

Leadership

3

For the
three and nine
months ended
September 30,
2002



*INVESTORS GROUP INC.
2002 THIRD QUARTER REPORT*

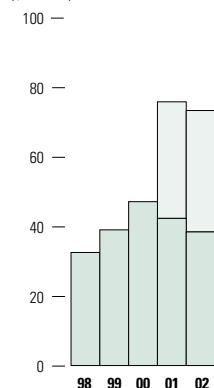
Financial Highlights

	For the three months ended September 30			As at and for the nine months ended September 30		
	2002	2001	Change	2002	2001	Change
Net income available to common shareholders⁽¹⁾ (\$ Millions)	\$ 124.7	\$ 110.6	12.7 %	\$ 371.8	\$ 275.5	35.0 %
Goodwill amortization ⁽²⁾	—	1.2		—	3.7	
Adjusted net income	124.7	111.8	11.5	371.8	279.2	33.2
Diluted earnings per share⁽¹⁾	0.471	0.418	12.7	1.402	1.135	23.5
Goodwill amortization ⁽²⁾	—	0.005		—	0.015	
Adjusted diluted earnings per share	0.471	0.423	11.3	1.402	1.150	21.9
Dividends per share	0.225	0.190	18.4	0.635	0.540	17.6
Return on equity				19.6%	19.9%	
(\$ Millions)						
Mutual funds						
Investors Group						
Sales	\$ 964.0	\$ 1,249.7	(22.9) %	\$ 3,951.1	\$ 4,762.6	(17.0) %
Net sales	(216.2)	113.9	N/M	330.6	874.4	(62.2)
Assets under management ⁽³⁾				36,422.8	40,562.0	(10.2)
Mackenzie Financial Corporation⁽⁴⁾						
Sales	1,177.0	1,110.8	6.0	4,678.0	2,048.2	N/M
Net sales	(100.8)	27.7	N/M	276.9	(43.9)	N/M
Assets under management ⁽³⁾				30,037.2	28,414.1	5.7
Combined mutual fund assets under management				66,460.0	68,976.2	(3.6)
Insurance in force (face amount)				26,725.0	23,927.6	11.7
Securities operations assets under administration⁽⁵⁾				4,089.4	3,432.0	19.2
Mortgages serviced⁽⁵⁾				7,087.7	7,745.4	(8.5)
Deposits and certificates⁽⁵⁾				700.2	659.9	6.1
Clients ⁽⁵⁾				2,656,556	2,664,293	(0.3) %
Client accounts ⁽⁵⁾				9,588,221	9,438,841	1.6
Consultants				3,266	3,460	(5.6)
Employees ⁽⁵⁾				3,300	3,609	(8.6)
Financial Planning Centres				108	103	4.9

(1) Net income and earnings per share for the nine month period ended September 30, 2001 exclude a restructuring charge of \$95.6 million (\$54.1 million after-tax) taken in the second quarter. Goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie) is excluded from both the three and nine month periods in 2001. (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 \$2.2 billion 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 September 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 September 30
(\$ Billions)



Mackenzie

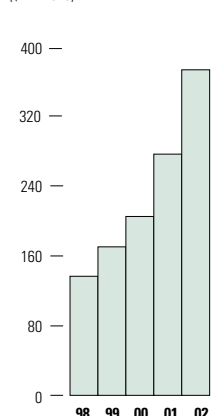
33.5 34.9

Investors Group

32.5 39.0 47.1 42.3 38.4

Net Income*

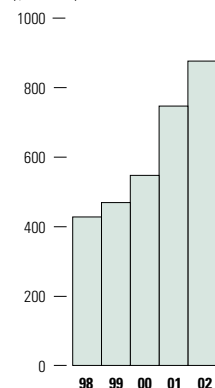
For the nine months ended September 30
(\$ Millions)



*Excluding goodwill amortization and restructuring costs

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

For the nine months ended September 30
(\$ Millions)



*Excluding restructuring costs

Report to Shareholders

TO OUR SHAREHOLDERS

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

FINANCIAL RESULTS

Net income attributable to common shareholders for the nine months ended September 30, 2002 was \$371.8 million compared to \$275.5 million in 2001. Earnings per share were \$1.40 compared with \$1.14 in 2001, an increase of 23.5%.

Net income for the prior nine month period ended September 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 21.9% compared with 2001.

Effective April 1, 2001, there was a change in accounting estimate related to amortization of sales commissions that reduced expenses and increased earnings for the nine months ended September 30, 2002 by \$19.8 million after tax or 7.5 cents per share. Excluding this change earnings per share would have been \$1.33, an increase of 15.4%. 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 industry generally.

For the three months ended September 30, 2002 net income attributable to common shareholders was \$124.7 million, compared to \$110.6 million in 2001. Earnings per share were 47.1 cents compared with 41.8 cents in 2001, an increase of 12.7%.

Net income for the prior three month period ended September 30, 2001 also excludes the 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 11.3% compared with 2001.

Gross revenues for the first nine months of 2002 were \$1,492.4 million, compared to \$1,273.8 million last year. Gross revenues for the third quarter were \$479.2 million, compared to \$502.5 million in the prior year. Operating expenses were \$864.9 million for the nine months and \$271.6 million for the quarter compared with \$790.7 million and \$311.9 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 \$4.0 billion compared to \$4.3 billion in the prior year and net sales were \$331 million, compared to last year's \$680 million. Net sales of long-term funds (excluding money market funds) were \$239 million, 45.3% below 2001 net sales of \$436 million.

Investors Group recorded mutual fund sales through its own Consultant Network of \$964 million for the third quarter, compared to \$1,141 million in the prior year. For the quarter, mutual fund net redemptions were \$216 million compared to net sales of \$88 million in 2001 and net redemptions of long-term funds were \$220 million compared to net sales of \$18 million in 2001.

