IGI

Investors Group Inc.

Timeless Principles. Fundamental Strength.

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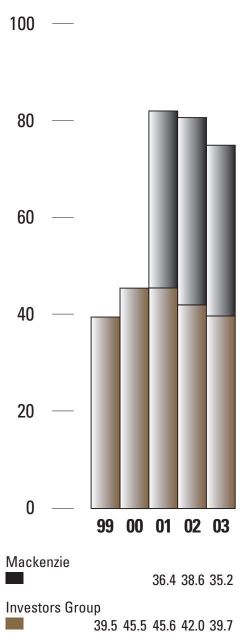
Second Quarter Report—For the three and six months ended June 30, 2003

FINANCIAL HIGHLIGHTS

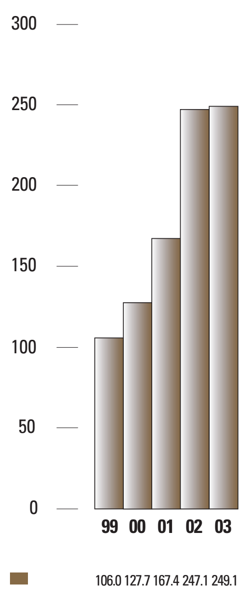
	For the three months ended June 30			As at and for the six months ended June 30		
	2003	2002	Change	**2003**	2002	Change
Net income available to common shareholders ($ Millions)	**$ 129.4**	$ 130.6	(0.9)%	**$ 249.1**	$ 247.1	0.8 %
Diluted earnings per share	**0.49**	0.49	–	**0.94**	0.93	1.0
Dividends per share	**0.24**	0.205	17.1	**0.48**	0.41	17.1
Return on equity				**18.1 %**	19.7 %	
($ Millions)						
Mutual funds						
Investors Group						
Sales	**$ 914.4**	$ 1,256.3	(27.2)%	**$ 2,135.7**	$ 2,987.1	(28.5)%
Net sales (redemptions)	**(381.6)**	(22.7)	N/M	**(463.0)**	546.8	N/M
Assets under management				**37,594.3**	39,921.0	(5.8)
Mackenzie Financial Corporation(1)						
Sales	**1,041.4**	1,672.3	(37.7)	**2,540.2**	3,501.0	(27.4)
Net sales (redemptions)	**(220.2)**	136.9	N/M	**(219.4)**	377.7	N/M
Assets under management				**30,270.5**	32,464.1	(6.8)
Combined mutual fund assets under management				**67,864.8**	72,385.1	(6.2)
Insurance in force (face amount)				**29,319.6**	26,583.2	10.3
Securities operations assets under administration				**5,096.0**	4,309.3	18.3
Mortgages serviced				**6,668.3**	7,256.7	(8.1)
Deposits and certificates				**737.6**	698.6	5.6
Clients				**2,566,680**	2,671,169	(3.9)%
Client accounts				**9,320,529**	9,701,539	(3.9)
Consultants				**3,186**	3,321	(4.1)
Employees				**3,117**	3,385	(7.9)
Financial Planning Centres				**108**	108	–

(1) Canadian operations only. N/M – Not Meaningful

Client Assets Under Management and Administration
As at June 30
($ Billions)

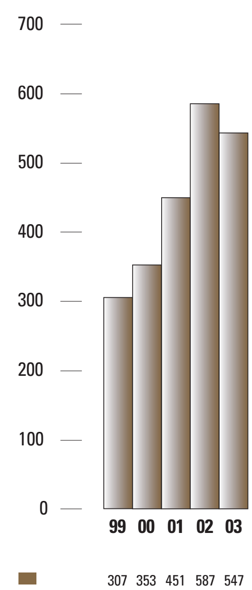


Net Income*
For the six months ended June 30
($ Millions)



* Excluding goodwill amortization and restructuring costs

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*
For the six months ended June 30
($ Millions)



* Excluding restructuring costs and discontinued operations

IGI

The strength of our advisor-based model will play an important role in the decision-making of a larger number of individual Canadians.

