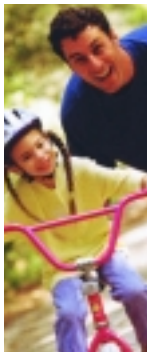


L e a d e r s h i p

2

For the
three
and six
months
ended
June 30,
2002



*INVESTORS GROUP INC.
2002 SECOND QUARTER REPORT*

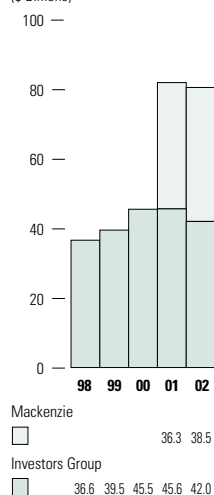
Financial Highlights

	For the three months ended June 30			As at and for the six months ended June 30		
	2002	2001	Change	2002	2001	Change
Net income available to common shareholders⁽¹⁾ (\$ Millions)	\$ 130.6	\$ 100.7	29.7 %	\$ 247.1	\$ 164.9	49.9 %
Goodwill amortization ⁽²⁾	—	1.2		—	2.5	
Adjusted net income	130.6	101.9	28.2	247.1	167.4	47.6
Diluted earnings per share⁽¹⁾	0.492	0.399	23.3	0.931	0.712	30.8
Goodwill amortization ⁽²⁾	—	0.005		—	0.010	
Adjusted diluted earnings per share	0.492	0.404	21.8	0.931	0.722	28.9
Dividends per share	0.205	0.175	17.1	0.410	0.350	17.1
Return on equity				19.7%	20.8%	
(\$ Millions)						
Mutual funds						
Investors Group						
Sales	\$ 1,256.3	\$ 1,470.4	(14.6) %	\$ 2,987.1	\$ 3,512.9	(15.0) %
Net sales	(22.7)	178.8	(112.7)	546.8	760.5	(28.1)
Assets under management ⁽³⁾				39,921.0	43,822.1	(8.9)
Mackenzie Financial Corporation⁽⁴⁾						
Sales	1,672.3	937.4	N/M	3,501.0	937.4	N/M
Net sales	136.9	(71.6)	N/M	377.7	(71.6)	N/M
Assets under management ⁽³⁾				32,464.1	30,510.4	6.4
Combined mutual fund assets under management						
				72,385.1	74,332.5	(2.6)
Insurance in force (face amount)				26,489.1	22,952.5	15.4
Securities operations assets under administration⁽⁵⁾				4,309.3	3,600.5	19.7
Mortgages serviced⁽⁵⁾				7,256.7	7,865.8	(7.7)
Deposits and certificates⁽⁵⁾				698.6	620.1	12.7
Clients ⁽⁵⁾				2,671,169	2,660,307	0.4 %
Client accounts ⁽⁵⁾				9,701,539	9,477,254	2.4
Consultants				3,321	3,532	(6.0)
Employees ⁽⁵⁾				3,385	3,652	(7.3)
Financial Planning Centres				108	104	3.8

(1) Net income and earnings per share for the three and six month periods ended June 30, 2001 exclude both a restructuring charge of \$95.6 million (\$54.1 million after-tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie). (2) Represents goodwill amortization related to the Company's investment in affiliate to reflect accounting standards now in effect. (See Note 1 of the Company's interim consolidated financial statements.) (3) Assets of \$2,214.5 million were transferred to Mackenzie on integration of Maxxum operations with Mackenzie effective October 5, 2001. (4) For Canadian mutual fund operations only. 2001 results are from date of acquisition or as at June 30. (5) Includes Mackenzie. Note: Certain comparative figures in this report have been restated to conform with current year presentation.

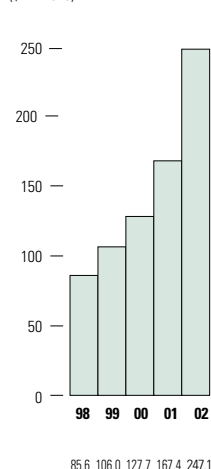
Client Assets Under Management and Administration

As at June 30
(\$ Billions)



Net Income*

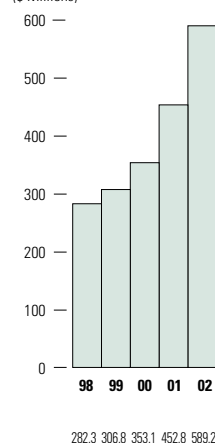
For the six months ended June 30
(\$ Millions)



*Excluding goodwill amortization and restructuring costs

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*

For the six months ended June 30
(\$ Millions)



*Excluding restructuring costs

Report to Shareholders

TO OUR SHAREHOLDERS

Interim consolidated financial statements for the six and three months ended June 30, 2002 are presented with this report.

FINANCIAL RESULTS

Net income attributable to common shareholders for the six months ended June 30, 2002 was \$247.1 million compared to \$164.9 million in 2001. Earnings per share were 93.1 cents compared with 71.2 cents in 2001, an increase of 30.8%.

Net income for the prior six month period ended June 30, 2001 excludes both a restructuring charge of \$95.6 million (\$54.1 million after tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie). It includes goodwill amortization related to the Company's investment in Great-West Lifeco Inc. common shares which, if excluded to reflect accounting standards now in effect, would have resulted in an increase in earnings per share in 2002 of 28.9% compared with 2001.

A change in accounting estimate effective April 1, 2001 related to amortization of sales commissions reduced expenses and increased earnings for the six months ended June 30, 2002 by \$19.8 million after tax or 7.4 cents per share. Excluding this change earnings per share would have been 85.7 cents, an increase of 18.7%. The Company changed the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie and the Canadian industry generally.

For the three months ended June 30, 2002 net income attributable to common shareholders was \$130.6 million, compared to \$100.7 million in 2001. Earnings per share were 49.2 cents compared with 39.9 cents in 2001, an increase of 23.3%.

Net income for the prior three month period ended June 30, 2001 also excludes the restructuring charge and Mackenzie-related goodwill amortization as described above. It includes goodwill amortization related to the investment in Great-West Lifeco Inc. common shares, which, if excluded, would have resulted in an increase in earnings per share in 2002 of 21.8% compared with 2001.

Gross revenues for the first six months of 2002 were \$1,013.2 million, compared to \$771.2 million last year. Gross revenues for the second quarter were \$507.3 million, compared to \$474.8 million in the prior year. Operating expenses were \$593.3 million for the six months and \$289.6 million for the quarter compared with \$478.8 million and \$297.2 million respectively in 2001.

The above results reflect the inclusion of Mackenzie from the date of acquisition effective April 20, 2001.

INVESTORS GROUP OPERATIONS

Year-to-date mutual fund sales through the Investors Group Consultant Network were \$3.0 billion compared to \$3.1 billion in the prior year and net sales were \$547 million, compared to last year's \$592 million. Net sales of long-term funds (excluding money market funds) were \$459 million, 9.7% above 2001 net sales of \$418 million.

Investors Group recorded mutual fund sales through its own Consultant Network of \$1.3 billion for the second quarter, even with the prior year. For the quarter, mutual fund net redemptions were \$22.7 million compared to net sales of \$111.1 million in 2001 and net redemptions of long-term funds were \$24.8 million compared to net sales of \$55.4 million in 2001.

Redemption rates (excluding money market funds) were 9.2% at the end of the quarter, down from 10.6% at the same time last year.

On a year-to-date basis, insurance sales were up 31% from last year while mortgage originations declined 6.5%. External assets gathered into the securities operations were up 9.3% from the same time last year.