Redemption rates (excluding money market funds) were 9.6% at the end of the quarter, down from 10.2% at the same time last year.

On a year-to-date basis, insurance sales were up 10.8% from last year while mortgage originations declined 16.2%. External assets gathered into the securities operations were up 4.5% from the same time last year.

Investors Group's mutual fund assets at September 30, 2002 were \$36.4 billion, a decrease of 5.0%, compared to \$38.3 billion at September 30, 2001. Mutual fund assets in 2001 have been restated to exclude \$2.2 billion in Maxxum assets transferred to Mackenzie effective October 5, 2001.

MACKENZIE'S CANADIAN OPERATIONS

Year-to-date mutual fund sales were \$4.7 billion compared to \$4.1 billion in the prior year and net sales were \$277 million compared to last year's \$213 million. Net sales of long-term funds (excluding money market and managed yield funds) were \$696 million for the period compared with net redemptions of \$544 million in 2001.

Report to Shareholders

Mackenzie recorded sales of mutual funds in its Canadian operations of \$1.2 billion for the quarter, up 6.0% from the same quarter last year. Mutual fund net redemptions for the period were \$101 million, compared to net sales of \$28 million in the prior year. Net redemptions of long-term funds (excluding money market and managed yield funds) were \$83 million for the period, compared with net redemptions of \$169 million in 2001.

Over 85% 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 11.8% at the end of September 2002, compared to 11.2% at the end of September 2001.

Mackenzie's Canadian mutual fund assets under management at September 30, 2002 were \$30.0 billion, compared to \$30.7 billion one year ago. Mutual fund assets at both dates reflect the transfer of Maxxum assets.

INDUSTRY OVERVIEW

During the quarter, weakness and volatility in the equity markets lead to declining sales and increasing redemptions in the mutual fund industry. As reported by the Investment Funds Institute of Canada, the industry posted net redemptions for the quarter of \$2.3 billion, including net redemptions of long-term funds of \$1.7 billion.

Industry assets under management at September 30, 2002 were \$381.1 billion down from a peak of \$445.3 billion at March 31, 2002.

In the face of very difficult industry conditions, the Company continues to build its businesses to position them for long-term growth. The Company remains focused on supporting its Consultants, advisors and their clients through the market turbulence, while managing its own expenses more effectively.

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 December 31, 2002 to shareholders of record on November 29, 2002 and has declared a quarterly dividend of 22.5 cents per share on the Company's common shares payable January 31, 2003 to shareholders of record on December 31, 2002.



R. Jeffrey Orr

President and Chief Executive Officer

Winnipeg, Canada

October 30, 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 nine months ended September 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 and Second 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 nine months ended September 30, 2002 was \$371.8 million, compared to \$275.5 million in 2001. Earnings per share were \$1.40 compared with \$1.14 in 2001, an increase of 23.5%. Net income for the prior nine month period ended September 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. However, net income for the prior nine month period 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 21.9% 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 nine months ended September 30, 2002 by \$19.8 million after tax or 7.5 cents per share. Excluding this change earnings per share would have been \$1.33, an increase of 15.4%. 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 September 30, 2002 net income attributable to common shareholders was \$124.7 million, compared to \$110.6 million in 2001. Earnings per share were 47.1 cents, compared with 41.8 cents in 2001, an increase of 12.7%. Net income for the prior three month period ended September 30, 2001 excludes Mackenzie related goodwill amortization as described above. However, net income for the prior three month period includes goodwill amortization related to the Company's investment in Great-West Lifeco Inc. common shares, which, if excluded, would have resulted in an increase in earnings per share in 2002 of 11.3% compared with 2001.

Shareholders' equity was \$2.89 billion as at September 30, 2002, up from \$2.68 billion at December 31, 2001. Return on average common equity for the nine months ended September 30, 2002 was 19.6% compared to 19.9% in 2001. The quarterly dividend per common share was 22.5 cents (90.0 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 \$3.3 million in the third quarter of 2002 compared to \$10.0 million in 2001, and totalled \$13.0 million in the nine months ended September 30, 2002 compared to \$37.9 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, which represents the cost of financing the Mackenzie acquisition, totalled \$19.8 million for the three months ended September 30, 2002 and \$60.1 million for the nine months ended September 30, 2002, compared with \$25.8 million and \$51.2 million, respectively, in 2001.
- Income taxes with effective rates of 37.6% and 38.3% for the three and nine month periods under review compared with 39.3% and 40.7%, 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 September 30								
Fee income	\$ 250.9	\$ 273.5	\$ 194.8	\$ 192.9	\$ —	\$ —	\$ 445.7	\$ 466.4
Net investment income and other	26.4	21.0	3.8	5.1	3.3	10.0	33.5	36.1
	277.3	294.5	198.6	198.0	3.3	10.0	479.2	502.5
Operating expenses								
Commissions	45.2	60.1	74.8	75.1	—	—	120.0	135.2
Non-commission	59.6	74.6	72.2	76.3	—	—	131.8	150.9
	104.8	134.7	147.0	151.4	—	—	251.8	286.1
Earnings before interest and taxes	\$ 172.5	\$ 159.8	\$ 51.6	\$ 46.6	\$ 3.3	\$ 10.0	227.4	216.4
Restructuring costs							—	—
Interest expense							19.8	25.8
Net income before taxes and non-controlling interest							207.6	190.6
Income taxes							78.0	74.8
Non-controlling interest							(0.3)	—
Net income before goodwill amortization							129.9	115.8
Goodwill amortization							—	26.3
Net income							129.9	89.5
Preferred dividends							5.2	5.2
Net income available to common shareholders							\$ 124.7	\$ 84.3
Nine months ended September 30								
Fee income	\$ 783.1	\$ 822.2	\$ 614.8	\$ 354.6	\$ —	\$ —	\$ 1,397.9	\$ 1,176.8
Net investment income and other	68.1	49.5	13.4	9.6	13.0	37.9	94.5	97.0
	851.2	871.7	628.2	364.2	13.0	37.9	1,492.4	1,273.8
Operating expenses								
Commissions	150.9	223.2	233.8	140.1	—	—	384.7	363.3
Non-commission	192.8	234.4	227.3	141.9	—	—	420.1	376.3
	343.7	457.6	461.1	282.0	—	—	804.8	739.6
Earnings before interest and taxes	\$ 507.5	\$ 414.1	\$ 167.1	\$ 82.2	\$ 13.0	\$ 37.9	687.6	534.2
Restructuring costs							—	95.6
Interest expense							60.1	51.2
Net income before taxes and non-controlling interest							627.5	387.4
Income taxes							240.4	157.7
Non-controlling interest							(0.2)	0.2
Net income before goodwill amortization							387.3	229.5
Goodwill amortization							—	46.7
Net income							387.3	182.8
Preferred dividends							15.5	8.1
Net income available to common shareholders							\$ 371.8	\$ 174.7

