IGI

Investors Group Inc.

Timeless Principles. Fundamental Strength.

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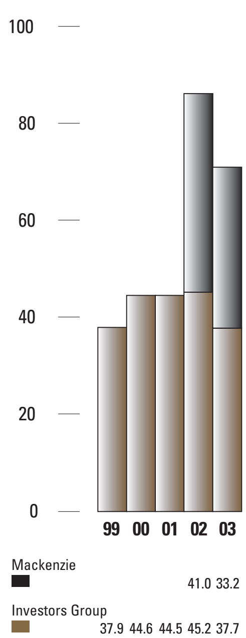
First Quarter Report—For the three months ended March 31, 2003

FINANCIAL HIGHLIGHTS

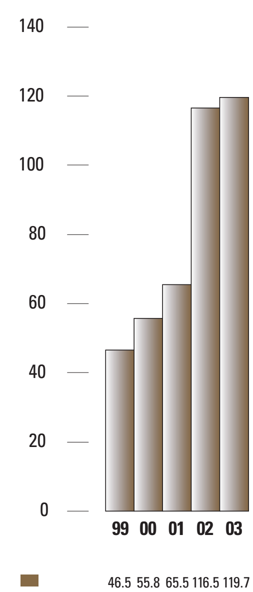
As at and for the three months ended March 31	2003	2002	Change
Net income available to common shareholders ($ Millions)	**$ 119.7**	$ 116.5	2.8 %
Diluted earnings per share	**0.452**	0.440	2.7
Dividends per share	**0.240**	0.205	17.1
Return on equity	**17.6 %**	19.8 %	
($ Millions)			
Mutual funds			
Investors Group			
Sales	**$ 1,221.3**	$ 1,730.8	(29.4)%
Net sales	**(81.4)**	569.5	(114.3)
Assets under management	**35,654.7**	43,079.6	(17.2)
Mackenzie Financial Corporation[1]			
Sales	**1,498.8**	1,828.7	(18.0)
Net sales	**0.8**	240.8	(99.7)
Assets under management	**28,762.1**	34,706.9	(17.1)
Combined mutual fund assets under management	**64,416.8**	77,786.5	(17.2)
Insurance in force (face amount)	**28,317.7**	25,126.9	12.7
Securities operations assets under administration	**4,674.8**	4,418.8	5.8
Mortgages serviced	**6,793.6**	7,463.0	(9.0)
Deposits and certificates	**759.0**	680.8	11.5
Clients	**2,582,968**	2,663,424	(3.0)%
Client accounts	**9,439,322**	9,657,048	(2.3)
Consultants	**3,246**	3,361	(3.4)
Employees	**3,177**	3,507	(9.4)
Financial Planning Centres	**108**	103	4.9

[1] Canadian operations only.

Client Assets Under Management and Administration
As at March 31
($ Billions)

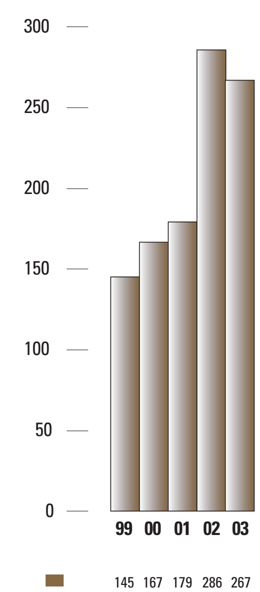


Net Income*
For the three months ended March 31
($ Millions)



Excluding goodwill amortization

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the three months ended March 31
($ Millions)



IGI

Experience has taught us that focusing upon fundamentals is the best way to make sound decisions, both in times of great optimism and in times of uncertainty.

To Our Shareholders

Interim consolidated financial statements for the three months ended March 31, 2003 are presented with this report.

Financial Results

Net income attributable to common shareholders for the three months ended March 31, 2003 was $119.7 million compared to $116.5 million for the same period in 2002. Earnings per share were 45.2 cents compared with 44.0 cents in 2002.

Investors Group Operations

Through the Investors Group Consultant Network, mutual fund sales for the three month period were $1.2 billion compared to $1.7 billion in the prior year and mutual fund net redemptions were $81 million compared to net sales of $570 million last year.

Mutual fund assets under management at March 31, 2003 of $35.7 billion compared to $43.1 billion at March 31, 2002.

Investors Group's redemption rate at March 31, 2003, excluding money market funds, was 10.9 per cent compared to 9.1 per cent a year ago. The redemption rate for all other members of the Investment Funds Institute of Canada at March 31, 2003 was 15.3 per cent.

The number of Investors Group Consultants was 3,246 at March 31, 2003, compared to 3,324 at year end.

Mackenzie Operations

Mutual fund sales for the three month period were $1.5 billion compared to $1.8 billion in the prior year. Mutual fund net sales for the period were $1 million compared to $241 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were $43 million for the period, compared with net sales of $440 million in 2002.

