

Plan the Future

From our position of leadership and strength, we are building our future in the personal financial services market today. We are committed to providing excellence, quality and value to our clients and to the advisors and consultants who serve them. We understand that it is only through meeting this commitment that we will continue to deliver strong financial returns to our shareholders over the long term.



Report to Shareholders

Financial markets around the world recorded sharply improved performance over much of the year, after an extended period of weakness. Clients who took a long-term view of their investments these past few years were indeed well rewarded in 2003.

FINANCIAL RESULTS

The attractive investment returns experienced by clients in 2003 were, however, slow to translate into renewed client confidence. Flows into the Company's mutual fund and other asset management products did not begin to show signs of improvement until very late in the year.

Investors Group Inc. nonetheless recorded another strong year of financial results in 2003. Despite average mutual fund asset levels which were 4.4% lower than in 2002, net income attributable to common shareholders for the year ended December 31, 2003, excluding the items noted below, was \$533.5 million compared to \$491.1 million in 2002. Earnings per share on this basis were \$2.01 compared to \$1.85 in 2002, an increase of 8.6%.

Net income excludes :

- a dilution gain of \$14.8 million resulting from the reduction in the Company's percentage ownership of Great-West Lifeco Inc. related to their acquisition of Canada Life;
- the reversal of \$24.8 million (\$15.6 million after-tax) of restructuring costs related to the Mackenzie acquisition; and
- a non-cash income tax charge of \$24.8 million related to the impact of increases in Ontario income tax rates on the future income tax liability related to indefinite life intangibles.

Net income attributable to common shareholders for the year ended December 31, 2003 including these items was \$539.1 million and earnings per share were \$2.03.

Lower fee revenue in 2003 was offset by several factors, with lower costs being the most significant of these. The expense performance was the result, in part, of the Company's two operating units – Investors Group and Mackenzie Financial Corporation – working together to achieve the synergy targets which were established two years earlier at the time of the Mackenzie acquisition. The lower expense levels were also the result of the Company's ongoing cost containment efforts and lower commission levels. Higher net investment income and lower taxes were other factors which contributed to the increase in earnings.

Dividends increased for the fourteenth consecutive year, rising 13 cents to 99 cents per share.

2003 PRIORITIES

The Company's activities and decision-making are guided by a long-term view of our industry and our business. The future prospects for advice-based financial services in Canada is positive, and the Company seeks to utilize its advantages of scale,

strong brands, multiple distribution channels and financial strength to establish and maintain a leadership position well into the future.

A number of important changes and strategic investments were made in the Company's operations to enhance the competitiveness of the products and services offered by Investors Group and Mackenzie. These included:

- A realignment of Investors Group's pricing structure and consultant compensation, along with improved strategic investment planning tools to assist consultants in the construction of client portfolios.
- The continued enhancement of Mackenzie's mutual fund product shelf, including new product introductions, sub-advisory relationships and the recruitment of key portfolio management and asset allocation personnel.
- The introduction of banking products and services for Investors Group in conjunction with National Bank of Canada.

The Company seeks to utilize its advantages of scale, strong brands, multiple distribution channels and financial strength to establish and maintain a leadership position well into the future.

These enhancements were achieved while the Company's management and personnel also focused on the three specific priorities which had been established for the year, being:

- pursuing opportunities created by the Mackenzie acquisition;
- growing the level of assets under management; and
- managing expenses prudently.

MACKENZIE OPPORTUNITIES

The Company surpassed its goal of achieving \$100 million in annual cost and revenue opportunities flowing from the Mackenzie acquisition during the second quarter. Prior to year end, the Company also successfully completed one of the largest projects undertaken as part of the transition process – the move to a single mutual fund unit-holder administration system for Investors Group and Mackenzie which preserves the integrity and privacy of each company's client base. This was the single biggest systems conversion ever in the mutual fund industry, and the resulting scale will provide numerous advantages in the years to come.

While the targeted synergies have been realized, the Company will continue to focus on a number of opportunities between Investors Group and Mackenzie for product and service enhancements and operating efficiencies in a number of areas.

GROWTH IN ASSETS

The strength of the financial markets resulted in higher mutual fund assets on a consolidated basis at the end of 2003 versus the levels at the start of the year. Mutual fund assets were \$74.7 billion at year-end, up 9.1%.

EXPENSE MANAGEMENT

The Company continued to focus on expense management measures beyond the cost-reduction opportunities created by the transition activities. These measures were designed to gain efficiencies and reduce expenditures without affecting the quality of service we provide to clients, consultants and advisors. Through prudent management, non-commission expenses were reduced by 7.7% or \$41.2 million relative to the prior year.

A number of important changes and strategic investments were made in the Company's operations to enhance the competitiveness of the products and services offered by Investors Group and Mackenzie.

We enter 2004 as an even stronger company, confident in our ability to manage change in a positive and effective manner.

PURCHASE OF GREAT-WEST LIFECO INC. COMMON SHARES

During 2003, Investors Group Inc. supported Great-West Lifeco in its acquisition of Canada Life by purchasing \$100 million of common shares issued as part of the financing of the transaction. The Company believes the acquisition of Canada Life is attractive to Great-West Lifeco from both a strategic and financial perspective.

BOARD OF DIRECTORS

Retiring from the Board in 2003 were H. Sanford Riley and The Honourable P. Michael Pitfield. Mr. Riley was a Director of the Company from 1992 to 2003, President and Chief Executive Officer from 1992 until 2001, and Chairman of the Board from 2001 until 2002. The Honourable P. Michael Pitfield served as a Director of the Company since 1986. We wish to thank Mr. Riley and Mr. Pitfield for their contributions to the Company over the years.

The Board of Directors wishes to thank our many employees and the consultants and advisors with whom we partner for their continued efforts, support and commitment, and without whom the Company's success would not be possible.

LOOKING TO THE FUTURE

The priorities for 2004 will build upon those of the past several years. We will place an even greater emphasis upon pursuing growth opportunities, while remaining conscious of the need to remain focused on cost-competitiveness.

We enter 2004 as an even stronger company, confident in our ability to manage change in a positive and effective manner.

We are committed to providing excellence, quality and value to our clients and the advisors and consultants who serve them. We understand that it is only through meeting this commitment that we will continue to deliver strong financial returns to our shareholders over the long term.

On behalf of the Board of Directors,



R. Jeffrey Orr
President and Chief Executive Officer
Investors Group Inc.
January 30, 2004