Investors Group

ASSETS UNDER MANAGEMENT

Table 2: Changes in Mutual Fund Assets Under Management

(\$ Millions)	Three months ended September 30			Nine months ended September 30		
	2002	2001	Change	2002	2001	Change
Investors Group Consultant Network						
Sales	\$ 964.0	\$ 1,140.6	(15.5)%	\$ 3,951.1	\$ 4,255.4	(7.1)%
Redemptions	1,180.2	1,052.4	12.1	3,620.5	3,575.0	1.3
Net sales	(216.2)	88.2	N/M	330.6	680.4	(51.4)
Maxxum Channel⁽¹⁾						
Sales	–	109.1	(100.0)	–	507.2	(100.0)
Redemptions	–	83.4	(100.0)	–	313.2	(100.0)
Net sales	–	25.7	(100.0)	–	194.0	(100.0)
Combined						
Sales	964.0	1,249.7	(22.9)	3,951.1	4,762.6	(17.0)
Redemptions	1,180.2	1,135.8	3.9	3,620.5	3,888.2	(6.9)
Net sales	(216.2)	113.9	N/M	330.6	874.4	(62.2)
Market and income	(3,282.0)	(3,374.0)	2.7	(5,551.8)	(4,810.8)	(15.4)
Net change in assets	(3,498.2)	(3,260.1)	(7.3)	(5,221.2)	(3,936.4)	(32.6)
Beginning assets	39,921.0	43,822.1	(8.9)	41,644.0	44,498.4	(6.4)
Ending assets	\$ 36,422.8	\$ 40,562.0	(10.2)%	\$ 36,422.8	\$ 40,562.0	(10.2)%

⁽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 September 30, 2002, sales of Investors Group mutual funds sold through its Consultant Network were \$964 million, a decrease of 15.5% from 2001. Mutual fund redemptions totalled \$1.18 billion for the same period, an increase of 12.1% from the \$1.05 billion recorded in 2001. Net redemptions of Investors Group mutual funds were \$216 million for the three months ended September 30, 2002, compared to net sales of \$88 million in 2001. Sales of long term funds (excluding money market funds) were \$709 million for the three months ended September 30, 2002, down 16.8% from \$853 million in 2001. Net redemptions of long term funds were \$220 million, down from net sales of \$18 million in 2001.

For the nine months ended September 30, 2002, sales of Investors Group mutual funds sold through its Consultant Network were \$3.95 billion, a decrease of 7.1% from 2001. Mutual fund redemptions totalled \$3.62 billion for the same period, an increase of 1.3% from the \$3.58 billion recorded in 2001. Net sales of Investors Group mutual funds were \$331 million for the nine months ended September 30, 2002, a decrease of 51.4% compared with \$680 million in 2001. Sales of long term funds (excluding money market funds) were \$3.12 billion for the nine months ended September 30, 2002 compared with \$3.33 billion in 2001, a decrease of 6.1%. Net sales of long term funds were \$239 million, 45.3% below the 2001 level of \$436 million.

Investors Group's mutual fund assets under management were \$36.4 billion at September 30, 2002, a decrease of \$4.1 billion or 10.2% from September 30, 2001 and down \$3.5 billion or 8.8% and \$5.2 billion or 12.5% from June 30, 2002 and December 31, 2001 levels respectively. The decline in assets from September 30, 2001 reflects both the transfer of \$2.2 billion in Maxxum assets to Mackenzie in October, 2001 and negative market action offset in part by net sales of mutual funds. The decline in assets for both the three and nine month periods in 2002 relate principally to negative market action which accounted for a 8.2% and 13.3% decline in assets from the levels at June 30, 2002 and December 31, 2001 respectively. These declines are consistent with the overall decline in industry assets.