To Our Shareholders

Interim consolidated financial statements for the six and three months ended June 30, 2003 are presented with this report.

Financial Results

Net income attributable to common shareholders for the six months ended June 30, 2003 was $249.1 million compared to $247.1 million in 2002. Earnings per share were 94 cents compared with 93 cents in 2002.

For the three months ended June 30, 2003 net income attributable to common shareholders was $129.4 million, compared to $130.6 million in 2002. Earnings per share were 49 cents, unchanged from 2002.

Gross revenues for the first six months of 2003 were $915.0 million, compared to $1.0 billion last year. Gross revenues for the second quarter were $460.2 million, compared to $501.5 million in the prior year. Operating expenses were $525.6 million for the six months and $258.5 million for the quarter compared with $581.1 million and $283.3 million respectively in 2002.

Investors Group Operations

Year-to-date mutual fund sales were $2.1 billion compared to $3.0 billion in the prior year and mutual fund net redemptions were $463 million compared to last year's net sales of $547 million. Net redemptions of long-term funds (excluding money market funds) were $442 million compared to net sales of $459 million in the prior year.

Mutual fund sales for the second quarter were $914 million compared to $1.3 billion in the prior year. For the quarter, mutual fund net redemptions were $382 million compared to net redemptions of $23 million in 2002 and long-term funds net redemptions were $340 million compared to net redemptions of $24 million in 2002.

Investors Group's redemption rate (excluding money market funds) was 11.3% at the end of the quarter, up from 9.2% at the same time last year. The corresponding rate at June 30, 2003 for all other members of the Investment Funds Institute of Canada was 14.8%.

On a year-to-date basis, insurance sales were down 8.8% from last year while mortgage originations declined 19.1%. External assets gathered into the securities operations declined 28% from the same time last year.

Investors Group's mutual fund assets at June 30, 2003 were $37.6 billion, a decrease of 5.8%, compared to $39.9 billion at June 30, 2002.

The number of Investors Group Consultants was 3,186 at June 30, 2003 compared to 3,324 at year-end.

Mackenzie Operations

Year-to-date mutual fund sales were $2.5 billion compared to $3.5 billion in the prior year and mutual fund net redemptions were $219 million compared to net sales of $378 million in the prior year. Sales of long-term funds (excluding money market and managed yield funds) of $1.8 billion equaled redemptions for the period compared with net sales of $779 million in 2002.

Mackenzie recorded sales of mutual funds of $1.0 billion for the second quarter compared to $1.7 billion for the same quarter last year. Mutual fund net redemptions for the period were $220 million, compared to net sales of $137 million in the prior year. Net redemptions of long-term funds (excluding money market and managed yield funds) were $43 million for the quarter, compared with net sales of $340 million in 2002.

Mackenzie's redemption rate for long-term funds was 12.7% at the end of June 2003, compared to 11.2% at the end of June 2002. The corresponding rate at June 30, 2003 for all other members of the Investment Funds Institute of Canada was 14.6%.

Mackenzie's mutual fund assets under management at June 30, 2003 were $30.3 billion, a decrease of 6.8%, compared to $32.5 billion one year ago.

Industry Overview

Rising equity markets during the second quarter resulted in the industry experiencing its largest increase in long-term assets since the last quarter of 2001. Renewed strength in the financial markets saw assets in long-term mutual funds increase by 8.2%, or $25.4 billion for the three month period ended June 30, 2003. Confidence levels among individual Canadian investors remained weak, however, and although the industry recorded modestly positive net sales of long-term funds in May and June, members of the Investment Funds Institute of Canada posted overall net redemptions for the second quarter of $2.9 billion. Industry assets under management at June 30, 2003 were $390.8 billion, down 6.2% from last year's quarter end of $416.6 billion.

There is room for cautious optimism, however, with a number of market indices now recording year-to-date and year-over-year positive returns, which, if maintained, will help to rebuild investor confidence. The key economic indicators in Canada remain positive as low interest rates, stable employment and strong consumer spending continues to propel the country's GDP.