Mutual fund assets under management at March 31, 2003 were $28.8 billion compared to $34.7 billion at March 31, 2002.

Mackenzie's redemption rate at March 31, 2003, excluding money market and managed yield funds, was 12.7 per cent compared to 11.5 per cent a year ago.

Industry Overview

The third year of the bear market, combined with global tensions and corporate governance concerns, have shaken the confidence of many Canadians in the financial markets, which has resulted in the worst RRSP season for the industry in more than a decade.

With the anticipation of war in Iraq, and then the ensuing conflict, markets remained tentative during the quarter and reacted to each day's events. As a result, many Canadians decided to defer their registered retirement contributions until the direction of the markets becomes clearer.

The Company was not immune to these influences, and although overall net sales were negative for the period, redemption rates at Investors Group and Mackenzie continued to be significantly below the industry average.

Experience has taught us that focusing upon fundamentals is the best way to make sound decisions, both in times of great optimism and in times of uncertainty. The fundamentals lead us to be optimistic about the prospects for our clients and for the Company.

We know that individuals in Canada as in other countries will continue to need to save in order to provide for their futures. We also know that equity markets have, over time, provided the most attractive financial returns of any asset class. And we believe that most Canadians are best served by managing their financial affairs based upon the advice of a knowledgeable advisor, in the context of a long-term financial plan, with a professionally managed and diversified portfolio. We believe these fundamentals will eventually overcome the current forces which are negatively impacting financial markets and will reinforce the strength of the Company's advisor-based business model.

Dividends

The Board of Directors has declared a quarterly dividend of $0.359375 per share on the Company's 5.75% Non-Cumulative First Preferred Shares, Series "A" payable on June 30, 2003 to shareholders of record on May 30, 2003 and has declared a quarterly dividend of 24 cents per share on the Company's common shares payable on July 28, 2003 to shareholders of record on June 27, 2003.

On behalf of the Board of Directors,

R. Jeffrey Orr
President and Chief Executive Officer
Winnipeg, Canada
April 28, 2003

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 months ended March 31, 2003, compared with the same period in 2002, and should be read in conjunction with the MD&A as set out on pages 21– 45 of the 2002 Annual Report.

Investors Group Inc.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

Net income available to common shareholders for the three months ended March 31, 2003 was $119.7 million, compared to $116.5 million in 2002. Earnings per share were 45.2 cents compared with 44.0 cents in 2002, an increase of 2.7%.

Shareholders' equity was $3.0 billion as at March 31, 2003, up from $2.95 billion at December 31, 2002. Return on average common equity for the three months ended March 31, 2003 was 17.6%, compared with 19.8% in 2002. The quarterly dividend per common share was increased to 24.0 cents on January 31, 2003 from 22.5 cents.

The Company's reportable segments, which reflect the current organizational structure, are Investors Group, Mackenzie, and Corporate and Other. Management measures and evaluates the performance of these segments based on earnings before interest and taxes as shown in Table 1.

Table 1: Consolidated Operating Results by Segment

	Investors Group		Mackenzie		Corporate & Other		Total	
($ Millions)	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Three months ended March 31								
Fee income	**$ 234.4**	$ 265.3	**$ 184.0**	$ 203.8	**$ –**	$ –	**$ 418.4**	$ 469.1
Net investment income and other	**22.7**	20.0	**4.3**	5.3	**9.5**	4.9	**36.5**	30.2
	257.1	285.3	**188.3**	209.1	**9.5**	4.9	**454.9**	499.3
Operating expenses								
Commissions	**45.6**	54.8	**70.5**	77.0	**–**	–	**116.1**	131.8
Non-commission	**60.0**	68.1	**70.1**	77.6	**–**	–	**130.1**	145.7
	105.6	122.9	**140.6**	154.6	**–**	–	**246.2**	277.5
Earnings before interest and taxes	**$ 151.5**	$ 162.4	**$ 47.7**	$ 54.5	**$ 9.5**	$ 4.9	**208.7**	221.8
Interest expense							**20.9**	20.3
Income before income taxes and discontinued operations							**187.8**	201.5
Income taxes							**62.9**	80.1
Income before discontinued operations							**124.9**	121.4
Discontinued operations							**–**	0.3
Net income							**124.9**	121.7
Preferred dividends							**5.2**	5.2
Net income available to common shareholders							**$ 119.7**	$ 116.5

Discussion of segment operating results for Investors Group and Mackenzie is contained later in this report. Earnings before interest and taxes for Corporate and Other, the segment which represents net investment income earned on unallocated investments, totalled $9.5 million in 2003 compared to $4.9 million in 2002.

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

- Interest expense of $20.9 million in 2003 and $20.3 million in 2002, which primarily represents the cost of financing the Mackenzie acquisition.
- Income taxes with effective rates of 33.5% in 2003 compared with 39.7% in 2002. The decline in the effective rate was due to reductions in statutory tax rates as well as other tax benefits including those related to gains on sale of securities and the Company's share of an affiliate's earnings which are reflected in Investment income and other.