Investors Group's mutual fund assets at June 30, 2002 were \$39.9 billion, a decrease of 3.6%, compared to \$41.4 billion at June 30, 2001. Mutual fund assets in 2001 have been restated to exclude \$2.4 billion in Maxxum assets transferred to Mackenzie effective October 5, 2001.

MACKENZIE'S CANADIAN OPERATIONS

Year-to-date mutual fund sales were \$3.5 billion compared to \$3.0 billion in the prior year and net sales were \$378 million compared to last year's \$185 million. Net sales of long-term funds (excluding money market and managed yield funds) were \$778.9 million for the period compared with net redemptions of \$374.6 million in 2001.

Report to Shareholders

Mackenzie recorded sales of mutual funds in its Canadian operations of \$1.7 billion for the quarter, up 23.7% from the same quarter last year. Mutual fund net sales for the period were \$137 million, compared to net redemptions of \$160 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were \$340 million for the period, compared with net redemptions of \$337 million in 2001.

Over 90% of Mackenzie's Canadian mutual fund assets under management continue to rank in the top half of all competitive offerings for five year performance, which should reflect positively in sales going forward as market conditions improve.

Mackenzie's redemption rate for long-term funds was 11.2% at the end of June 2002, compared to 11.1% at the end of June 2001.

Mackenzie's mutual fund assets under management at June 30, 2002 were \$32.5 billion, compared to \$30.5 billion one year ago. Mutual fund assets in 2002 reflect the transfer of Maxxum assets.

INDUSTRY OVERVIEW

To the end of the quarter, investors continued to move out of short-term money market funds into longer-term funds. However, the industry reported net redemptions for the month of June, 2002, nearly all coming from money market funds. As reported by the Investment Funds Institute of Canada, the industry posted net redemptions for the quarter of \$1.4 billion but net sales of long-term funds for the quarter were \$2.0 billion compared to \$2.1 billion in the prior year. Industry assets under management at June 30, 2002 were \$416.6 billion, up 1.2% from last year's quarter end of \$411.7 billion.

The equity markets have had a very difficult past two years with a precipitous decline occurring in late June and into the third quarter. The markets have been troubled by geo-political conflict, accounting scandals and worries about corporate profits.

Despite the market uncertainty, most key economic indicators have been positive, particularly here at home. Canada's real GDP, the broadest measure of economic activity, is healthy – spurred by low interest rates, high employment and strong consumer spending.

While the outlook for current fund flows remains uncertain, the Company remains confident in the fundamentals that are key to its business. Long term prospects for the Canadian and global economy are positive. Demographic trends point to an aging population who will place increasing importance on saving for the future and the strength of our advisor-based model will play an important role in their decision making. Equity and debt markets will play a major role in providing vehicles for saving and capital accumulation.

DIVIDENDS

The Board of Directors has declared a quarterly dividend of \$0.359375 on the Company's 5.75% Non-Cumulative First Preferred Shares, Series "A" payable on September 30, 2002 to shareholders of record on August 30, 2002 and has declared an increase of two cents in the quarterly dividend from 20.5 cents to 22.5 cents per share on the Company's common shares payable October 31, 2002 to shareholders of record on September 30, 2002.



R. Jeffrey Orr

President and Chief Executive Officer

Winnipeg, Canada

July 31, 2002

Forward-Looking Statements

This report may include forward-looking statements about objectives, strategies and expected financial results. These statements are inherently subject to risks and uncertainties beyond the Company's control including, but not limited to, economic and financial conditions globally, regulatory developments in Canada and elsewhere, technological developments and competition. These and other factors may cause the Company's actual performance to differ materially from that contemplated by forward-looking statements, and the reader is therefore cautioned not to place undue reliance on these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of Investors Group Inc. (Company) as at and for the three and six months ended June 30, 2002, compared with the same period in 2001, and should be read in conjunction with the MD&A as set out on pages 17–42 of the 2001 Annual Report and in the Report to Shareholders, First Quarter 2002.

Investors Group Inc.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

The Company acquired Mackenzie Financial Corporation (Mackenzie) effective April 20, 2001. Results reflect the inclusion of Mackenzie from the date of acquisition.

Net income attributable to common shareholders for the six months ended June 30, 2002 was \$247.1 million, compared to \$164.9 million in 2001. Earnings per share were 93.1 cents compared with 71.2 cents in 2001, an increase of 30.8%. Net income for the prior six month period ended June 30, 2001 excludes both a restructuring charge of \$95.6 million (\$54.1 million after tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie). It includes goodwill amortization related to the Company's investment in Great-West Lifeco Inc. shares which, if excluded to reflect accounting standards now in effect, would have resulted in an increase in earnings per share in 2002 of 28.9% compared with 2001.

A change in accounting estimate, effective April 1, 2001, related to amortization of sales commissions, reduced expenses and increased earnings for the six months ended June 30, 2002 by \$19.8 million after tax or 7.4 cents per share. Excluding this change earnings per share would have been 85.7 cents, an increase of 18.7%. The Corporation changed the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie and the Canadian industry generally.

For the three months ended June 30, 2002 net income attributable to common shareholders was \$130.6 million, compared to \$100.7 million in 2001. Earnings per share were 49.2 cents, compared with 39.9 cents in 2001, an increase of 23.3%. Net income for the prior three month period ended June 30, 2001 excludes the restructuring charge and Mackenzie related goodwill amortization as described above. It includes goodwill amortization related to the investment in Great-West Lifeco Inc. shares, which, if excluded, would have resulted in an increase in earnings per share in 2002 of 21.8% compared with 2001.

Shareholders' equity was \$2.82 billion as at June 30, 2002, up from \$2.68 billion at December 31, 2001. Return on average common equity for the six months ended June 30, 2002 was 19.7% compared to 20.8% in 2001. The quarterly dividend per common share was 20.5 cents (82.0 cents annualized).

Discussion of segment results for Investors Group and Mackenzie shown on Table 1 is contained later in this report. Corporate and Other, which represents net investment income earned on unallocated investments, totalled \$4.6 million in the second quarter of 2002 compared to \$14.4 million in 2001, and totalled \$9.8 million in the six months ended June 30, 2002 compared to \$27.8 million in 2001. Decreases in net investment income were due to financing activities related to the acquisition of Mackenzie.

Expenses reflected in Table 1 that are not allocated to segments include:

- Restructuring costs of \$95.6 million which were charged to earnings in the second quarter of 2001 and related to the acquisition of Mackenzie.
- Interest expense representing the financing costs of the Mackenzie acquisition which totalled \$20.0 million for the three months ended June 30, 2002 and \$40.2 million for the six months ended June 30, 2002, compared with \$24.7 million and \$25.4 million, respectively, in 2001.
- Income taxes with effective rates of 37.7% and 38.7% for the three and six month periods under review compared with 39.4% and 42.1%, respectively, in 2001. The decline was due to reductions in statutory tax rates as well as other tax benefits.