In the short-term, the industry will be looking to the third quarter for signals of a stronger market trend. Over the longer term, the Company is confident in the underlying fundamentals of its business and in the prospects for the Canadian and global economy. The equity and debt markets are expected to play a major role in providing vehicles for capital accumulation as the population continues to age and save for the future. The strength of our advisor-based model will play an important role in the decision-making of a larger number of individual Canadians.

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 September 30, 2003 to shareholders of record on August 29, 2003 and has declared an increase of 1.5 cents in the quarterly dividend from 24 cents to 25.5 cents per share on the Company's common shares payable on October 30, 2003 to shareholders of record on September 30, 2003.

On behalf of the Board of Directors,

R. Jeffrey Orr
President and Chief Executive Officer
Winnipeg, Canada
July 31, 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 and six months ended June 30, 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 and in the 2003 First Quarter Report to Shareholders.

Investors Group Inc.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

Net income available to common shareholders for the six months ended June 30, 2003 was $249.1 million, compared to $247.1 million in 2002. Earnings per share were 94 cents compared with 93 cents in 2002.

For the three months ended June 30, 2003 net income available to common shareholders was $129.4 million, compared to $130.6 million in 2002. Earnings per share were 49 cents, unchanged from 2002.

Shareholders' equity was $3.07 billion as at June 30, 2003, up from $2.95 billion at December 31, 2002. Return on average common equity for the six months ended June 30, 2003 was 18.1%, compared with 19.7% in 2002. The quarterly dividend per common share was 24.0 cents, unchanged from the first quarter but up from 22.5 cents in the fourth quarter of 2002.

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.

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 $5.9 million in the second quarter of 2003 compared to $4.3 million in 2002. For the six months, earnings before interest and taxes were $15.3 million compared to $9.2 million in 2002.

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

- Interest expense, which primarily represents the cost of financing the Mackenzie acquisition, totalled $21.5 million and $19.9 million for the three months ended June 30, 2003 and 2002 respectively. For the six month period in 2003, interest expense was $42.5 million compared to $40.3 million for the same period in 2002.
- Effective rates of income taxes which were 33.3% and 33.4% for the three and six month periods under review compared with 37.6% and 38.6%, respectively, 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.

Table 1: Consolidated Operating Results by Segment

($ Millions)	Investors Group 2003	Investors Group 2002	Mackenzie 2003	Mackenzie 2002	Corporate & Other 2003	Corporate & Other 2002	Total 2003	Total 2002
Three months ended June 30								
Fee income	**$ 237.9**	$ 266.8	**$ 179.2**	$ 204.6	**$ –**	$ –	**$ 417.1**	$ 471.4
Net investment income and other	**33.0**	21.5	**4.2**	4.3	**5.9**	4.3	**43.1**	30.1
	270.9	288.3	**183.4**	208.9	**5.9**	4.3	**460.2**	501.5
Operating expenses								
Commissions	**45.7**	51.0	**70.1**	78.8	**–**	–	**115.8**	129.8
Non-commission	**58.6**	65.1	**62.6**	68.5	**–**	–	**121.2**	133.6
	104.3	116.1	**132.7**	147.3	**–**	–	**237.0**	263.4
Earnings before interest and taxes	**$ 166.6**	$ 172.2	**$ 50.7**	$ 61.6	**$ 5.9**	$ 4.3	**223.2**	238.1
Interest expense							**21.5**	19.9
Income before income taxes and discontinued operations							**201.7**	218.2
Income taxes							**67.1**	82.1
Income before discontinued operations							**134.6**	136.1
Discontinued operations							**–**	(0.3)
Net income							**134.6**	135.8
Preferred dividends							**5.2**	5.2
Net income available to common shareholders							**$ 129.4**	$ 130.6
Six months ended June 30								
Fee income	**$ 472.3**	$ 532.1	**$ 363.1**	$ 408.4	**$ –**	$ –	**$ 835.4**	$ 940.5
Net investment income and other	**55.7**	41.5	**8.6**	9.6	**15.3**	9.2	**79.6**	60.3
	528.0	573.6	**371.7**	418.0	**15.3**	9.2	**915.0**	1,000.8
Operating expenses								
Commissions	**91.3**	105.7	**140.5**	155.8	**–**	–	**231.8**	261.5
Non-commission	**118.6**	133.2	**132.7**	146.1	**–**	–	**251.3**	279.3
	209.9	238.9	**273.2**	301.9	**–**	–	**483.1**	540.8
Earnings before interest and taxes	**$ 318.1**	$ 334.7	**$ 98.5**	$ 116.1	**$ 15.3**	$ 9.2	**431.9**	460.0
Interest expense							**42.5**	40.3
Income before income taxes and discontinued operations							**389.4**	419.7
Income taxes							**130.0**	162.2
Income before discontinued operations							**259.4**	257.5
Discontinued operations							**–**	(0.1)
Net income							**259.4**	257.4
Preferred dividends							**10.3**	10.3
Net income available to common shareholders							**$ 249.1**	$ 247.1