Investors Group

ASSETS UNDER MANAGEMENT

The level of assets under management is influenced by four factors: sales, redemption rates, capital markets and relative investment performance. The changes in assets under management in 2003 compared with 2002 are summarized in Table 2.

Table 2: Change in Mutual Fund Assets Under Management

($ Millions)	2003	2002	Change
Three months ended March 31			
Sales			
Investors Masterseries™	**$ 1,088.1**	$ 1,410.5	(22.9)%
IG Mackenzie	**31.5**	77.5	(59.4)
*i*Profile™ funds	**9.3**	25.5	(63.5)
Partner funds	**92.4**	217.3	(57.5)
	1,221.3	1,730.8	(29.4)
Redemptions	**1,302.7**	1,161.3	12.2
Net sales	**(81.4)**	569.5	(114.3)
Market and income	**(1,852.0)**	866.1	(313.8)
Net change in assets	**(1,933.4)**	1,435.6	(234.7)
Beginning assets	**37,588.1**	41,644.0	(9.7)
Ending assets	**$ 35,654.7**	$ 43,079.6	(17.2)%
Consist of:			
Investors Masterseries™	**$ 30,937.1**	$ 37,015.8	(16.4)%
IG Mackenzie	**844.5**	844.5	–
*i*Profile™ funds	**331.8**	299.2	10.9
Partner funds	**3,541.3**	4,920.1	(28.0)
	$ 35,654.7	$ 43,079.6	(17.2)%
Average assets	**$ 36,616.7**	$ 41,989.7	(12.8)%

For the three months ended March 31, 2003, sales of Investors Group mutual funds sold through its Consultant Network were $1.22 billion, a decrease of 29.4% from 2002. This compares to an overall industry decrease in mutual fund sales of 31.6%. Mutual fund redemptions totalled $1.30 billion for the same period, an increase of 12.2% from the $1.16 billion recorded in 2002. While Investors Group's redemption rate increased to 13.4% in 2003 from 11.1% in 2002, it continues to be among the lowest in the industry. Net redemptions of Investors Group mutual funds were $81 million compared with net sales of $570 million in 2002.

Sales of long-term funds (excluding money market funds) were $962 million in 2003, compared with $1.43 billion in 2002, a decrease of 32.7%. Net redemptions of long-term funds were $102 million compared to net sales of $484 million in 2002.

Investment management services provided reasonable levels of returns throughout the period in which markets continued to be both weak and volatile. During the first quarter of 2003, Investors Masterseries™ mutual funds maintained their year-end 2002 ratings from the independent Morningstar service. Morningstar 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. At March 31, 2003, 44% of Masterseries™ funds had a four or five star rating and 85% had a rating of three stars or better, both higher than the Morningstar universe. This compares to 47% and 81% respectively for the Masterseries™ funds at December 31, 2002.

Investors Group's mutual fund assets under management were $35.7 billion at March 31, 2003, a decrease of $7.4 billion or 17.2% from March 31, 2002 and down $1.9 billion or 5.1% from December 31, 2002 levels. The decline in assets from both December 31, 2002 and March 31, 2002 reflects negative market action and net redemptions of mutual funds. These declines are consistent with the overall decline in industry assets in both periods.

REVIEW OF SEGMENT OPERATING RESULTS

Investors Group's earnings from operations before interest and taxes for the three months ended March 31, 2003 compared with 2002 are presented in Table 3.

Table 3: Operating Results

($ Millions)	**2003**	2002	Change
Three months ended March 31			
Fee and net investment income			
Management	**$ 176.6**	$ 206.9	(14.6)%
Administration	**34.9**	35.7	(2.2)
Distribution	**22.9**	22.7	0.9
Net investment income and other	**22.7**	20.0	13.5
	257.1	285.3	(9.9)
Operating expenses			
Commissions	**45.6**	54.8	(16.8)
Non-commission			
Fixed	**46.2**	51.0	(9.4)
Variable	**13.8**	17.1	(19.3)
	60.0	68.1	(11.9)
	105.6	122.9	(14.1)
Earnings before interest and taxes	**$ 151.5**	$ 162.4	(6.7)%

Fee and Net Investment Income

Investors Group earns management fees for investment management services provided to its mutual funds. For the three months ended March 31, 2003, management fee income decreased by $30.3 million or 14.6% to $176.6 million. This decrease reflects a decline of 12.8% in average mutual fund assets in 2003 compared with 2002, due principally to negative market action, and a minor shift in asset mix. In addition, 2002 results included $2.1 million in income from hedging activities related to the Company's mutual fund assets under management.

Investors Group earns administration fees for providing administrative services to its mutual funds through its subsidiaries and trusteeship services to its mutual funds through Investors Group Trust Co. Ltd. Administration fees totalled $34.9 million in 2003, down slightly from $35.7 million in 2002.