Table 1: Consolidated Operating Results by Segment

(\$ Millions)	Investors Group		Mackenzie		Corporate & Other		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Three months ended June 30								
Fee income	\$ 266.9	\$ 275.4	\$ 209.9	\$ 161.8	\$ —	\$ —	\$ 476.8	\$ 437.2
Net investment income and other	21.7	18.8	4.2	4.4	4.6	14.4	30.5	37.6
	288.6	294.2	214.1	166.2	4.6	14.4	507.3	474.8
Operating expenses								
Commissions	51.0	65.2	80.0	65.0	—	—	131.0	130.2
Non-commission	65.1	76.8	73.5	65.5	—	—	138.6	142.3
	116.1	142.0	153.5	130.5	—	—	269.6	272.5
Earnings before interest and taxes	\$ 172.5	\$ 152.2	\$ 60.6	\$ 35.7	\$ 4.6	\$ 14.4	237.7	202.3
Restructuring costs							—	95.6
Interest expense							20.0	24.7
Net income before taxes and non-controlling interest							217.7	82.0
Income taxes							81.9	32.3
Non-controlling interest							—	0.1
Net income before goodwill amortization							135.8	49.6
Goodwill amortization							—	20.3
Net income							135.8	29.3
Preferred dividends							5.2	3.0
Net income available to common shareholders							\$ 130.6	\$ 26.3
Six months ended June 30								
Fee income	\$ 532.1	\$ 548.6	\$ 420.0	\$ 161.8	\$ —	\$ —	\$ 952.1	\$ 710.4
Net investment income and other	41.7	28.6	9.6	4.4	9.8	27.8	61.1	60.8
	573.8	577.2	429.6	166.2	9.8	27.8	1,013.2	771.2
Operating expenses								
Commissions	105.7	163.1	159.0	65.0	—	—	264.7	228.1
Non-commission	133.2	159.8	155.1	65.5	—	—	288.3	225.3
	238.9	322.9	314.1	130.5	—	—	553.0	453.4
Earnings before interest and taxes	\$ 334.9	\$ 254.3	\$ 115.5	\$ 35.7	\$ 9.8	\$ 27.8	460.2	317.8
Restructuring costs							—	95.6
Interest expense							40.2	25.4
Net income before taxes and non-controlling interest							420.0	196.8
Income taxes							162.4	82.9
Non-controlling interest							0.1	0.1
Net income before goodwill amortization							257.5	113.8
Goodwill amortization							—	20.4
Net income							257.5	93.4
Preferred dividends							10.4	3.0
Net income available to common shareholders							\$ 247.1	\$ 90.4

Investors Group

ASSETS UNDER MANAGEMENT

Table 2: Changes in Mutual Fund Assets Under Management

(\$ Millions)	Three months ended June 30			Six months ended June 30		
	2002	2001	Change	2002	2001	Change
Investors Group Consultant Network						
Sales	\$ 1,256.3	\$ 1,301.2	(3.5)%	\$ 2,987.1	\$ 3,114.8	(4.1)%
Redemptions	1,279.0	1,190.1	7.5	2,440.3	2,522.6	(3.3)
Net sales	(22.7)	111.1	(120.4)	546.8	592.2	(7.7)
Maxxum Channel⁽¹⁾						
Sales	–	169.2	(100.0)	–	398.1	(100.0)
Redemptions	–	101.5	(100.0)	–	229.8	(100.0)
Net sales	–	67.7	(100.0)	–	168.3	(100.0)
Combined						
Sales	1,256.3	1,470.4	(14.6)	2,987.1	3,512.9	(15.0)
Redemptions	1,279.0	1,291.6	(1.0)	2,440.3	2,752.4	(11.3)
Net sales	(22.7)	178.8	(112.7)	546.8	760.5	(28.1)
Market and income	(3,135.9)	827.5	(479.0)	(2,269.8)	(1,436.8)	(58.0)
Net change in assets	(3,158.6)	1,006.3	(413.9)	(1,723.0)	(676.3)	(154.8)
Beginning assets	43,079.6	42,815.8	0.6	41,644.0	44,498.4	(6.4)
Ending assets	\$ 39,921.0	\$ 43,822.1	(8.9)%	\$ 39,921.0	\$ 43,822.1	(8.9)%

⁽¹⁾ Includes Maxxum results to September 30, 2001. Subsequent activity was reported by Mackenzie as a result of the integration of Maxxum into Mackenzie effective October 5, 2001.

For the three months ended June 30, 2002, sales of Investors Group mutual funds sold through its Consultant Network were \$1.26 billion, a decrease of 3.5% from 2001. Mutual fund redemptions totalled \$1.28 billion for the same period, an increase of 7.5% from the \$1.19 billion recorded in 2001. Net redemptions of Investors Group mutual funds were \$23 million for the three months ended June 30, 2002, a decrease of 120.4% compared with net sales of \$111 million in 2001. Sales of long term funds (excluding Money Market funds) were \$984 million for the three months ended June 30, 2002, unchanged from 2001. Net redemptions of long term funds were \$25 million, 144.9% below net sales of \$55 million in 2001.

For the six months ended June 30, 2002, sales of Investors Group mutual funds sold through its Consultant Network were \$3.0 billion, a decrease of 4.1% from 2001. Mutual fund redemptions totalled \$2.44 billion for the same period, a decrease of 3.3% from the \$2.52 billion recorded in 2001. Net sales of Investors Group mutual funds were \$547 million for the six months ended June 30, 2002, a decrease of 7.7% compared with \$592 million in 2001. Sales of long term funds (excluding Money Market funds) were \$2.41 billion for the six months ended June 30, 2002 compared with \$2.47 billion in 2001, a decrease of 2.4%. Net sales of long term funds were \$459 million, 9.7% above the 2001 level of \$418 million.

Investors Group's mutual fund assets under management were \$39.9 billion at June 30, 2002, a decrease of \$3.9 billion or 8.9% from June 30, 2001 and down \$3.2 billion or 7.3% and \$1.7 billion or 4.1% from March 31, 2002 and December 31, 2001 levels respectively.

The decline in assets from June 30, 2001 reflects both the transfer of \$2.2 billion in Maxxum assets to Mackenzie in October of 2001 and negative market action offset in part by net sales of mutual funds. The decline in assets for both the three and six month periods in 2002 relate principally to negative market action which accounted for a 7.3% and 5.5% decline in assets from the levels at March 31, 2002 and December 31, 2001 respectively. These declines in assets are consistent with the industry generally.

REVIEW OF SEGMENT OPERATING RESULTS

Investors Group's earnings from operations before interest and taxes for the three and six months ended June 30, 2002 are presented in Table 3.

(\$ Millions)	Three months ended June 30			Six months ended June 30		
	2002	2001	Change	2002	2001	Change
Fee and net investment income						
Management	\$ 207.3	\$ 216.0	(4.0)%	\$ 414.2	\$ 428.7	(3.4)%
Administration	36.2	36.7	(1.4)	71.8	72.4	(0.8)
Distribution	23.4	22.7	3.1	46.1	47.5	(2.9)
Net investment income and other	21.7	18.8	15.4	41.7	28.6	45.8
	288.6	294.2	(1.9)	573.8	577.2	(0.6)
Operating expenses						
Commissions	51.0	65.2	(21.8)	105.7	163.1	(35.2)
Non-commission expenses						
Fixed	48.9	56.6	(13.6)	99.9	113.1	(11.7)
Variable	16.2	20.2	(19.8)	33.3	42.5	(21.6)
Strategic initiatives	—	—	—	—	4.2	(100.0)
	65.1	76.8	(15.2)	133.2	159.8	(16.6)
	116.1	142.0	(18.2)	238.9	322.9	(26.0)
Earnings before interest and taxes	\$ 172.5	\$ 152.2	13.3 %	\$ 334.9	\$ 254.3	31.7 %

Fee and Net Investment Income

Investors Group earns management fees from services provided to its mutual funds. For the three months ended June 30, 2002, management fee revenue decreased by \$8.7 million to \$207.3 million, a decrease of 4.0%. For the six months, management fee revenue decrease by \$14.5 million to \$414.2 million, a decrease of 3.4%. The decrease in management fee income in 2002 reflects the impact of the transfer of Maxxum operations to Mackenzie effective October 5, 2001 and the resulting decrease in average mutual fund assets.