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

	Three months ended June 30			Six months ended June 30		
($ Millions)	**2003**	2002	Change	**2003**	2002	Change
Sales						
Investors Masterseries™	**$ 821.1**	$ 1,038.3	(20.9)%	**$ 1,909.2**	$ 2,448.8	(22.0)%
IG Mackenzie	**29.9**	86.0	(65.2)	**61.4**	163.5	(62.4)
*i*Profile™ funds	**7.3**	22.4	(67.4)	**16.6**	47.9	(65.3)
Partner funds	**56.1**	109.6	(48.8)	**148.5**	326.9	(54.6)
	914.4	1,256.3	(27.2)	**2,135.7**	2,987.1	(28.5)
Redemptions	**1,296.0**	1,279.0	1.3	**2,598.7**	2,440.3	6.5
Net sales	**(381.6)**	(22.7)	N/M	**(463.0)**	546.8	(184.7)
Market and income	**2,321.2**	(3,135.9)	174.0	**469.2**	(2,269.8)	120.7
Net change in assets	**1,939.6**	(3,158.6)	161.4	**6.2**	(1,723.0)	100.4
Beginning assets	**35,654.7**	43,079.6	(17.2)	**37,588.1**	41,644.0	(9.7)
Ending assets	**$ 37,594.3**	$ 39,921.0	(5.8)%	**$ 37,594.3**	$ 39,921.0	(5.8)%
Consist of:						
Investors Masterseries™				**$ 32,570.2**	$ 34,256.7	(4.9)%
IG Mackenzie				**901.2**	907.7	(0.7)
*i*Profile™ funds				**351.3**	328.7	6.9
Partner funds				**3,771.6**	4,427.9	(14.8)
				$ 37,594.3	$ 39,921.0	(5.8)%
Average assets	**$ 37,022.1**	$ 41,796.0	(11.4)%	**$ 36,820.5**	$ 41,892.3	(12.1)%

For the three months ended June 30, 2003, sales of Investors Group mutual funds sold through its Consultant Network were $914 million, a decrease of 27.2% from 2002. This compares to an overall industry decrease in mutual fund sales of 26.2%. Mutual fund redemptions totalled $1.30 billion for the same period, an increase of 1.3% from the $1.28 billion recorded in 2002. While Investors Group's redemption rate increased to 13.9% at June 30, 2003 from 11.2% at June 30, 2002, it continues to be among the lowest in the industry. The corresponding redemption rate for the industry was 26.6% at June 30, 2003 compared with 26.2% in 2002 (the redemption rate represents the total of the last twelve months redemptions as a percentage of average mutual fund assets during the same period). Net redemptions of Investors Group mutual funds were $382 million compared with net redemptions of $23 million in 2002.