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds sold on a deferred sales charge basis, 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 was $22.9 million in 2003 compared with $22.7 million in 2002. Redemption fee revenue of $9.4 million increased by $0.6 million as a result of increased redemption activity in 2003. Other distribution fees were slightly below 2002 levels.

Net investment income is measured as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt. Net investment income and other totalled $22.7 million in 2003, an increase of 13.5% from $20.0 million in 2002. Increases in gains on sale of securities and in Investors Group's share of an affiliate's earnings were partially offset by lower mortgage banking revenues in the period.

Operating Expenses

Commission expense in 2003 decreased by $9.2 million, or 16.8%, to $45.6 million compared with $54.8 million in 2002. The decrease in commission expense was related to:

- Lower average mutual fund assets under management which resulted in lower asset retention bonus expense.
- Lower mutual fund sales in 2003.

Non-commission expenses totalled $60.0 million for the three months ended March 31, 2003 compared with $68.1 million in 2002, representing a decrease of $8.1 million, or 11.9%.

Variable expenses declined by $3.3 million in 2003 to $13.8 million and represents a decline of 19.3%. These expenses fluctuate with the level 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. Decreases were experienced in all variable expense categories in 2003 due to:

- The decline in mutual fund sales as discussed previously.
- The reduction in the Consultant Network which stood at 3,246 at March 31, 2003 compared to 3,361 one year ago and 3,324 at December 31, 2002.
- The decreases in average assets on which sub-advisory fees are based consistent with the decrease in average overall mutual fund assets.

Fixed expenses decreased by $4.8 million to $46.2 million, or 9.4%, for the three months ended March 31, 2003. The decrease in fixed costs resulted from:

- The impact of synergies related to the transition work completed to date with Mackenzie.
- Management of discretionary expenses.
- Improvements in productivity and the benefits derived from continued investment in technology.

Mackenzie

ASSETS UNDER MANAGEMENT

Mackenzie's mutual fund assets under management were $28.8 billion at March 31, 2003, a decrease of 17.1% from $34.7 billion as at March 31, 2002 and down $2.1 billion from December 31, 2002. During the three month period ended March 31, 2003, sales of Mackenzie's mutual funds were $1.5 billion, a decrease of 18.0% from the same period last year. Net sales were $0.8 million for the period ended March 31, 2003, compared with net sales of $241 million in the comparative period last year.

Market performance negatively impacted mutual fund assets by $2.1 billion during the period, as compared to a positive market contribution of $1.1 billion in the same period last year. Mackenzie's average mutual fund assets under management for the three month period ended March 31, 2003 were $29.6 billion as compared to $33.4 billion in the previous year, a decrease of 11.4%.

As at March 31, 2003, Mackenzie held the top position among fund companies for offering the most Morningstar rated five-star funds of any fund company in Canada. Morningstar 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 important component of Mackenzie's operations is the provision of investment management, administration and distribution services for other investment products. As at March 31, 2003, Mackenzie had $130.7 million in segregated funds; provided investment management services to private and institutional accounts with assets of $2.3 billion; and provided administration and distribution services to venture capital funds with $1.0 billion in net assets.

Table 4: Change in Assets Under Management and Administration

($ Millions)	**2003**	2002	Change
Three months ended March 31			
Mutual Funds			
Sales	**$ 1,498.8**	$ 1,828.7	(18.0)%
Redemptions	**1,498.0**	1,587.9	(5.7)
Net sales	**0.8**	240.8	(99.7)
Market and income	**(2,098.8)**	1,066.5	(296.8)
Net change in assets	**(2,098.0)**	1,307.3	(260.5)
Beginning assets	**30,860.1**	33,399.6	(7.6)
Ending assets	**28,762.1**	34,706.9	(17.1)
Private and Institutional Clients	**2,329.8**	2,772.6	(16.0)
Segregated Funds	**130.7**	106.0	23.3
Labour Sponsored Funds	**1,023.8**	1,026.1	(0.2)
Total	**$ 32,246.4**	$ 38,611.6	(16.5)%
Average mutual fund assets	**$ 29,611.3**	$ 33,426.7	(11.4)%

REVIEW OF SEGMENT OPERATING RESULTS

Mackenzie's earnings from operations before interest and taxes for the three months ended March 31, 2003 compared with 2002 are presented in Table 5.