Investors Group earns administration fees for providing administrative services to its mutual funds through its subsidiaries and for its services as trustee for its mutual funds through Investors Group Trust Co. Ltd. These fees totalled \$36.2 million for the three months ended June 30, 2002, down slightly from \$36.7 million in 2001. Administration fees for the six months were \$71.8 million compared to \$72.4 million in 2001.

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds, excluding money market funds.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Provision of securities services through Investors Group Securities Inc.

Distribution fee income of \$23.4 million for the three months ended June 30, 2002 increased by \$0.7 million from 2001. The increase primarily resulted from higher insurance distribution fees offset in part by lower redemption fees. Distribution fee income of \$46.1 million for the six months decreased by \$1.4 million from 2001. This decrease is largely a result of reductions in redemption fee income. Redemptions subject to withdrawal fees declined by 9.6% from 2001. This decrease was partially offset by fee income from the distribution of insurance and brokerage products which increased by 12.6% in 2002.

Net investment income is measured as the difference between investment income and interest expense, excluding interest expense on debt incurred to finance its acquisition of Mackenzie. Net investment income and other totalled \$21.7 million for the three months ended June 30, 2002 representing an increase of 15.4% or \$2.9 million from the 2001 level of \$18.8 million. For the six months, net investment income and other totalled \$41.7 million which was an increase of 45.8% from \$28.6 million in 2001. For both periods, the increase is due principally to increases in income generated by mortgage banking activities and in Investors Group's share of an affiliate's earnings.

Operating Expenses

Commissions expense for the three months decreased by \$14.2 million, or 21.8%, to \$51.0 million compared with \$65.2 million in 2001. This decrease is due to lower mutual fund sales in 2002 for the Investors Group Consultant Network and the impact of the transfer of Maxxum operations to Mackenzie in October 2001.

Commissions expense for the six months decreased by \$57.4 million, or 35.2%, to \$105.7 million compared with \$163.1 million in 2001. The decrease in commissions expense is due to:

- A change in accounting estimate for amortization of selling commissions related to the sale of Investors Group's mutual funds.
- The impact of the transfer of Maxxum operations to Mackenzie in October 2001.
- Lower mutual fund sales in 2002 for the Investors Group Consultant Network.

Non-commission expenses for the three months ended June 30, 2002 were \$65.1 million, representing a decrease of \$11.7 million, or 15.2%, from 2001. Variable costs declined by 19.8% to \$16.2 million and fixed costs decreased by 13.6% to \$48.9 million. For the six months, non-commission expenses were \$133.2 million which was a decrease of \$26.6 million, or 16.6% from 2001. Variable costs declined by 21.6% to \$33.3 million and fixed costs decreased by \$13.2 million, or 11.7%.

Variable expenses fluctuate with the levels of sales, the number of Consultants and clients, and the level of assets under management and administration. They include variable compensation, distribution support costs and costs of investment advisory services. For the three and six month periods, variable costs decreased 19.8% and 21.6%, respectively, primarily as a result of the transfer of Maxxum operations to Mackenzie effective October 5, 2001.

Fixed expenses for the three months decreased by \$7.7 million or 13.6% from 2001 levels. For the six months, fixed expenses decreased by \$13.2 million or 11.7%. Decreases in expenses resulted from both the transfer of Maxxum operations to Mackenzie effective October 5, 2001 as well as the impact of synergies related to the transition work completed to date with Mackenzie. Improvements in productivity, management of discretionary expenses and the benefits derived from continued investment in technology also contributed to the reduction in fixed expenses.

Mackenzie

ASSETS UNDER MANAGEMENT

Table 4: Changes in Assets Under Management

(\$ Millions)	Three months ended June 30			Six months ended June 30		
	2002	2001	Change	2002	2001	Change
Canadian Assets Under Management						
Mutual Funds⁽¹⁾						
Sales	\$ 1,672.3	\$ 1,352.3	23.7 %	\$ 3,501.0	\$ 2,958.5	18.3 %
Redemptions	1,535.4	1,511.8	1.6	3,123.3	2,773.4	12.6
Net sales	136.9	(159.5)	185.8	377.7	185.1	104.1
Market and income	(2,379.7)	(32.2)	N/M	(1,313.3)	(1,411.4)	7.0
Net change in assets	(2,242.8)	(191.7)	N/M	(935.6)	(1,226.3)	23.7
Beginning assets	34,706.9	30,702.1	13.0	33,399.7	31,736.7	5.2
Ending assets	32,464.1	30,510.4	6.4	32,464.1	30,510.4	6.4
Private and Institutional Clients	2,825.5	1,720.2	64.3	2,825.5	1,720.2	64.3
Total	\$ 35,289.6	\$ 32,230.6	9.5 %	\$ 35,289.6	\$ 32,230.6	9.5 %
U.S. Mutual Funds (US\$)						
Sales	\$ 54.7	\$ 155.3	(64.8) %	\$ 105.9	\$ 348.9	(69.6) %
Redemptions	118.0	257.9	(54.2)	336.7	582.4	(42.2)
Net sales	(63.3)	(102.6)	38.3	(230.8)	(233.5)	1.2
Market and income	(73.2)	38.3	(291.1)	(82.4)	(282.3)	70.8
Net change in assets	(136.5)	(64.3)	(112.3)	(313.2)	(515.8)	39.3
Beginning assets	1,005.3	1,587.3	(36.7)	1,182.0	2,038.8	(42.0)
Ending assets	\$ 868.8	\$ 1,523.0	(43.0) %	\$ 868.8	\$ 1,523.0	(43.0) %
Total Assets Under Management (CDN\$)	\$ 36,609.0	\$ 34,542.4	6.0 %	\$ 36,609.0	\$ 34,542.4	6.0 %

(1) Includes Maxxum results effective October 1, 2001.

In Canada, Mackenzie's mutual fund assets under management were \$32.5 billion at June 30, 2002, an increase of 6.4% from June 30, 2001, but down 2.8% from \$33.4 billion at the beginning of the current year. During the three months ended June 30, 2002, sales of Mackenzie's Canadian mutual funds were \$1.67 billion, an increase of 23.7% from the same period in 2001. Net sales were \$137 million for the three months ended June 30, 2002, compared with net redemptions of \$160 million in 2001. During the six month period ended June 30, 2002, sales of Mackenzie's Canadian mutual funds were \$3.5 billion, an increase of 18.3% from 2001 levels of \$3.0 billion. Net sales in this period were \$378 million, an increase of 104.1% from \$185 million in the comparative period last year.

Assets under management gained through net sales during the three and six month periods ended June 30, 2002 were lost to market performance, which negatively impacted mutual fund assets by \$1.3 billion in the six month period. Mackenzie's average Canadian mutual fund assets under management for the three and six month periods ended June 30, 2002 were \$34.0 billion and \$33.7 billion respectively, as compared to \$31.0 billion and \$31.4 billion for the corresponding periods last year.