REVIEW OF SEGMENT OPERATING RESULTS

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

(\$ Millions)	Three months ended September 30			Nine months ended September 30		
	2002	2001	Change	2002	2001	Change
Fee and net investment income						
Management	\$ 189.6	\$ 213.9	(11.4)%	\$ 603.9	\$ 642.7	(6.0)%
Administration	38.4	37.7	1.9	110.2	110.1	0.1
Distribution	22.9	21.9	4.6	69.0	69.4	(0.6)
Net investment income and other	26.4	21.0	25.7	68.1	49.5	37.6
	277.3	294.5	(5.8)	851.2	871.7	(2.4)
Operating expenses						
Commissions	45.2	60.1	(24.8)	150.9	223.2	(32.4)
Non-commission expenses						
Fixed	45.4	54.1	(16.1)	145.3	167.2	(13.1)
Variable	14.2	20.5	(30.7)	47.5	63.0	(24.6)
Strategic initiatives	—	—	—	—	4.2	(100.0)
	59.6	74.6	(20.1)	192.8	234.4	(17.7)
	104.8	134.7	(22.2)	343.7	457.6	(24.9)
Earnings before interest and taxes	\$ 172.5	\$ 159.8	7.9 %	\$ 507.5	\$ 414.1	22.6 %

Fee and Net Investment Income

Investors Group earns management fees from services provided to its mutual funds. For the three months ended September 30, 2002, management fee revenue decreased by \$24.3 million or 11.4% to \$189.6 million. For the nine months, management fee revenue decreased by \$38.8 million or 6.0% to \$603.9 million. These decreases in management fee income in 2002 reflect the decline in average mutual fund assets resulting from negative market action and the transfer of Maxxum operations to Mackenzie effective October 5, 2001.

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 \$38.4 million for the three months ended September 30, 2002, up slightly from \$37.7 million in 2001. Administration fees for the nine months were \$110.2 million compared to \$110.1 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 \$22.9 million for the three months ended September 30, 2002 increased by \$1.0 million from 2001. Distribution fee income of \$69.0 million for the nine months decreased by \$0.4 million from 2001. The year to date decrease is largely a result of reductions in redemption fee income. Redemptions subject to withdrawal fees declined by 4.2% from 2001. This decrease was partially offset by fee income from the distribution of insurance and brokerage products which increased by 8.7% in 2002.

Net investment income is measured as the difference between investment income and interest expense, excluding interest expense on debt incurred to finance the Mackenzie acquisition. Net investment income and other totalled \$26.4 million for the three months ended September 30, 2002 representing an increase of 25.7% or \$5.4 million from the 2001 level of \$21.0 million. For the nine months, net investment income and other totalled \$68.1 million which was an increase of 37.6% from \$49.5 million in 2001. For both periods, the increase is due principally to increases in Investors Group's share of an affiliate's earnings.

Operating Expenses

Commissions expense for the three months decreased by \$14.9 million, or 24.8%, to \$45.2 million compared with \$60.1 million in 2001. This decrease is due to lower mutual fund sales in 2002 by the Investors Group Consultant Network and the impact of the transfer of Maxxum operations to Mackenzie in October 2001.

Commissions expense for the nine months ended September 30, 2002 decreased by \$72.3 million, or 32.4%, to \$150.9 million compared with \$223.2 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 effective April 1, 2001.
- The impact of the transfer of Maxxum operations to Mackenzie in October 2001.
- Lower mutual fund sales in 2002 by the Investors Group Consultant Network.

Non-commission expenses for the three months ended September 30, 2002 were \$59.6 million, representing a decrease of \$15.0 million, or 20.1%, from 2001. Variable costs declined by 30.7% to \$14.2 million and fixed costs decreased by 16.1% to \$45.4 million. For the nine months, non-commission expenses were \$192.8 million which was a decrease of \$41.6 million, or 17.7% from 2001. Variable costs declined by 24.6% to \$47.5 million and fixed costs decreased by \$21.9 million, or 13.1%.

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 nine month periods, variable costs decreased 30.7% and 24.6%, 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 \$8.7 million or 16.1% from 2001 levels. For the nine months, fixed expenses decreased by \$21.9 million or 13.1%. 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

In Canada, Mackenzie's mutual fund assets under management were \$30.0 billion at September 30, 2002, an increase of 5.7% from September 30, 2001, but down 10.1% from \$33.4 billion at the beginning of the current year. During the three months ended September 30, 2002, sales of Mackenzie's Canadian mutual funds were \$1.18 billion, an increase of 6.0% from the same period in 2001. Net redemptions were \$101 million for the three months ended September 30, 2002, compared with net sales of \$28 million in 2001. During the nine month period ended September 30, 2002, sales of Mackenzie's Canadian mutual funds were \$4.7 billion, an increase of 15.0% from 2001 levels of \$4.1 billion. Net sales in this period were \$277 million, an increase of 30.1% from \$213 million in the comparative period last year.

Table 4: Changes in Assets Under Management

(\$ Millions)	Three months ended September 30			Nine months ended September 30		
	2002	2001	Change	2002	2001	Change
Canadian Assets Under Management						
Mutual Funds⁽¹⁾						
Sales	\$ 1,177.0	\$ 1,110.8	6.0 %	\$ 4,678.0	\$ 4,069.3	15.0 %
Redemptions	1,277.8	1,083.1	18.0	4,401.1	3,856.5	14.1
Net sales	(100.8)	27.7	N/M	276.9	212.8	30.1
Market and income	(2,326.1)	(2,124.0)	(9.5)	(3,639.4)	(3,535.4)	(2.9)
Net change in assets	(2,426.9)	(2,096.3)	(15.8)	(3,362.5)	(3,322.6)	(1.2)
Beginning assets	32,464.1	30,510.4	6.4	33,399.7	31,736.7	5.2
Ending assets	30,037.2	28,414.1	5.7	30,037.2	28,414.1	5.7
Private and Institutional Clients	2,811.0	1,664.0	68.9	2,811.0	1,664.0	68.9
Total	\$ 32,848.2	\$ 30,078.1	9.2 %	\$ 32,848.2	\$ 30,078.1	9.2 %
U.S. Mutual Funds (US\$)						
Sales	\$ 55.5	\$ 48.5	14.4 %	\$ 161.4	\$ 397.4	(59.4)%
Redemptions	114.4	165.3	(30.8)	451.1	747.7	(39.7)
Net sales	(58.9)	(116.8)	49.6	(289.7)	(350.3)	17.3
Market and income	(158.3)	(276.1)	42.7	(240.7)	(558.4)	56.9
Net change in assets	(217.2)	(392.9)	44.7	(530.4)	(908.7)	41.6
Beginning assets	868.8	1,523.0	(43.0)	1,182.0	2,038.8	(42.0)
Ending assets	\$ 651.6	\$ 1,130.1	(42.3)%	\$ 651.6	\$ 1,130.1	(42.3)%
Total Assets Under Management (CDN\$)	\$ 33,881.7	\$ 31,863.1	6.3 %	\$ 33,881.7	\$ 31,863.1	6.3 %