Table 5: Operating Results

($ Millions)	2003	2002	Change
Three months ended March 31			
Fee and net investment income			
Management	**$ 133.7**	$ 152.9	(12.6)%
Administration	**39.0**	40.0	(2.5)
Distribution	**11.3**	10.9	3.7
Net investment income and other	**4.3**	5.3	(18.9)
	188.3	209.1	(9.9)
Operating expenses			
Commissions	**37.0**	38.3	(3.4)
Trailer fees	**33.5**	38.7	(13.4)
Non-commission	**70.1**	77.6	(9.7)
	140.6	154.6	(9.1)
Earnings before interest and taxes	**$ 47.7**	$ 54.5	(12.5)%

Fee and Net Investment Income

Management fees were $133.7 million for the three month period ended March 31, 2003, a decrease of $19.2 million from $152.9 million in the comparative period last year. This decline is consistent with the decrease in Mackenzie's average mutual fund assets under management and the decline in the average management fee rate, a result of an increase in the percentage of assets in money market and fixed income funds.

Administration fees include the following main components: 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 Group account administration business. Administration fees decreased by $1.0 million from $40.0 million in the comparative period to $39.0 million in the current period. This decrease is attributed to a decline in expenses charged to funds, consistent with the overall decline in Mackenzie's operating expenses. Somewhat offsetting this decrease is the administration fees earned by M.R.S. Trust Company for assuming responsibility for a portion of the Mackenzie mutual fund RRSP Clone counterparty activity, which commenced in December 2002.

Distribution revenue, which represents redemption fees earned on units of mutual funds sold on a deferred sales charge basis for which Mackenzie was the primary distributor, increased $0.4 million to $11.3 million in the three month period ended March 31, 2003 from $10.9 million in the comparative period last year. Although the level of mutual fund redemptions declined in 2003 as compared to the same period last year, distribution revenue increased because of a change in the mix of the redeemed units. In the current period a greater percentage of the redeemed units were long-term funds, resulting in an overall increase in the average redemption fee rate.

Net investment income and other represents the net interest margin from the M.R.S. Trust lending and deposit operations. Net investment income in the three month period ended March 31, 2003 was $4.3 million, a decrease of $1.0 million from $5.3 million in the same period last year. In the period ended March 31, 2002, M.R.S. Trust's net investment income includes a $1.1 million gain recorded on the securitization of a portfolio of investment loans. There is no corresponding securitization gain recorded in the current period.

Operating Expenses

Mackenzie's operating expenses decreased $14.0 million to $140.6 million in the three month period ended March 31, 2003 from $154.6 million in the comparative period last year.

Commissions expense, which represents the amortization of deferred selling commissions, decreased $1.3 million to $37.0 million from $38.3 million in the previous year. Mackenzie amortizes its deferred selling commissions over a maximum period of seven years. To the extent that Mackenzie receives redemption fees, the amortization of deferred selling commissions is accelerated. The decrease, as compared to the previous year, is consistent with the increase in deferred commissions which are now fully amortized, offset in part by the increase in redemption fee revenue.

Trailer fees paid to dealers were $33.5 million in the current period, a decrease of $5.2 million from $38.7 million in the three month period ended March 31, 2002. This decrease is consistent with the overall decline in Mackenzie's average mutual fund assets under management in the current period as compared to the corresponding period last year.

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. Non-commission expenses decreased $7.5 million to $70.1 million in the three month period ended March 31, 2003 from $77.6 million in the comparative period last year. This decline was primarily due to:

- Synergies related to the transition work with Investors Group.
- Management of discretionary expenditures.
- Lower distribution fees paid to a limited partnership, consistent with the decline in average assets financed by limited partnership vehicles.
- Reduction in sub-advisory expenses due to a shift in assets from sub-advised funds to internally managed funds, some of which is attributed to fund mergers, and the renegotiation of a number of sub-advisory agreements in 2002.

Investors Group Inc.

CONSOLIDATED FINANCIAL POSITION

The Company's on-balance sheet assets totalled $6.16 billion at March 31, 2003, compared to $5.99 billion at December 31, 2002.

The Company's holdings of securities were $124.5 million at March 31, 2003 — a decrease of $31.7 million or 20.3%. Securities currently represent 2.0% of total assets as compared with 2.6% at December 31, 2002. The market value of the Company's portfolio at March 31, 2003 exceeded cost by $113.0 million compared with $125.1 million at year end 2002.

Loans, including mortgages and personal loans, increased by 6.0%, or $33.0 million, to $581.9 million at March 31, 2003 and represent 9.4% of total assets, compared to 9.2% at year end 2002. This increase is comprised of $6.0 million in mortgages and personal loans related to the Company's intermediary activities and an increase of $27.0 million in residential mortgage loans related to the Company's mortgage banking operations.

Residential mortgage loans, sourced with the assistance of Investors Group Consultants, are primarily designated for sale to third parties on a fully serviced basis through Investors Group's mortgage banking operations. Mortgage loans sourced through mortgage brokers and personal loans sourced through the MRS Group relate to M.R.S. Trust's intermediary activities. M.R.S. Trust also sells mortgages and personal loans to third parties on a fully serviced basis through its securitization activities.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's operating liquidity is required for:

- Financing operations including the funding of commissions internally.
- Temporarily holding mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Maintaining liquidity requirements for the Company's regulated entities. At March 31, 2003, liquidity for these subsidiaries was in excess of regulatory requirements.