Despite the decline in assets under management from the beginning of the year, there has been a positive shift in the mix of sales towards long-term mutual funds, primarily a result of favourable contributions from Mackenzie's value-oriented funds in the Ivy

and Cundill families. Sales of long term funds (excluding Money Market and Managed Yield funds) were \$1.31 billion for the three months ended June 30, 2002 compared with \$628 million in 2001, an increase of 109.5%. Net sales of long term funds were \$340 million for the three months ended June 30, 2002 compared with net redemptions of \$337 million in 2001. Sales of long-term funds (excluding Money Market and Managed Yield funds) were \$2.6 billion for the six-month period ended June 30, 2002 as compared to \$1.5 billion in the comparative period last year. Net sales of long-term funds were \$779 million for the six months ended June 30, 2002 as compared to net redemptions of \$375 million in the corresponding period last year.

In addition to its mutual fund business, an increasingly important component of Mackenzie's Canadian operations is the provision of investment management, administration and distribution services for other investment products. As at June 30, 2002, Mackenzie had \$111 million in segregated funds; provided investment management services to private and institutional accounts with a value of \$2.8 billion; and provided administration and distribution services to venture capital funds with \$1.0 billion in net assets.

The volatility of the world financial markets continues to adversely affect the assets and sales of the funds offered in the U.S. by Mackenzie Investment, an 85 per cent owned subsidiary and public company listed on the Toronto Stock Exchange. The majority of Mackenzie Investment's funds continue to experience net redemptions. Mackenzie Investment's average mutual fund assets under management for the three and six month periods ended June 30, 2002 were US\$942 million and US\$1.0 billion respectively, as compared to US\$1.6 billion and US\$1.7 billion for the corresponding periods last year.

REVIEW OF SEGMENT OPERATING RESULTS

Mackenzie's earnings from operations before interest and taxes for the three and six months ended June 30, 2002 are presented in Table 5. Mackenzie's operating results have been consolidated with the Company's results from the date of acquisition. Accordingly, pro-forma operating results for the three and six month periods ended June 30, 2001 have been presented to provide a more informative analysis of Mackenzie's results.

(\$ Millions)	Three months ended June 30			Six months ended June 30		
	2002	Pro-Forma 2001	Change	2002	Pro-Forma 2001	Change
Fee and net investment income						
Management	\$ 163.1	\$ 155.7	4.8 %	\$ 321.1	\$ 316.9	1.3 %
Administration	35.2	38.3	(8.1)	76.0	80.6	(5.7)
Distribution	11.6	13.1	(11.5)	22.9	26.5	(13.6)
Net investment income and other	4.2	5.6	(25.0)	9.6	11.6	(17.2)
	214.1	212.7	0.7	429.6	435.6	(1.4)
Operating expenses						
Commissions	39.7	43.9	(9.6)	78.8	88.5	(11.0)
Trailer fees	40.3	39.1	3.1	80.2	77.1	4.0
Non-commission expenses	73.5	83.2	(11.7)	155.1	173.3	(10.5)
	153.5	166.2	(7.6)	314.1	338.9	(7.3)
Earnings before interest and taxes	\$ 60.6	\$ 46.5	30.3 %	\$ 115.5	\$ 96.7	19.4 %

Fee and Net Investment Income

Management fees were \$163.1 million for the three months ended June 30, 2002, an increase of \$7.4 million from \$155.7 million in the corresponding period last year. Management fees in the six month period ended June 30, 2002 were \$321.1 million, an increase of \$4.2 million from \$316.9 million in the comparative period last year. These increases reflect the growth in average

assets under management in Mackenzie's Canadian asset management operations, which includes the assets transferred from Investors Group, a result of the integration of the Maxxum operations into Mackenzie in October 2001. The increase in management fees earned by Mackenzie's Canadian asset management operations were offset somewhat by a decrease in management fees earned by Mackenzie Investment.

Administration fees were \$35.2 million for the three month period ended June 30, 2002, a decrease of \$3.1 million from \$38.3 million in the comparative period last year. Administration fees in the six month period ended June 30, 2002 were \$76.0 million, as compared to \$80.6 million in the corresponding period last year. The main components of administration fees are: operating expenses charged to funds; fees earned from administering the Vengrowth labour sponsored venture capital funds; and, trustee and other administration fees generated from the MRS account administration business. The decline in administration fees is attributed to a decrease in expenses charged to funds. Overall, Mackenzie's operating expenses have declined as compared to last year, resulting in lower expenses charged to funds. In addition, the decrease in assets under management at Mackenzie Investment resulted in a decline in operating expenses charged to its funds as compared to the previous year.

Distribution revenue, which includes redemption fees earned on units of mutual funds sold on a deferred sales charge basis for which Mackenzie and Mackenzie Investment were primary distributors, decreased \$1.5 million to \$11.6 million in the three month period ended June 30, 2002 from \$13.1 million in the comparative period. Distribution revenue in the six month period ended June 30, 2002 was \$22.9 million, a decrease of \$3.6 million from 2001. These decreases reflect the redemption activity of mutual funds in Mackenzie's Canadian asset management operations as a greater proportion of the mutual fund redemptions in 2002 were units that were originally sold on a front-end basis, hence not subject to a redemption fee.

Net investment and other income represents the net interest margin from the MRS lending and deposit operation. Net investment income for the three month period ended June 30, 2002 was \$4.2 million, a decrease of \$1.4 million from \$5.6 million in the corresponding period last year. Net investment income was \$9.6 million in the six month period ended June 30, 2002 as compared to \$11.6 million in 2001. These decreases are consistent with the compression in MRS' interest rate spreads, a direct result of the lower interest rate environment experienced in the current period as compared to last year.

Operating Expenses

Commissions expense, which represents the amortization of deferred selling commissions, for the three month period ended June 30, 2002 decreased \$4.2 million to \$39.7 million from \$43.9 million in the corresponding period. Commissions expense in the six month period ended June 30, 2002 was \$78.8 million as compared to \$88.5 million in the same period last year. These decreases are consistent with the increase in deferred commissions which are now fully amortized and the reduction in redemption fee revenue. To the extent that Mackenzie receives redemption fees, the amortization of deferred selling commissions is accelerated.

Trailer fees paid to dealers were \$40.3 million for the three month period ended June 30, 2002, an increase of \$1.2 million from \$39.1 million in the corresponding period last year. Trailer fees in the six month period ended June 30, 2002 were \$80.2 million as compared to \$77.1 million in 2001. These increases are consistent with the overall growth in Mackenzie's average mutual fund assets under management in the current period as compared to 2001.

Non-commission expenses include costs incurred by Mackenzie in the administration, marketing and management of its mutual funds and all other expenses in the operation of its business. Also included are expenses related to the Maxxum operations, which were integrated with Mackenzie in October 2001. Non-commission expenses decreased \$9.7 million to \$73.5 million in the three month period ended June 30, 2002 from \$83.2 million in the comparative period. Non-commission expenses in the six month period ended June 30, 2002 were \$155.1 million, a decrease of \$18.2 million from \$173.3 million in 2001. These decreases in non-commission expenses are primarily due to:

- Synergies related to the transition work completed with Investors Group.
- Management of discretionary expenditures.

- Downsizing initiatives at Mackenzie Investment.
- Reduction in distribution fees paid to a limited partnership, consistent with the decline in average assets originally financed by limited partnership vehicles.

Investors Group Inc.

CONSOLIDATED FINANCIAL POSITION

The Company's on-balance sheet assets totalled \$6.09 billion at June 30, 2002 compared to \$6.12 billion at December 31, 2001.