Sales of long-term funds (excluding money market funds) were $696 million for the three months ended June 30, 2003, compared with $984 million in 2002, a decrease of 29.3%. Net redemptions of long-term funds were $340 million compared to net redemptions of $24 million in 2002.

For the six months ended June 30, 2003, sales of Investors Group mutual funds sold through its Consultant Network were $2.14 billion, a decrease of 28.5% from 2002. This compares to an overall industry decrease in mutual fund sales of 29.2%. Mutual fund redemptions totalled $2.60 billion for the same period, an increase of 6.5% from the $2.44 billion recorded in 2002. Net redemptions of Investors Group mutual funds were $463 million compared with net sales of $547 million in 2002.

Sales of long-term funds (excluding money market funds) were $1.66 billion for the six months ended June 30, 2003, compared with $2.41 billion in 2002, a decrease of 31.3%. Net redemptions of long-term funds were $442 million compared to net sales of $459 million in 2002.

Investment management services have provided reasonable levels of returns to date in 2003. During the second 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 June 30, 2003, 40% of Masterseries™ funds had a four or five star rating and 82% 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 $37.6 billion at June 30, 2003, a decrease of $2.3 billion or 5.8% from June 30, 2002, an increase of $1.9 billion or 5.4% from March 31, 2003 levels and unchanged from December 31, 2002. The decline in assets from June 30, 2002 reflects both negative market action and net redemptions of mutual funds. The increase in assets for the three months ended June 30, 2003 reflects positive market action partially offset by net redemptions. For the six months ended June 30, 2003, positive market action was offset by net redemptions leaving assets unchanged from December 31, 2002. These changes are consistent with the overall changes in industry assets in all periods.

SEGMENT OPERATING RESULTS

Investors Group's earnings from operations before interest and taxes for the three and six month periods ended June 30, 2003 compared with 2002 are presented in Table 3.

Table 3: Operating Results

	Three months ended June 30			Six months ended June 30		
($ Millions)	**2003**	2002	Change	**2003**	2002	Change
Fee and net investment income						
Management	**$ 180.4**	$ 207.3	(13.0)%	**$ 357.0**	$ 414.2	(13.8)%
Administration	**34.1**	36.1	(5.5)	**69.0**	71.8	(3.9)
Distribution	**23.4**	23.4	–	**46.3**	46.1	0.4
Net investment income and other	**33.0**	21.5	53.5	**55.7**	41.5	34.2
	270.9	288.3	(6.0)	**528.0**	573.6	(7.9)
Operating expenses						
Commissions	**45.7**	51.0	(10.4)	**91.3**	105.7	(13.6)
Non-commission						
Fixed	**44.9**	48.9	(8.2)	**91.1**	99.9	(8.8)
Variable	**13.7**	16.2	(15.4)	**27.5**	33.3	(17.4)
	58.6	65.1	(10.0)	**118.6**	133.2	(11.0)
	104.3	116.1	(10.2)	**209.9**	238.9	(12.1)
Earnings before interest and taxes	**$ 166.6**	$ 172.2	(3.3)%	**$ 318.1**	$ 334.7	(5.0)%

Fee and Net Investment Income

Investors Group earns management fees for investment management services provided to its mutual funds. For the three months ended June 30, 2003, management fee income decreased by $26.9 million or 13.0% to $180.4 million. For the six months, management fee revenue decreased by $57.2 million or 13.8% to $357.0 million. This decrease reflects the decline in average mutual fund assets in both the three and six month periods ending June 30, 2003 compared with 2002 (11.4% and 12.1%, respectively) which was due principally to negative market action. In addition, 2002 results included $0.9 million and $3.0 million in income from hedging activities related to the Company's mutual fund assets under management in the three and six month periods, respectively.

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 $34.1 million for the three months ended June 30, 2003, down 5.5% from $36.1 million in 2002. Fees for the six months were $69.0 million in 2003, a decrease of 3.9% compared to $71.8 million in 2002. Fees for providing administrative services to its mutual funds declined due to reductions in related expenses while trustee fees declined due to reduced average mutual fund assets during both periods.