During the three months ended March 31, 2003, the Company repaid $200 million of the Floating Bankers' Acceptances due May 30, 2006 which were related to the acquisition of Mackenzie, and, on April 16, 2003, a further $75 million was repaid.

On February 17, 2003, the Company announced that it will participate in Great-West Lifeco Inc.'s acquisition of Canada Life Financial Corporation ("Canada Life") which is expected to close in the third quarter of 2003. The Company has agreed to purchase by way of private placement, subject to the transaction closing, $100 million of common shares of Great-West Lifeco Inc., an affiliate of the Company. This represents 2.662 million common shares issued from treasury at a price of $37.56, equal to the price of shares to be issued to Canada Life's shareholders.

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 $267.2 million for the three months ended March 31, 2003, compared to $286.0 million in 2002. Although overall fee revenues were down 10.8% for the three months ended March 31, 2003, the decrease in EBITDA was only 6.6% due to both a decrease in operating expenses and an increase in net investment income.

Other potential sources of liquidity are the Company's portfolio of securities and lines of credit. As at March 31, 2003, the market value of the marketable securities in its portfolios and its unregulated subsidiaries was $201.6 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 and by funds raised through the $175 million and the $300 million in debentures issued in December 2002 and March 2003 respectively.

Capital Resources

Shareholders' equity increased to $3.0 billion as at March 31, 2003 from $2.95 billion at December 31, 2002. During the same period, long-term debt increased to $1.48 billion from $1.39 billion at December 31, 2002.

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 during 2003.

OUTLOOK

Investors Group — 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 which will benefit the Company and its mutual fund clients annually. This consists of $75 million in synergies to the Company's shareholders and an additional $25 million 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 in the second year following acquisition. As at March 31, 2003, total annual synergies of $90 million (pre-tax basis) had been achieved which is 90% of the stated target. This total is comprised of $68 million in synergies to the Company's shareholders and $22 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 mutual fund clients through a review of "best demonstrated practices".
- Reduction of capital in non-mutual fund operations.

In this regard, the Company charged estimated restructuring costs of $95.6 million ($56.0 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 March 31, 2003, the restructuring provision for work to be completed on projects in progress was $52.1 million ($30.5 million after tax).

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 and Service Offering

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 February 26, 2003, the MRS Group acquired the remaining 31% interest in Winfund Software Corp. for total consideration of $4.7 million. Winfund is the largest and fastest growing provider of software to Canadian mutual fund dealers.

Market influences

MUTUAL FUND INDUSTRY

At March 31, 2003, mutual fund industry assets in Canada totalled $369.4 billion, a decrease of 5.6% from $391.3 billion at December 31, 2002 and 17.0% from $445.3 billion one year ago.

The $21.9 billion or 5.6% decrease in industry assets from December 31, 2002 reflects year-to-date net redemptions of $90 million, as well as an estimated $21.8 billion decrease from negative market action. This negative market action represents 5.5% of year end 2002 industry assets.

Declines and volatility in domestic and international equity markets and changes in interest rates may affect the future outlook for the Company. Financial markets were both weak and highly volatile throughout 2002 and these conditions have persisted throughout 2003 to date. 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 11.7% at March 31, 2003, among the lowest in the industry. The corresponding redemption rate for the industry as a whole, excluding the Company's mutual funds, was 15.5%.

The mutual fund industry continues to believe in the benefits of long-term investing. Financial advisors 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, and, 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) (in thousands of dollars, except shares and per share amounts)	Three months ended March 31 **2003**	 2002
Fee and net investment income		
Management	**$ 310,329**	$ 359,773
Administration	**73,889**	75,758
Distribution	**34,125**	33,602
Net investment income and other	**36,541**	30,194
Total fee and net investment income	**454,884**	499,327
Operating expenses		
Commission expense	**116,065**	131,759
Non-commission expense	**130,096**	145,703
Interest expense	**20,931**	20,295
Total operating expenses	**267,092**	297,757
Income before income taxes and discontinued operations	**187,792**	201,570
Income taxes	**62,870**	80,122
Income before discontinued operations	**124,922**	121,448
Discontinued operations	**–**	264
Net income	**124,922**	121,712
Preferred dividends	**5,175**	5,175
Net income available to common shareholders	**$ 119,747**	$ 116,537
Weighted-average number of common shares (in thousands) (Note 6)		
– Basic	**263,831**	263,185
– Diluted	**264,992**	264,978
Earnings per share (in dollars)		
Excluding discontinued operations		
– Basic	**$ .454**	$ .442
– Diluted	**$ .452**	$ .439
Including discontinued operations		
– Basic	**$ .454**	$ .443
– Diluted	**$ .452**	$ .440