The Company's holdings of securities were \$194.5 million at June 30, 2002 – a decrease of \$53.7 million or 21.6%. Securities currently represent 3.2% of total assets as compared with 4.1% at December 31, 2001. The market value of the Company's portfolio at June 30, 2002 exceeded cost by \$128.0 million compared with \$163.6 million at December 31, 2001.

Loans, which include both mortgage and personal loans, increased by 5.9%, or \$38.9 million, to \$694.0 million at June 30, 2002 and represent 11.4% of total assets, compared to 10.7% at December 31, 2001. The increase results from:

- Mortgages and personal loans related to Mackenzie's intermediary activities.
- The origination of residential loans, sourced with the assistance of Investors Group Consultants that are primarily designated for sale to third parties on a fully serviced basis through Investors Group's mortgage banking operations.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's operating liquidity requirements involve:

- Financing operations including the funding of commissions.
- Temporarily holding mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to: the bridge financing of \$241 million as well as the long-term debt and preferred shares of \$1.51 billion issued in 2001 to finance the Mackenzie acquisition, and other long-term debt.
- Maintaining liquidity requirements for the Company's regulated entities. At June 30, 2002, liquidity for these subsidiaries was in excess of regulatory requirements.

During the second quarter of 2002, the Company repaid \$225.0 million of the bridge financing related to the acquisition of Mackenzie.

The Company continues to rely on its strong financial position to address liquidity and funding issues. Earnings before interest, taxes, depreciation and amortization of commission expense (EBITDA) totalled \$589.2 million for the six months ended June 30, 2002, an increase of 30.1% from \$452.8 million in 2001, before giving effect to the restructuring charge of \$95.6 million in 2001. The increase was due in large part to the acquisition of Mackenzie.

Other potential sources of liquidity are the Company's portfolio of securities and lines of credit. As at June 30, 2002, the market value of the marketable securities in its portfolios and its unregulated subsidiaries was \$283.1 million. The Company maintains operating lines of credit totalling \$235 million with various Schedule 1 Canadian chartered banks.

Liquidity can also be provided through the Company's ability to raise funds in domestic debt and equity markets as evidenced by funds raised to finance its acquisition of Mackenzie.

Capital Resources

Shareholders' equity increased to \$2.82 billion as at June 30, 2002 from \$2.68 billion at December 31, 2001. During the same period, long-term debt decreased slightly to \$1.34 billion. To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet. Management is confident that the Company's current capital resources are adequate and can support its activities in 2002.

OUTLOOK

Mackenzie Transition

In 2001, the Company established a project structure to properly transition to the new post-acquisition environment and fully realize operating efficiencies and product enhancements. The project structure consists of an Executive Steering Committee and individual project teams that manage the transition process. Investors Group and Mackenzie are working together to ensure that transition issues are managed to maximize benefits to all constituents, while maintaining important distinctions relating to brand, distribution, investment management and corporate leadership.

The transition plan seeks to achieve a target of approximately \$100 million (pre-tax basis) of synergies per year. This consists of \$75 million per year in synergies to the Company's shareholders and an additional \$25 million per year in synergies to Investors Group and Mackenzie mutual fund clients. Synergies will be realized by clients based upon reductions in fund costs. Management's objective is to achieve these synergies by the end of the second quarter of 2003, two years after the acquisition. As at June 30, 2002, total annual synergies of \$68 million per year (pre-tax basis) had been achieved which is in excess of 2/3 of the target. This total is comprised of \$50 million in synergies to the Company's shareholders and \$18 million in synergies to mutual fund clients.

These synergies have resulted from many areas including:

- Integration of Maxxum into the operations of Mackenzie.
- Renegotiated vendor relationships including sub-advisory investment arrangements, printing contracts, and telephony services.
- Consolidation of a number of systems and management activities such as web-hosting support, data telecommunications services and selected corporate services.
- Lower administration costs for both Investors Group and Mackenzie Financial unitholders through a review of "best demonstrated practices".

In this regard, the Company charged estimated restructuring costs of \$95.6 million (\$54.1 million after tax) to earnings in the second quarter of 2001. These costs include severance and related expenses, decommissioning of systems, and restructuring certain businesses. At June 30, 2002, the unexpended portion of the restructuring provision was \$79.2 million.

Management is confident that the acquisition of Mackenzie will be a key factor in the Company's future success. The acquisition provides access to multiple advisor-based distribution channels as well as positioning the Company to realize numerous operating efficiencies and product enhancements. These benefits have begun to accrue already and will continue well into the future to enable the Company to maintain a significant competitive position in an evolving environment.

Expanded Product Shelf

Offering a broader range of financial products and increasing the diversification of the Company's core products will help strengthen existing client relationships and attract new clients. This strategy will enhance the extent and quality of the Company's client relationships, protecting its client base and expanding its market share.

Investors Group will launch Investors Group Corporate Class Inc., the largest tax advantaged fund structure featuring, for the first time, tax-deferred switching among 46 brand-name funds offered by Investors Group's Masterseries Funds advised by I.G. Investment Management, Ltd., AGF, Goldman Sachs Asset Management, Fidelity, Janus, Mackenzie, Spectre, Beutel Goodman and Templeton.

Investors Group Corporate Class Inc. provides clients with the flexibility to rebalance their non-registered, equity portfolios in accordance with their changing investment needs across global market sectors, as well as investment management brands – without immediate tax consequences. Eight of the Corporate Class funds are new mandates in the structure for Investors Group clients and will be advised by I.G. Investment Management, Ltd. and Mackenzie Financial and these include six global sector funds which provide clients with an additional way of diversifying their portfolio. Investors Group Corporate Class Inc. will also feature a Managed Yield Class: similar to a traditional money market fund, but which offers clients the ability to generate capital gains instead of interest income for tax efficiency.

In addition, the Company's proposed arrangement with CIBC through which banking and brokerage services will be offered to its clients is further evidence of the Company's ability to expand its product shelf in new and unique ways that serve existing clients and attract new ones.

MARKET INFLUENCES

Industry

At June 30, 2002, mutual fund industry assets in Canada totalled \$416.6 billion, a decrease of 6.5% from \$445.3 billion at March 31, 2002 and 2.3% from \$426.4 billion at December 31, 2001.

The \$9.8 billion or 2.3% decrease in industry assets from December 31, 2001 reflects year-to-date net sales of \$7.7 billion, the inclusion of approximately \$5.6 billion of new assets that were not previously categorized as mutual fund assets, offset by an estimated \$23.1 billion decrease from negative market action. This negative market action represents 5.4% of year end 2001 industry assets. In the most recent three month period, the decline of \$28.7 billion or 6.5% reflects net redemptions of \$1.4 billion, the inclusion of approximately \$2.5 billion of new assets and an estimated \$30 billion decrease from negative market action. Negative market action represents approximately 6.7% of mutual fund assets as at March 31, 2002.

Declines and volatility in domestic and international equity markets and changes in interest rates may affect the future outlook for the Company. Declines in the value of equity markets and changes in interest rates could have a significant impact on the level and mix of mutual fund sales and could also result in increased redemptions of mutual funds.

Redemption Rates

The redemption rate for long term funds for the Company's mutual funds was 10.1% at June 30, 2002, among the lowest in the industry. The corresponding redemption rate for the industry as a whole, excluding the Company's mutual funds, was 14.0%

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. Financial advisors can also play a key role in educating investors about the value of a long-term investment strategy and the benefits of an appropriate level of portfolio diversification. In periods of declining markets and market volatility, they can also be effective in encouraging clients to assume a long-term investment outlook and continue to invest.

