985
Other revenue	39,051	15,008	—	54,059
Total revenue	1,316,749	235,730	(94,737)	1,457,742
Selling, general and administrative	233,285	52,724	—	286,009
Trailer fees	389,066	—	(15,112)	373,954
Investment dealer fees	—	174,464	(76,201)	98,263
Amortization of deferred sales commissions and intangibles	168,110	1,562	(4,135)	165,537
Other expenses	2,029	3,236	—	5,265
Total expenses	792,490	231,986	(95,448)	929,028
Income before income taxes and non-segmented items	524,259	3,744	711	528,714
Interest expense				(24,937)
Provision for income taxes				(151,614)
Net income for the year				352,163
Identifiable assets	599,957	264,359	(11,709)	852,607
Indefinite life intangibles				
Goodwill	927,344	192,582	—	1,119,926
Fund contracts	999,082	—	—	999,082
Total assets	2,526,383	456,941	(11,709)	2,971,615

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

Segmented information as at and for the year ended December 31, 2011 is as follows:

	Asset management \$	Asset administration \$	Intersegment eliminations \$	Total \$
Management fees	1,302,773	—	—	1,302,773
Administration fees	—	226,179	(93,907)	132,272
Other revenue	45,558	15,690	—	61,248
Total revenue	1,348,331	241,869	(93,907)	1,496,293
Selling, general and administrative	235,938	54,838	—	290,776
Trailer fees	394,059	—	(14,605)	379,454
Investment dealer fees	—	179,529	(75,776)	103,753
Amortization of deferred sales commissions and intangibles	169,665	1,504	(4,352)	166,817
Other expenses	4,178	2,749	—	6,927
Total expenses	803,840	238,620	(94,733)	947,727
Income before income taxes and non-segmented items	544,491	3,249	826	548,566
Interest expense				(27,496)
Provision for income taxes				(144,171)
Net income for the year				376,899
Identifiable assets	731,810	246,536	(12,372)	965,974
Indefinite life intangibles				
Goodwill	927,344	192,582	—	1,119,926
Fund contracts	999,082	—	—	999,082
Total assets	2,658,236	439,118	(12,372)	3,084,982

Notes to Consolidated Financial Statements

[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

16. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key management personnel of CI during the years ended December 31, is as follows:

	2012	2011
	\$	\$
Salaries	10,746	9,887
Equity-based compensation	878	1,365
Total	11,624	11,252

17. FUTURE ACCOUNTING CHANGES

CI is currently evaluating the impact the following new standards issued by the IASB will have on its financial statements. CI will has not yet determined whether to early adopt IFRS 9 – *Financial Instruments*.

International Accounting Standard	Issue Date	Effective Date
IFRS 10 – Consolidated Financial Statements	May 12, 2011	January 1, 2013
IFRS 12 – Disclosures of Interests in Other Entities	May 12, 2011	January 1, 2013
IFRS 13 – Fair Value Measurement	May 12, 2011	January 1, 2013
IFRS 9 – Financial Instruments	November 12, 2009	January 1, 2015

IFRS 10 *Consolidated Financial Statements* (“IFRS 10”) replaces the consolidation requirements in SIC-12, *Consolidation – Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12 *Disclosures of Interests in Other Entities* establishes disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interest in other entities.

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[in thousands of Canadian dollars, except per share amounts]

December 31, 2012 and 2011

IFRS 13 *Fair Value Measurement* establishes the definition of fair value and sets out a single IFRS framework for measuring fair value and the required disclosures.

IFRS 9 *Financial Instruments* (“IFRS 9”) will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

18. COMPARATIVE FIGURES

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



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

Chairman;
Director
Toronto, Ontario

Clay Horner

Partner,
Osler, Hoskin & Harcourt LLP;
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

Tom P. Muir

Co-Managing Director,
Muir Detlefsen & Associates
Limited;
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

Sheila A. Murray

Executive Vice-President,
General Counsel and Secretary

Douglas J. Jamieson

Senior Vice-President and
Chief Financial Officer

David C. Pauli

Executive Vice-President and
Chief Operating Officer

CI Investments

EXECUTIVES

Derek J. Green

President

Douglas J. Jamieson

Senior Vice-President and
Chief Financial Officer

David C. Pauli

Executive Vice-President and
Chief Operating Officer

Chris von Boetticher

Vice-President,
General Counsel and Secretary

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

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Investor Relations

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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, 2012, the Toronto Stock Exchange accepted CI's notice of intention to commence a normal course issuer bid (the "Notice") through the facilities of the Toronto Stock Exchange. Under the bid, CI may purchase up to 6,000,000 Shares at the prevailing market price. Purchases under the bid will terminate no later than May 28, 2013. As of March 31, 2013, CI has acquired an aggregate of 528,100 Shares under the normal course issuer bid at an average price of \$22.80 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, 2013, subject to receipt of approval from the Toronto Stock Exchange.

Shareholder rights plan

The Corporation entered into an agreement (the "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 "Rights Plan"). The Corporation obtained the approval to amend and continue the Rights Plan for a further term of three years, at the annual and special meeting of shareholders held on June 1, 2011. Accordingly, the Rights Plan will terminate at the close of the annual meeting of shareholders in 2014. The Notice of Meeting and Management Information Circular of the Corporation dated May 2, 2011 includes a summary of the Amended and Restated Rights Plan approved by the shareholders. The complete text may be found on SEDAR at www.sedar.com.

Digital Report

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



2012

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.

