



The positive market performance in 2003 was a welcome development for Mackenzie's business and for our entire industry. As investor confidence returns with the market, Mackenzie's depth of talent and innovative products will stand out and should be rewarded with both market share and sales.

The return of market momentum will be very positive for shareholders and fund investors. Expenses continue to be a concern for independent financial advisors and investors and we are managing costs and carefully seeking efficiencies for all stakeholders. In 2003, Mackenzie's contribution to Investors Group Inc.'s earnings from operations before interest and taxes increased to \$221.4 million from \$217.9 million in 2002. Just as important, we generated \$3 billion in market returns for investors in our mutual funds.

Mackenzie management also continued to pursue synergy goals among its affiliated organizations within the Power Financial group of companies. Together, we exceeded the stated goal for shareholder and unitholder synergies of \$100 million in 2003. We believe that additional opportunities will continue to be achieved within the group.

As one example, in November 2003 we completed the transfer of Investors Group's mutual fund unitholder systems to Mackenzie's industry leading software platform. This conversion will significantly reduce future unitholder costs as both Mackenzie and Investors Group now maintain only one world-class software platform which serves two separate and distinct fund administration teams. One of the key features of the software is its secure multi-company capability which preserves the integrity and privacy of each company's client base.

The rising markets of this past year are good news, but we are still operating in a highly competitive environment. For this reason, we have been unrelenting in adding to our already strong team of investment managers. During 2003 we added to our pool of talent with the arrival of two-time Canadian Fund Manager of the Year Ian Ainsworth and his colleague Mark Grammer. Peter Dawkins, former Managing Director of Institutional Equity Research at a major Canadian bank-owned brokerage firm, was hired as Chief Investment Officer and Karen Bleasby, Chief Investment Officer of a former competitor joined us to work on quantitative and

asset allocation products. We also appointed very accomplished managers from the U.S. firm of Waddell & Reed Ivy Investment Company to sub-advise assets in several of our funds.

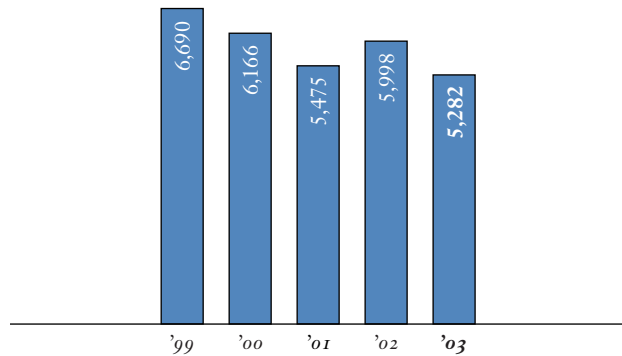
The business of Mackenzie is to provide investment solutions and products to independent financial advisors and their clients. Accordingly, industry-leading investment results are a fundamental focus of our company. We believe investment results are the number one critical success factor in our segment of the industry. The following points illustrate the strength of Mackenzie's team:

- Throughout the year we had more five star Morningstar[†] funds than any other Canadian mutual fund company.
- 90.1% of Mackenzie's mutual fund assets were in the first or second quartile on a ten-year basis at December 31, 2003.
- At the Canadian Investment Awards Gala for 2003, Mackenzie won eight awards for the second consecutive year, including Peter Cundill's "Analysts' Choice Fund Manager of the Year" and Chief Investment Strategist Fred Sturm's second consecutive award for "Specialty Fund of the Year".
- Among our managers Peter Cundill, Jerry Javasky and Ian Ainsworth, one of these Mackenzie fund managers has won the industry's most prestigious "Analysts' Choice Fund Manager of the Year" award five of the last six years – a record of which we are especially proud.

The skills and expertise of our marketing and sales group were also demonstrated with the winning of the "Print Advertising Award" for the "Some people are lucky, for the rest of us it takes planning" campaign.

SALES OF MUTUAL FUNDS

For the financial year (\$ millions)



Our marketing team completed a major re-positioning initiative to properly showcase our fund brands within the Mackenzie corporate identity. This approach allows us to promote our corporate name and integrate separate fund brands with distinct service concepts such as our group RRSP business and Private Client services for independent financial advisors and their clients.

In 2003, Mackenzie had gross sales of \$5.3 billion, the highest in the independent advice channel of the industry. This led to \$209 million in net sales for long-term funds, a result that was among the best for major independent fund companies. We continue to support, train and maintain a wholesale fund sales force which independent financial advisors rate as the best in the industry.

Our track record in product development and innovation continued at an active pace in 2003. For example, we have focused on improving the tax planning opportunities and the tax deferral available from Mackenzie's new, improved Capital Class Funds. With the launch of RRSP Canadian content eligibility and other products soon to

be introduced, a more tax efficient fund, structured investment product, or income trust would be difficult to find in Canada. The unique new Capital Class structure should be a powerful platform to compete against alternative investment products such as income trusts and closed-end funds. Our new Symmetry product line brings together the best of strategic asset allocation and advice to provide a level of customization not available with most other programs. As part of Mackenzie's proprietary Capital Class structure, Symmetry offers a level of tax optimization unmatched among wrap programs in Canada. The structure enhances the tax deferral attributes of certain fund classes for investors who wish to compound their investment tax-free until such time as they dispose of their investment. The product is also useful for investors and their families who require tax efficient current income.

Mackenzie also introduced two new fund brands in 2003: Sentinel and Select Managers*. Sentinel is comprised of fourteen of Mackenzie's existing income funds and Select Managers* is comprised of six of the former Universal Select Managers' funds.

We also launched three CIBC FULPaY[†] Mackenzie Funds-Linked Deposit Notes during the year. These products provide full protection of the principal and the potential to deliver equity-like returns. Total sales exceeded \$100 million in 2003.

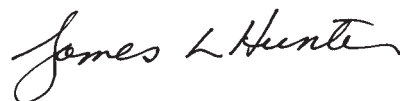
We continue to benefit from the support and contribution of our trust and administrative services operations at M.R.S. Trust Company, Multiple Retirement Services Inc., M.R.S. Securities Services Inc. and Winfund Software Corp. Collectively, these firms allow us to internalize revenue, reduce costs and support independent financial advisors.

Looking ahead, the MRS Group of Companies sees significant opportunities to broaden its services and dealer revenue base using its superior technology and low cost multi-dealer mutual fund processing and net settlement systems. In addition, several potential synergies have been identified between MRS's securities business, MRS's mutual fund dealer services business, Winfund's business and various businesses of our sister company, Investors Group. Work is ongoing to capture those synergies and to internalize revenue currently paid to third party software and other service providers.

In summary, we concluded the year with over one million clients across Canada and over \$38 billion in assets under management and administration. Mackenzie works with nearly 40,000 independent financial advisors across Canada and has a 7.7% market share among Investment Fund Institute of Canada member mutual fund manufacturers.

Mackenzie has never been in a better position to deliver prosperity and growth. We enjoy a powerful combination of resources within the Power Financial group of companies, an entrepreneurial management team and innovative industry-leading products.

On behalf of our dedicated employees I would like to thank our stakeholders, our Boards of Directors, and our dealers and their independent financial advisors for their outstanding support.



James L. Hunter
President and Chief Executive Officer
Mackenzie Financial Corporation