Investors Group and Mackenzie provide Consultants and independent financial advisors, respectively, with superior levels of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships. As a result, the Company has been able to maintain redemption rates that are among the lowest in the industry.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)	Three months ended June 30		Six months ended June 30	
(in thousands of dollars except per share amounts)	2002	2001	2002	2001
Fee and net investment income				
Management	\$ 370,447	\$ 337,686	\$ 735,357	\$ 550,468
Administration	71,374	66,330	147,877	101,979
Distribution	34,967	33,158	68,915	57,965
Net investment income and other	30,486	37,673	61,072	60,834
Total fee and net investment income	507,274	474,847	1,013,221	771,246
Operating expenses				
Commission expense	131,027	130,226	264,681	228,125
Non-commission expenses	138,592	142,267	288,360	225,293
Interest expense	19,947	24,735	40,242	25,404
Restructuring costs	–	95,610	–	95,610
Total operating expenses	289,566	392,838	593,283	574,432
Income before income taxes and non-controlling interest	217,708	82,009	419,938	196,814
Income taxes	81,980	32,308	162,423	82,906
	135,728	49,701	257,515	113,908
Non-controlling interest	(22)	136	53	136
Net income before goodwill amortization	135,750	49,565	257,462	113,772
Goodwill amortization, net of tax	–	20,298	–	20,416
Net income	135,750	29,267	257,462	93,356
Preferred dividends	5,175	2,949	10,350	2,949
Net income available to common shareholders	\$ 130,575	\$ 26,318	\$ 247,112	\$ 90,407
Earnings per common share (in dollars) (Note 4)				
– Basic	\$ 0.496	\$ 0.105	\$ 0.938	\$ 0.392
– Diluted	\$ 0.492	\$ 0.104	\$ 0.931	\$ 0.390
Average number of common shares (in thousands)				
– Basic	263,466	251,469	263,326	230,841
– Diluted	265,638	252,253	265,307	231,724

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited)	Six months ended June 30	
(in thousands of dollars)	2002	2001
Balance, beginning of period	\$ 884,531	\$ 823,529
Net income	257,462	93,356
Dividends		
Preferred	(10,350)	(2,949)
Common	(108,029)	(82,825)
Share issue expense, net of tax	–	(5,658)
Balance, end of period	\$ 1,023,614	\$ 825,453

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited)	June 30	December 31
(in thousands of dollars)	2002	2001
Assets		
Cash and short term investments	\$ 679,683	\$ 854,275
Securities	194,494	248,205
Loans	694,007	655,094
Investment in affiliate	309,942	297,810
Deferred selling commissions	720,051	657,221
Other assets	338,066	388,941
Goodwill and intangible assets (Note 2)	3,151,075	3,020,922
	\$ 6,087,318	\$ 6,122,468
Liabilities		
Deposits and certificates	\$ 698,647	\$ 671,248
Bankers' acceptances	241,000	497,000
Other liabilities	696,367	779,853
Future income taxes	282,821	120,234
Long term debt	1,337,246	1,362,268
Non-controlling interest	12,733	13,621
	3,268,814	3,444,224
Shareholders' Equity		
Share capital		
Preferred	360,000	360,000
Common	1,436,120	1,431,163
Retained earnings	1,023,614	884,531
Foreign currency translation adjustment	(1,230)	2,550
	2,818,504	2,678,244
	\$ 6,087,318	\$ 6,122,468

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended June 30		Six months ended June 30	
(in thousands of dollars)	2002	2001	2002	2001
Operating activities				
Net income	\$ 135,750	\$ 29,267	\$ 257,462	\$ 93,356
Adjustments to determine net cash from operating activities				
Future income taxes	6,857	(60,776)	33,684	(58,850)
Commission expense	53,500	59,922	108,558	117,340
Depreciation	7,788	6,995	14,926	10,131
Goodwill amortization	–	20,582	–	20,786
Other	(37,724)	120,601	(88,308)	60,769
	166,171	176,591	326,322	243,532
Commissions paid	(72,346)	(58,208)	(171,388)	(120,256)
	93,825	118,383	154,934	123,276
Financing activities				
Increase (decrease) in customer deposits	17,827	(13,532)	27,399	(18,812)
(Repayment) net proceeds on bankers' acceptances	(225,000)	897,000	(256,000)	897,000
Proceeds from bank term loan	–	550,000	–	550,000
Issue of debentures	–	600,000	–	600,000
Repayment of long term debt	(11,698)	–	(25,022)	(1,785)
Issue of common shares	1,081	370,165	4,957	370,482
Issue of preferred shares	–	360,000	–	360,000
Share issuance costs	–	(9,708)	–	(9,708)
Preferred dividends paid	(5,175)	(2,949)	(10,350)	(2,949)
Common dividends paid	(53,995)	(36,710)	(103,983)	(70,279)
	(276,960)	2,714,266	(362,999)	2,673,949
Investing activities				
Acquisition of Mackenzie Financial Corporation				
less cash and short term investments acquired	–	(2,601,695)	–	(2,601,695)
Purchase of securities	(6,101)	(1,495)	(18,790)	(24,505)
Proceeds from the sale of securities	2,714	55,239	96,127	252,209
Decrease (increase) in loans	41,845	(190,208)	(84,211)	(640,213)
Proceeds from securitizations	16,383	380,553	45,561	631,767
Net proceeds from the sale of real estate	367	237	375	1,359
Additions to capital assets	(1,297)	(3,182)	(5,589)	(5,244)
	53,911	(2,360,551)	33,473	(2,386,322)
(Decrease) increase in cash and cash equivalents	(129,224)	472,098	(174,592)	410,903
Cash and cash equivalents, beginning of period	808,907	655,007	854,275	716,202
Cash and cash equivalents, end of period	\$ 679,683	\$ 1,127,105	\$ 679,683	\$ 1,127,105
Cash	\$ 217,939	\$ 161,246	\$ 217,939	\$ 161,246
Short term investments	461,744	965,859	461,744	965,859
	\$ 679,683	\$ 1,127,105	\$ 679,683	\$ 1,127,105

(See accompanying notes to interim consolidated financial statements.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002 (unaudited)

(in thousands of dollars, except share amounts)

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2001 as set out on pages 44 to 59 of the 2001 Annual Report. Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

1. Summary of significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the consolidated financial statements for the year ended December 31, 2001 except as noted below.

Basis of consolidation

Effective April 20, 2001, the Company acquired all of the outstanding common shares of Mackenzie Financial Corporation (Mackenzie). The acquisition was accounted for by the purchase method. The interim consolidated financial statements include the assets and liabilities of Mackenzie and the results of operations from the date of acquisition.

Deferred selling commissions

Commissions paid on the sale of certain mutual fund products are deferred and amortized against related fee income over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization was three years. The Company changed the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The change in accounting estimate was applied prospectively and resulted in a decrease of \$32,306 (\$19,829 after tax) in commissions expense in 2002.

Goodwill and intangible assets

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3062 – Goodwill and Other Intangible Assets. Under this standard, goodwill and intangible assets with indefinite lives will no longer be amortized but must be reviewed at least annually for impairment, and written down for impairment losses. Goodwill and intangible assets related to the acquisition of Mackenzie were determined in the second quarter after completing a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed (see Note 2).

The Company has completed its transitional impairment testing on the balance of goodwill and indefinite life intangible assets as at the adoption date and has determined that no impairment charge was necessary.