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited) (in thousands of dollars)	Three months ended March 31 **2003**	 2002
Balance, beginning of period	**$ 1,148,892**	$ 884,531
Net income	**124,922**	121,712
Dividends		
Preferred	**(5,175)**	(5,175)
Common	**(63,300)**	(54,002)
Premium paid on common shares purchased for cancellation	**(2,127)**	–
Balance, end of period	**$ 1,203,212**	$ 947,066

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited) (in thousands of dollars)	**March 31 2003**	December 31 2002
Assets		
Cash and short-term investments	**$ 921,783**	$ 771,522
Securities	**124,496**	156,186
Loans	**581,942**	548,969
Investment in affiliate	**326,905**	320,988
Deferred selling commissions	**748,433**	726,718
Other assets	**328,518**	336,956
Goodwill and intangible assets (Note 2)	**3,129,783**	3,125,613
	$ 6,161,860	$ 5,986,952
Liabilities		
Deposits and certificates	**$ 759,045**	$ 709,012
Other liabilities	**611,387**	639,876
Future income taxes	**302,964**	301,744
Long-term debt (Note 3)	**1,484,580**	1,386,365
	3,157,976	3,036,997
Shareholders' Equity		
Share capital (Note 4)		
Preferred	**360,000**	360,000
Common	**1,440,672**	1,441,063
Retained earnings	**1,203,212**	1,148,892
	3,003,884	2,949,955
	$ 6,161,860	$ 5,986,952

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of dollars)	Three months ended March 31 **2003**	 2002
Operating activities		
Net income	**$ 124,922**	$ 121,712
Adjustments to determine net cash from operating activities		
Future income taxes	**1,221**	26,992
Commission amortization	**48,415**	54,334
Depreciation	**7,827**	6,870
Discontinued operations	**–**	(264)
Changes in operating assets and liabilities and other	**(44,562)**	(49,493)
	137,823	160,151
Commissions paid	**(70,130)**	(99,042)
	67,693	61,109
Financing activities		
Increase in deposits and certificates	**50,033**	9,572
Repayment of bankers' acceptances	**–**	(31,000)
Issue of debentures	**300,000**	–
Repayment of long-term debt	**(201,785)**	(13,324)
Issue of common shares	**223**	3,876
Preferred dividends paid	**(5,175)**	(5,175)
Common dividends paid	**(59,365)**	(49,988)
Common shares purchased for cancellation	**(2,741)**	–
	81,190	(86,039)
Investing activities		
Acquisition of non-controlling interest (Note 2)	**(4,733)**	–
Purchase of securities	**(758)**	(3,382)
Proceeds from the sale of securities	**44,033**	84,106
Increase in loans	**(32,973)**	(126,056)
Proceeds from securitizations	**–**	29,178
Additions to office premises	**(4,191)**	(4,284)
	1,378	(20,438)
Increase (decrease) in cash and cash equivalents	**150,261**	(45,368)
Cash and cash equivalents, beginning of period	**771,522**	854,275
Cash and cash equivalents, end of period	**$ 921,783**	$ 808,907
Cash	**$ 52,529**	$ 233,133
Short-term investments	**869,254**	575,774
	$ 921,783	$ 808,907

(See accompanying notes to interim consolidated financial statements.)

March 31, 2003 (unaudited)
(in thousands of dollars, except shares and per share amounts)

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002 as set out on pages 46 to 66 of the 2002 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, 2002.

2. Acquisition

At December 31, 2002, the Company owned 69.1% of the common shares of Winfund Software Corp. ("Winfund"). On February 26, 2003, the Company acquired the remaining outstanding common shares of Winfund for total cash consideration of $4,733. The excess of the consideration paid over the estimated fair value of the tangible net assets acquired of $4,170 has been recorded as goodwill and has been allocated to the Mackenzie segment. The final allocation of the purchase price will be determined after an evaluation of the fair value of the net assets acquired has been completed.

3. Long-term debt

		March 31 2003	December 31 2002
–	Note Payable to Quadrus Investment Services Ltd., due December 31, 2003, non-interest bearing	**$ 6,000**	$ 6,000
10.60%	Note Payable to Power Financial Corporation, due January 16, 2006	**28,580**	30,365
–	Floating Bankers' Acceptance, due May 30, 2006	**250,000**	450,000
6.75%	Debentures 2001 Series, due May 9, 2011	**450,000**	450,000
6.58%	Debentures 2003 Series, due March 7, 2018	**150,000**	–
6.65%	Debentures 1997 Series, due December 13, 2027	**125,000**	125,000
7.45%	Debentures 2001 Series, due May 9, 2031	**150,000**	150,000
7.00%	Debentures 2002 Series, due December 31, 2032	**175,000**	175,000
7.11%	Debentures 2003 Series, due March 7, 2033	**150,000**	–
		$ 1,484,580	$ 1,386,365

On March 5, 2003, the Company issued $300 million of debentures in two series. On March 17, 2003, the Company utilized $200 million of the debenture proceeds to repay a portion of the floating bankers' acceptances due May 30, 2006, and, on April 16, 2003, a further $75 million was repaid.