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

Market performance during the three and nine month periods ended September 30, 2002 negatively impacted mutual fund assets by \$2.3 billion and \$3.6 billion respectively. Mackenzie's average Canadian mutual fund assets under management for the three and nine month periods ended September 30, 2002 were \$31.2 billion and \$32.8 billion respectively, as compared to \$29.9 billion and \$30.9 billion for the corresponding periods last year.

Despite the continued negative impact of market conditions on Mackenzie's assets under management, the relative performance of Mackenzie's mutual funds continues to be strong. In September, Mackenzie again earned the top spot in Morningstar rankings for offering the most five-star funds of any fund company in Canada, a position Mackenzie has held since August 2001. Morningstar's Star Ratings are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category, of which the top 10 per cent of the funds in each category get a five star rating.

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 September 30, 2002, Mackenzie had \$115 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.

Mackenzie's U.S.-based asset management operations are provided by Mackenzie Investment Management Inc. (Mackenzie Investment), an 86 per cent owned subsidiary and public company. 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 nine month

periods ended September 30, 2002 were US\$0.7 billion and US\$0.9 billion respectively, as compared to US\$1.3 billion and US\$1.6 billion for the corresponding periods last year. On August 29, 2002, Mackenzie announced that it has entered into an agreement to sell Mackenzie Investment. The details of this transaction are discussed later in this report in the Outlook section.

REVIEW OF SEGMENT OPERATING RESULTS

Mackenzie's earnings from operations before interest and taxes for the three and nine months ended September 30, 2002 are presented in Table 5. Mackenzie's operating results have been consolidated with the Company's results from the date of acquisition (April 20, 2001). Pro-forma operating results for the nine month period ended September 30, 2001 have been presented to provide a more informative analysis of Mackenzie's results.

(\$ Millions)	Three months ended September 30			Nine months ended September 30		
	2002	2001	Change	2002	Pro-Forma 2001	Change
Fee and net investment income						
Management	\$ 146.4	\$ 146.9	(0.3)%	\$ 467.5	\$ 464.1	0.7 %
Administration	36.8	34.1	7.9	112.8	114.3	(1.3)
Distribution	11.6	11.9	(2.5)	34.5	38.4	(10.2)
Net investment income and other	3.8	5.1	(25.5)	13.4	16.7	(19.8)
	198.6	198.0	0.3	628.2	633.5	(0.8)
Operating expenses						
Commissions	38.2	39.9	(4.3)	117.0	128.3	(8.8)
Trailer fees	36.6	35.2	4.0	116.8	112.3	4.0
Non-commission expenses	72.2	76.3	(5.4)	227.3	248.5	(8.5)
	147.0	151.4	(2.9)	461.1	489.1	(5.7)
Earnings before interest and taxes	\$ 51.6	\$ 46.6	10.7 %	\$ 167.1	\$ 144.4	15.7 %

Fee and Net Investment Income

Management fees were \$146.4 million for the three months ended September 30, 2002, a decrease of \$0.5 million from \$146.9 million in the corresponding period last year. Management fees in the nine month period ended September 30, 2002 were \$467.5 million, an increase of \$3.4 million from \$464.1 million in the comparative period last year. In both the three and nine month periods ended September 30, 2002, the management fees earned by Mackenzie's Canadian asset management operations increased as compared to the corresponding 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 as 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 by a decrease in management fees earned by Mackenzie Investment.

Administration fees include the following main components: recovery of operating expenses related to mutual 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. Administration fees were \$36.8 million for the three month period ended September 30, 2002, an increase of \$2.7 million from \$34.1 million in the comparative period last year. This increase is primarily attributed to the recovery of costs associated with the production of the semi-annual client statements. In the current period this expense and the corresponding expense recovery from the funds was recorded in the current quarter, however in the previous year it was recorded in the second quarter. Administration fees in the nine month period ended September 30, 2002 were \$112.8 million,

as compared to \$114.3 million in the corresponding period last year. The decline is attributable to a reduction in the recovery of operating expenses from Mackenzie Investment's funds due to a decrease in its assets under administration.

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 \$0.3 million to \$11.6 million in the three month period ended September 30, 2002 from \$11.9 million in the comparative period. Distribution revenue in the nine month period ended September 30, 2002 was \$34.5 million, a decrease of \$3.9 million from 2001. Although the level of mutual fund redemptions increased in the three and nine month periods ended September 30, 2002 as compared to the corresponding periods last year, distribution revenue has declined. This decline was due to an increase in the value of units of mutual funds sold on a deferred basis which are no longer subject to a redemption fee coupled with the continuing decline in the redemption charge scale.

Net investment and other income represent the net interest margin from the MRS lending and deposit operation. Net investment income for the three month period ended September 30, 2002 was \$3.8 million, a decrease of \$1.3 million from \$5.1 million in the corresponding period last year. Net investment income was \$13.4 million in the nine month period ended September 30, 2002 as compared to \$16.7 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 September 30, 2002 decreased \$1.7 million to \$38.2 million from \$39.9 million in the corresponding period. Commissions expense in the nine month period ended September 30, 2002 was \$117.0 million as compared to \$128.3 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 \$36.6 million for the three month period ended September 30, 2002, an increase of \$1.4 million from \$35.2 million in the corresponding period last year. Trailer fees in the nine month period ended September 30, 2002 were \$116.8 million as compared to \$112.3 million in 2001. These increases are consistent with the growth in Mackenzie's average mutual fund assets under management in the current period as compared to the corresponding periods in 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 \$4.1 million to \$72.2 million in the three month period ended September 30, 2002 from \$76.3 million in the comparative period. Non-commission expenses in the nine month period ended September 30, 2002 were \$227.3 million, a decrease of \$21.2 million from \$248.5 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 \$6.17 billion at September 30, 2002 compared to \$6.12 billion at December 31, 2001.