This change in accounting policy was applied prospectively and resulted in a decrease of \$51,574 (\$51,416 after tax) in goodwill amortization in the six month period ended June 30, 2002. In addition, adoption of this standard resulted in an increase of \$2,490 in net investment income as goodwill relating to the Company's equity accounted investment in Great West Lifeco, Inc. was not amortized in the six month period ended June 30, 2002.

The table below is provided to present the comparative net income available to common shareholders, earnings per share and diluted earnings per share for the three and six months ended June 30 on a consistent basis with the presentation in effect since January 1, 2002.

	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Reported net income available to common shareholders	\$ 130,575	\$ 26,318	\$ 247,112	\$ 90,407
Add back:				
Goodwill amortization ⁽¹⁾	–	21,543	–	22,906
Net income adjusted for goodwill	\$ 130,575	\$ 47,861	\$ 247,112	\$ 113,313
Basic earnings per share				
– Reported	\$.496	\$.105	\$.938	\$.392
– Adjusted for goodwill	\$.496	\$.190	\$.938	\$.491
Diluted earnings per share				
– Reported	\$.492	\$.104	\$.931	\$.390
– Adjusted for goodwill	\$.492	\$.190	\$.931	\$.489

⁽¹⁾ Includes amortization of goodwill in investment in affiliate reported in Net Investment Income and Other

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002 (unaudited)

(in thousands of dollars, except share amounts)

1. Summary of significant accounting policies (cont'd)

Stock-based compensation

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870 – Stock-based Compensation and Other Stock-based Payments. Under this standard, all stock-based payments to non-employees must be accounted for using a fair value-based method of accounting. This new standard encourages, but does not require, the use of the fair value-based method to account for stock-based transactions with employees. When the fair value-based method of accounting is not used for stock-based transactions with employees, net income and earnings per share must be disclosed on a pro-forma basis as if the fair value-based method of accounting had been used to account for stock-based compensation costs.

Compensation expense of \$56 was recorded for the six months ended June 30, 2002 for stock-based compensation related to non-employees.

21,990 stock options were issued to employees during the six months ended June 30, 2002. Utilization of fair value-based accounting would have no impact on net income or earnings per share on a pro-forma basis.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. Goodwill and intangible assets

During the second quarter of 2002, the Company completed a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed from the acquisition of Mackenzie. The amount assigned to intangible assets represents the fair value of mutual fund management contracts and trade names acquired. Both of these intangible assets have indefinite useful lives and are therefore not subject to amortization.

Changes in the Company's goodwill and intangible assets for the three months ended June 30, 2002 resulting from the evaluation noted above are as follows:

Goodwill

Balance, beginning of period	\$ 3,020,922
Reclassification between goodwill and intangible assets	(859,948)
Reclassification between goodwill and future income taxes	130,153
Balance, end of period	<u>\$ 2,291,127</u>

Allocated to reportable segments as follows:

Investors Group	\$ 1,346,245
Mackenzie	944,882
	<u>\$ 2,291,127</u>

Intangible assets

Balance, beginning of period	\$ –
Reclassified from goodwill	
Mutual fund management contracts	591,580
Trade names	268,368
Balance, end of period	<u>\$ 859,948</u>

3. Share capital

	June 30 2002	December 31 2001
Common shares outstanding	263,546,173	263,081,731
Common share stock options		
– Outstanding	5,952,479	6,389,231
– Exercisable	1,528,502	1,469,961

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002 (unaudited)

(in thousands of dollars, except share amounts)

4. Earnings per common share

The following table provides the reconciliation between basic and diluted earnings per common share:

	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
a) Earnings				
Net income – common shareholders	\$ 130,575	\$ 26,318	\$ 247,112	\$ 90,407
b) Number of common shares				
Average number of common shares outstanding	\$ 263,466	\$ 251,469	\$ 263,326	\$ 230,841
Add: Potential exercise of outstanding stock options	2,172	784	1,981	883
Average number of common shares outstanding – diluted basis	\$ 265,638	\$ 252,253	\$ 265,307	\$ 231,724
Earnings per common share (a) divided by (b)				
Basic	\$ 0.496	\$ 0.105	\$ 0.938	\$ 0.392
Diluted	\$ 0.492	\$ 0.104	\$ 0.931	\$ 0.390

5. Segmented information

Three months ended June 30

2002	Investors Group	Mackenzie	Corporate and Other	Total
Income	\$ 288,550	\$ 214,131	\$ 4,593	\$ 507,274
Expenses	116,109	153,510	–	269,619
Earnings before interest and taxes	\$ 172,441	\$ 60,621	\$ 4,593	237,655
Restructuring costs				–
Interest expense				19,947
Net income before income taxes				217,708
Income taxes				81,980
Non-controlling interest				(22)
Net income before goodwill amortization				135,750
Goodwill amortization				–
Net income				\$ 135,750
2001	Investors Group	Mackenzie	Corporate and Other	Total
Income	\$ 294,245	\$ 166,201	\$ 14,401	\$ 474,847
Expenses	141,990	130,503	–	272,493
Earnings before interest and taxes	\$ 152,255	\$ 35,698	\$ 14,401	202,354
Restructuring costs				95,610
Interest expense				24,735
Net income before income taxes				82,009
Income taxes				32,308
Non-controlling interest				136
Net income before goodwill amortization				49,565
Goodwill amortization				20,298
Net income				\$ 29,267

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002 (unaudited)

(in thousands of dollars, except share amounts)

5. Segmented information (cont'd)

Six months ended June 30

2002	Investors Group	Mackenzie	Corporate and Other	Total
Income	\$ 573,845	\$ 429,568	\$ 9,808	\$ 1,013,221
Expenses	238,941	314,100	—	553,041
Earnings before interest and taxes	\$ 334,904	\$ 115,468	\$ 9,808	460,180
Restructuring costs				—
Interest expense				40,242
Net income before income taxes				419,938
Income taxes				162,423
Non-controlling interest				53
Net income before goodwill amortization				257,462
Goodwill amortization				—
Net income				\$ 257,462
Total assets under management and administration	\$ 42,189,727	\$ 38,932,050	\$ 554,687	\$ 81,676,464

2001	Investors Group	Mackenzie	Corporate and Other	Total
Income	\$ 577,182	\$ 166,201	\$ 27,863	\$ 771,246
Expenses	322,915	130,503	—	453,418
Earnings before interest and taxes	\$ 254,267	\$ 35,698	\$ 27,863	317,828
Restructuring costs				95,610
Interest expense				25,404
Net income before income taxes				196,814
Income taxes				82,906
Non-controlling interest				136
Net income before goodwill amortization				113,772
Goodwill amortization				20,416
Net income				\$ 93,356
Total assets under management and administration	\$ 45,773,714	\$ 36,645,225	\$ 1,145,142	\$ 83,564,081

6. Restructuring

In connection with the acquisition of Mackenzie, the Company commenced the integration and rationalization of its administration, systems and operations in 2001. Estimated costs of \$95.6 million (\$54.1 million after tax) were charged to earnings in the second quarter of 2001. These costs include severance and related expenses, decommissioning of systems, and restructuring certain businesses. At June 30, 2002, the unexpended portion of the restructuring provision was \$79.2 million.

SHAREHOLDER INFORMATION

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Stock Exchange Listing

Toronto Stock Exchange

Shares of Investors Group Inc. are listed on the Toronto Stock Exchange under the following listings:

Common Shares: IGI

First Preferred Shares, Series A: IGI.PR.A

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Transfer Agent and Registrar

Computershare Trust Company of Canada

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Websites

Visit our Websites at www.investorsgroup.com and www.mackenziefinancial.com

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