4. Share capital

Issued and outstanding

	March 31, 2003		December 31, 2002	
	Shares	**Stated Value**	Shares	Stated Value
First preferred shares, Series A	**14,400,000**	**$ 360,000**	14,400,000	$ 360,000
Common shares				
Balance, beginning of period	**263,845,333**	**$ 1,441,063**	263,081,731	$ 1,431,163
Issued under Stock Option Plan	**15,204**	**223**	763,602	9,900
Purchased for cancellation	**(112,300)**	**(614)**	–	–
Balance, end of period	**263,748,237**	**$ 1,440,672**	263,845,333	$ 1,441,063

4. Share capital (cont'd)

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on February 22, 2003. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding on January 31, 2003. As at March 31, 2003, 112,300 common shares were purchased at a cost of $2,741 and the premium paid to purchase the shares was charged to retained earnings.

5. Stock-based compensation

	March 31, 2003	December 31, 2002
Common share options		
– Outstanding	**6,973,729**	5,536,834
– Exercisable	**1,984,203**	1,636,995

During the three months ended March 31, 2003, the Company issued 1,420,594 options to employees and 86,500 options to non-employees. A portion of the options granted to employees are subject to performance targets. The fair value of options granted in 2003 has been estimated at $5.34 using the Black-Scholes option pricing model, based on the following assumptions: (i) risk-free interest rate of 4.58%, (ii) expected option life of six years, (iii) expected volatility of 25.00% and (iv) expected dividend yield of 3.70%.

The Company recorded compensation expense of $39 for the three months ended March 31, 2003 for options issued to non-employees. The Company's net income, earnings per share and diluted earnings per share for the three months ended March 31, 2003 would have been reduced by $195, $0.001 and $0.001, respectively, had the fair value-based method of accounting been used for stock-based compensation for employees.

6. Earnings per common share

	March 31, 2003	March 31, 2002
Earnings		
Income before discontinued operations	**$ 124,922**	$ 121,448
Discontinued operations	**–**	264
Net income	**124,922**	121,712
Preferred dividends	**5,175**	5,175
Net income available to common shareholders	**$ 119,747**	$ 116,537
Number of common shares *(in thousands)*		
Weighted-average number of common shares outstanding	**263,831**	263,185
Add:		
– Potential exercise of outstanding stock options	**1,161**	1,793
Weighted-average number of common shares outstanding – diluted basis	**264,992**	264,978
Earnings per common share *(in dollars)*		
Basic		
Excluding discontinued operations	**$ 0.454**	$ 0.442
Including discontinued operations	**$ 0.454**	$ 0.443
Diluted		
Excluding discontinued operations	**$ 0.452**	$ 0.439
Including discontinued operations	**$ 0.452**	$ 0.440

In certain circumstances, the preferred shares referred to in Note 4 are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

7. Segmented information

Three months ended March 31

2003		**Investors Group**		**Mackenzie**		**Corporate & Other**		**Total**
Total assets under management and administration	**$**	**37,742,439**	**$**	**33,851,253**	**$**	**726,013**	**$**	**72,319,705**
Income	**$**	**257,127**	**$**	**188,263**	**$**	**9,494**	**$**	**454,884**
Expenses		**105,603**		**140,558**		**–**		**246,161**
Earnings before undernoted	**$**	**151,524**	**$**	**47,705**	**$**	**9,494**		**208,723**
Interest expense								**20,931**
Income before income taxes								**187,792**
Income taxes								**62,870**
Net income							**$**	**124,922**

2002		Investors Group		Mackenzie		Corporate & Other		Total
Total assets under management and administration	$	45,437,978	$	39,858,402	$	735,571	$	86,031,951
Income	$	285,295	$	209,129	$	4,903	$	499,327
Expenses		122,832		154,630		–		277,462
Earnings before undernoted	$	162,463	$	54,499	$	4,903		221,865
Interest expense								20,295
Income before income taxes and discontinued operations								201,570
Income taxes								80,122
Income before discontinued operations								121,448
Discontinued operations								264
Net income							$	121,712

8. 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 ($56.0 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 March 31, 2003, the restructuring provision for work to be completed on projects in progress was $52.1 million ($30.5 million after tax).

9. Commitments

On February 17, 2003, the Company announced that it will participate in Great-West Lifeco Inc.'s acquisition of Canada Life Financial Corporation ("Canada Life") which is expected to close in the third quarter of 2003. The Company has agreed to purchase by way of private placement, subject to the transaction closing, $100 million of common shares of Great-West Lifeco Inc., an affiliate of the Company. This represents 2.662 million common shares issued from treasury at a price of $37.56, equal to the price of shares to be issued to Canada Life's shareholders.

IGI

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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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Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire de Groupe Investors Inc., One Canada Centre, 447 Portage Avenue, Winnipeg, Manitoba R3C 3B6

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