The Company's holdings of securities were \$187.8 million at September 30, 2002 – a decrease of \$60.4 million or 24.3%. Securities currently represent 3.0% of total assets as compared with 4.1% at December 31, 2001. The market value of the Company's portfolio at September 30, 2002 exceeded cost by \$120.9 million compared with \$163.6 million at December 31, 2001.

Loans, which include both mortgage and personal loans, decreased by 1.4%, or \$9.1 million, to \$646.0 million at September 30, 2002 and represent 10.5% of total assets, compared to 10.7% at December 31, 2001. A decrease of \$24.8 million in mortgages and personal loans related to the Company's intermediary activities was offset in part by an increase in residential loans held in the Company's mortgage banking operations. The origination of residential loans, sourced with the assistance of Investors Group Consultants, are primarily designated for sale to third parties on a fully serviced basis.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's operating liquidity is required for:

- 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 September 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 \$874.8 million for the nine months ended September 30, 2002, an increase of 17.3% from \$745.5 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 September 30, 2002, the market value of the marketable securities in its portfolios and its unregulated subsidiaries was \$266.1 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 demonstrated when funds were raised to finance its acquisition of Mackenzie.

Capital Resources

Shareholders' equity increased to \$2.89 billion as at September 30, 2002 from \$2.68 billion at December 31, 2001. During the same period, long-term debt decreased slightly to \$1.33 billion. To achieve its strategic objectives, the Company's capital management policy 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 on a run rate basis by the end of the second quarter of 2003, two years after the acquisition. As at September 30, 2002, total annual synergies of \$72 million per year (pre-tax basis) had been achieved which is in excess of 70 per cent of the stated target. This total is comprised of \$54 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 management 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 mutual fund clients 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 September 30, 2002, the unexpended portion of the restructuring provision was \$73.2 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.

DISPOSITION OF MACKENZIE INVESTMENT

On August 29, 2002 Mackenzie and its majority-owned (85.7 per cent) subsidiary, Mackenzie Investment entered into an agreement to sell Mackenzie Investment to Waddell & Reed Financial, Inc. The total value of the transaction is US\$74 million subject to price adjustments based on the value of certain Mackenzie Investment fund assets and Mackenzie Investment's working capital at closing. The value of Mackenzie's interest is US\$63 million payable in cash.

The transaction is expected to close in December 2002 and is subject to various closing conditions including approvals by the Board of Trustees and the unitholders of Mackenzie Investment's US Ivy Funds, Mackenzie Investment shareholders, and all regulatory approvals.

The decision to sell Mackenzie Investment is part of Mackenzie's strategy to focus on its core Canadian distribution operations and the needs of Canadian independent financial advisors and their clients. Mackenzie plans to retain Waddell & Reed to sub-advise on select Mackenzie funds distributed in Canada.

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, protect its client base and expand its market share.

On October 24, 2002, Investors Group launched Investors Group Corporate Class Inc., Canada's largest tax advantaged fund structure featuring fee-free tax deferred switching among 46 brand-name funds. The funds include offerings of Investors Group's own Masterseries™ Funds advised by I.G. Investment Management, Ltd. as well as funds advised by AGF Funds Inc., Beutel, Goodman & Company, Fidelity Investments, Franklin Templeton Investments, Goldman Sachs Asset Management, Janus International, Mackenzie, and Sceptre Investment Counsel. 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 incurring additional fees or immediate tax consequences. Eight of the Corporate Class funds, including six global sector funds which provide Investors Group clients with an additional way of diversifying their portfolio, are new mandates in the structure and will be advised by I.G. Investment Management, Ltd. and Mackenzie. 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.

On November 6, 2002, Investors Group and affiliates Great-West Life and London Life announced the signing of a definitive agreement with National Bank of Canada to deliver banking products and services through their respective distribution networks. The range of products will include investment loans, lines of credit, deposit accounts and credit cards under branding unique to the distributors.

MARKET INFLUENCES

Industry

At September 30, 2002, mutual fund industry assets in Canada totalled \$381.1 billion, a decrease of 8.5% from \$416.6 billion at June 30, 2002 and 10.6% from \$426.4 billion at December 31, 2001.

The \$45.3 billion or 10.6% decrease in industry assets from December 31, 2001 reflects year-to-date net sales of \$5.3 billion, the inclusion of approximately \$6.5 billion of new assets that were not previously categorized as mutual fund assets, offset by an estimated \$57.1 billion decrease from negative market action. This negative market action represents 13.4% of year end 2001 industry assets. In the most recent three month period, the decline of \$35.5 billion or 8.5% reflects net redemptions of \$2.3 billion, the inclusion of approximately \$0.9 billion of new assets and an estimated \$34.1 billion decrease from negative market action. Negative market action represents approximately 8.2% of industry assets as at June 30, 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 combined redemption rate for long term funds for Investors Group and Mackenzie mutual funds was 10.6% at September 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 14.9%

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		Nine months ended	
(in thousands of dollars except per share amounts)	September 30		September 30	
	2002	2001	2002	2001
Fee and net investment income				
Management	\$ 335,965	\$ 360,803	\$ 1,071,322	\$ 911,271
Administration	75,148	71,792	223,025	173,771
Distribution	34,595	33,783	103,510	91,748
Net investment income and other	33,467	36,149	94,539	96,983
Total fee and net investment income	479,175	502,527	1,492,396	1,273,773
Operating expenses				
Commission expense	120,045	135,218	384,726	363,343
Non-commission expenses	131,769	150,948	420,129	376,241
Interest expense	19,801	25,758	60,043	51,162
Restructuring costs	—	—	—	95,610
Total operating expenses	271,615	311,924	864,898	886,356
Income before income taxes and non-controlling interest	207,560	190,603	627,498	387,417
Income taxes	77,963	74,840	240,386	157,746
	129,597	115,763	387,112	229,671
Non-controlling interest	(246)	19	(193)	155
Net income before goodwill amortization	129,843	115,744	387,305	229,516
Goodwill amortization, net of tax	—	26,263	—	46,679
Net income	129,843	89,481	387,305	182,837
Preferred dividends	5,175	5,175	15,525	8,124
Net income available to common shareholders	\$ 124,668	\$ 84,306	\$ 371,780	\$ 174,713
Earnings per common share (in dollars) (Note 4)				
– Basic	\$ 0.473	\$ 0.320	\$ 1.411	\$ 0.723
– Diluted	\$ 0.471	\$ 0.319	\$ 1.402	\$ 0.720
Average number of common shares (in thousands)				
– Basic	263,568	263,451	263,407	241,791
– Diluted	264,962	264,376	265,171	242,678

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited)	Nine months ended September 30	
(in thousands of dollars)	2002	2001
Balance, beginning of period	\$ 884,531	\$ 823,529
Net income	387,305	182,837
Dividends		
Preferred	(15,525)	(8,124)
Common	(167,333)	(132,731)
Share issue expense, net of tax	—	(5,658)
Balance, end of period	\$ 1,088,978	\$ 859,853

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited) (in thousands of dollars)	September 30 2002	December 31 2001
Assets		
Cash and short term investments	\$ 797,237	\$ 854,275
Securities	187,816	248,205
Loans	645,994	655,094
Investment in affiliate	315,405	297,810
Deferred selling commissions	724,614	657,221
Other assets	343,248	388,941
Goodwill and intangible assets (Note 2)	3,151,075	3,020,922
	\$ 6,165,389	\$ 6,122,468
Liabilities		
Deposits and certificates	\$ 700,233	\$ 671,248
Bankers' acceptances	241,000	497,000
Other liabilities	713,153	779,853
Future income taxes	285,050	120,234
Long term debt	1,325,554	1,362,268
Non-controlling interest	12,895	13,621
	3,277,885	3,444,224
Shareholders' Equity		
Share capital		
Preferred	360,000	360,000
Common	1,436,511	1,431,163
Retained earnings	1,088,978	884,531
Foreign currency translation adjustment	2,015	2,550
	2,887,504	2,678,244
	\$ 6,165,389	\$ 6,122,468

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended		Nine months ended	
(in thousands of dollars)	September 30		September 30	
	2002	2001	2002	2001
Operating activities				
Net income	\$ 129,843	\$ 89,481	\$ 387,305	\$ 182,837
Adjustments to determine net cash from operating activities				
Future income taxes	2,229	266	35,913	(58,584)
Commission expense	48,905	61,900	157,463	179,240
Depreciation	6,487	10,031	21,413	20,162
Goodwill amortization	–	26,605	–	47,391
Other	2,195	(23,001)	(86,113)	37,768
	189,659	165,282	515,981	408,814
Commissions paid	(53,468)	(54,080)	(224,856)	(174,336)
	136,191	111,202	291,125	234,478
Financing activities				
Increase in customer deposits	1,586	39,796	28,985	20,984
(Repayment) net proceeds on bankers' acceptances	–	(400,000)	(256,000)	497,000
Proceeds from bank term loan	–	–	–	550,000
Issue of debentures	–	–	–	600,000
Repayment of long term debt	(11,860)	(22,301)	(36,882)	(24,086)
Issue of common shares	391	204	5,348	370,686
Issue of preferred shares	–	–	–	360,000
Share issuance costs	–	–	–	(9,708)
Preferred dividends paid	(5,175)	(5,175)	(15,525)	(8,124)
Common dividends paid	(54,042)	(46,100)	(158,025)	(116,379)
Shares purchased for cancellation	–	(14,137)	–	(14,137)
	(69,100)	(447,713)	(432,099)	2,226,236
Investing activities				
Acquisition of Mackenzie Financial Corporation less cash and short term investments acquired	–	–	–	(2,601,695)
Purchase of securities	–	(296)	(18,790)	(24,801)
Proceeds from the sale of securities	6,369	17,804	102,496	270,013
Increase in loans	(50,060)	(121,691)	(134,271)	(761,904)
Proceeds from securitizations	98,011	–	143,572	631,767
Net proceeds from the sale of (additions to) real estate	54	(1,107)	429	252
Additions to capital assets	(3,911)	(17,621)	(9,500)	(22,865)
	50,463	(122,911)	83,936	(2,509,233)
Increase (decrease) in cash and cash equivalents	117,554	(459,422)	(57,038)	(48,519)
Cash and cash equivalents, beginning of period	679,683	1,127,105	854,275	716,202
Cash and cash equivalents, end of period	\$ 797,237	\$ 667,683	\$ 797,237	\$ 667,683
Cash	\$ 206,471	\$ 95,632	\$ 206,471	\$ 95,632
Short term investments	590,766	572,051	590,766	572,051
	\$ 797,237	\$ 667,683	\$ 797,237	\$ 667,683

(See accompanying notes to interim consolidated financial statements.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 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 of 2002 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 \$77,361 (\$77,124 after tax) in goodwill amortization in the nine month period ended September 30, 2002. In addition, adoption of this standard resulted in an increase of \$3,735 in net investment income as goodwill relating to the Company's equity accounted investment in Great West Lifeco, Inc. was not amortized in the nine month period ended September 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 nine months ended September 30 on a consistent basis with the presentation in effect since January 1, 2002.

	Three months ended		Nine months ended	
	2002	September 30 2001	2002	September 30 2001
Reported net income available to common shareholders	\$ 124,668	\$ 84,306	\$ 371,780	\$ 174,713
Add back:				
Goodwill amortization ⁽¹⁾	–	27,508	–	50,414
Net income adjusted for goodwill	\$ 124,668	\$ 111,814	\$ 371,780	\$ 225,127
Basic earnings per share				
– Reported	\$ 0.473	\$ 0.320	\$ 1.411	\$ 0.723
– Adjusted for goodwill	\$ 0.473	\$ 0.424	\$ 1.411	\$ 0.931
Diluted earnings per share				
– Reported	\$ 0.471	\$ 0.319	\$ 1.402	\$ 0.720
– Adjusted for goodwill	\$ 0.471	\$ 0.423	\$ 1.402	\$ 0.928

⁽¹⁾ Includes amortization of goodwill on investment in affiliate reported in Net investment income and other

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 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 \$84 was recorded for the nine months ended September 30, 2002 for stock-based compensation related to non-employees.

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

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 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

	September 30 2002	December 31 2001
Common shares outstanding	263,573,173	263,081,731
Common share stock options		
– outstanding	5,808,994	6,389,231
– exercisable	1,877,915	1,469,961

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 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 September 30		Nine months ended September 30	
	2002	2001	2002	2001
a) Earnings				
Net income – common shareholders	\$ 124,668	\$ 84,306	\$ 371,780	\$ 174,713
b) Number of common shares (in thousands)				
Average number of common shares outstanding	263,568	263,451	263,407	241,791
Add: Potential exercise of outstanding stock options	1,394	925	1,764	887
Average number of common shares outstanding – diluted basis	264,962	264,376	265,171	242,678
Earnings per common share (a) divided by (b) (in dollars)				
Basic	\$ 0.473	\$ 0.320	\$ 1.411	\$ 0.723
Diluted	\$ 0.471	\$ 0.319	\$ 1.402	\$ 0.720

5. Segmented information

Three months ended September 30

2002	Investors Group		Corporate and Other	Total
		Mackenzie		
Income	\$ 277,323	\$ 198,632	\$ 3,220	\$ 479,175
Expenses	104,766	147,048	–	251,814
Earnings before interest and taxes	\$ 172,557	\$ 51,584	\$ 3,220	227,361
Restructuring costs				–
Interest expense				19,801
Net income before income taxes				207,560
Income taxes				77,963
Non-controlling interest				(246)
Net income before goodwill amortization				129,843
Goodwill amortization				–
Net income				\$ 129,843
<hr/>				
2001	Investors Group		Corporate and Other	Total
Income	\$ 294,513	\$ 198,016	\$ 9,998	\$ 502,527
Expenses	134,691	151,475	–	286,166
Earnings before interest and taxes	\$ 159,822	\$ 46,541	\$ 9,998	216,361
Restructuring costs				–
Interest expense				25,758
Net income before income taxes				190,603
Income taxes				74,840
Non-controlling interest				19
Net income before goodwill amortization				115,744
Goodwill amortization				26,263
Net income				\$ 89,481

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2002 (unaudited)

(in thousands of dollars, except share amounts)

5. Segmented information (cont'd)

Nine months ended September 30

2002	Investors Group	Mackenzie	Corporate and Other	Total
Income	\$ 851,168	\$ 628,200	\$ 13,028	\$ 1,492,396
Expenses	343,707	461,148	–	804,855
Earnings before interest and taxes	\$ 507,461	\$ 167,052	\$ 13,028	687,541
Restructuring costs				–
Interest expense				60,043
Net income before income taxes				627,498
Income taxes				240,386
Non-controlling interest				(193)
Net income before goodwill amortization				387,305
Goodwill amortization				–
Net income				\$ 387,305
Total assets under management and administration	\$ 38,576,551	\$ 35,043,270	\$ 660,463	\$ 74,280,284

2001	Investors Group	Mackenzie	Corporate and Other	Total
Income	\$ 871,695	\$ 364,217	\$ 37,861	\$ 1,273,773
Expenses	457,606	281,978	–	739,584
Earnings before interest and taxes	\$ 414,089	\$ 82,239	\$ 37,861	534,189
Restructuring costs				95,610
Interest expense				51,162
Net income before income taxes				387,417
Income taxes				157,746
Non-controlling interest				155
Net income before goodwill amortization				229,516
Goodwill amortization				46,679
Net income				\$ 182,837
Total assets under management and administration	\$ 42,571,056	\$ 32,106,148	\$ 849,417	\$ 75,526,621

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 September 30, 2002, the unexpended portion of the restructuring provision was \$73.2 million.

7. Disposition of Mackenzie Investment Management Inc. (Mackenzie Investment)

On August 29, 2002, Mackenzie and its majority-owned (85.7 per cent) subsidiary, Mackenzie Investment entered into an agreement to sell Mackenzie Investment to Waddell & Reed Financial, Inc. The total value of the transaction is US\$74 million subject to price adjustments based on the value of certain Mackenzie Investment fund assets and Mackenzie Investment's working capital at closing. The value of Mackenzie's interest is US\$63 million payable in cash. The closing of the transaction is expected to take place in December 2002 and is conditional upon various closing conditions including approvals by the Board of Trustees and the unitholders of Mackenzie Investment's US Ivy Funds, Mackenzie Investment shareholders, and all regulatory approvals.

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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