Distribution fees are earned from:

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

Distribution fee income of $23.4 million for the three months ended June 30, 2003 was unchanged from 2002. Fee income for the six months was $46.3 million compared with $46.1 million in 2002. Distribution fee income from all sources was at or near prior year levels for both the three and six month periods ending June 30, 2003.

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 $33.0 million for the three months ended June 30, 2003, an increase of $11.5 million from $21.5 million in 2002. For the six months, net investment income and other totalled $55.7 million, an increase of $14.2 million from $41.5 million in 2002. In both periods, the increase was due to increases in gains on sale of securities and in Investors Group's share of an affiliate's earnings. For the six month period, these increases were partially offset by lower mortgage banking revenues.

Operating Expenses

Commission expense for the three months decreased by $5.3 million, or 10.4%, to $45.7 million compared with $51.0 million in 2002. For the six month period, commission expense of $91.3 million decreased by $14.4 million or 13.6% from $105.7 million. 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 expense totalled $58.6 million for the three months ended June 30, 2003 compared with $65.1 million in 2002, representing a decrease of $6.5 million, or 10.0%. For the six months, non-commission expense was $118.6 million which was a decrease of $14.6 million or 11.0%.

Variable expenses declined by $2.5 million in the three months ended June 30, 2003 to $13.7 million and represents a decline of 15.4%. For the six months, variable expenses declined by $5.8 million or 17.4% to $27.5 million. 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 3,186 at June 30, 2003 compared to 3,321 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 $4.0 million to $44.9 million, or 8.2%, for the three months ended June 30, 2003. For the six months, fixed expenses decreased by $8.8 million to $91.1 million, or 8.8%. 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 $30.3 billion at June 30, 2003, an increase of $1.5 billion from $28.8 billion as at March 31, 2003, however down $2.2 billion from $32.5 billion as at June 30, 2002.

During the three month period ended June 30, 2003, sales of Mackenzie's mutual funds were $1.04 billion, a decrease of 37.7% from $1.67 billion in the comparative period last year. Redemptions of mutual funds during these same periods were $1.26 billion and $1.54 billion respectively, resulting in net redemptions of mutual funds of $220 million during the three month period ended June 30, 2003 as compared to net sales of mutual funds of $137 million in the three month period ended June 30, 2002. Net redemptions of long-term funds were $43 million, down from net sales of $340 million in the comparative period last year.

During the six month period ended June 30, 2003, sales of Mackenzie's mutual funds were $2.54 billion, a decrease of 27.4% from $3.50 billion in the comparative period last year. During 2003 redemptions of mutual funds were $2.76 billion as compared to redemptions of $3.12 billion in the six month period ended June 30, 2002. Net redemptions of mutual funds during the six month period ended June 30, 2003 were $219 million, as compared to net sales of $378 million in the comparative period last year. Sales of long-term funds at $1.84 billion equalled redemptions for the six month period ended June 30, 2003, as compared to net sales of long-term funds of $779 million in the comparative period last year.

In June 2003, Mackenzie announced plans to initiate a series of fund mergers and management changes to its Keystone Altamira Fund line, launched in early 2001. Pending investor approval, the changes effectively merge seven Keystone funds into existing Mackenzie mutual funds that are currently or scheduled to be managed by Mackenzie senior vice president Ian Ainsworth. These fund mergers are a continuation of Mackenzie's initiative to simplify its product line by consolidating funds with similar or duplicate mandates, while at the same time enhancing the strength of its existing products.

Table 4: Change in Assets Under Management and Administration

	Three months ended June 30			Six months ended June 30		
($ Millions)	**2003**	2002	Change	**2003**	2002	Change
Mutual Funds						
Sales	**$ 1,041.4**	$ 1,672.3	(37.7)%	**$ 2,540.2**	$ 3,501.0	(27.4)%
Redemptions	**1,261.6**	1,535.4	(17.8)	**2,759.6**	3,123.3	(11.6)
Net sales	**(220.2)**	136.9	(260.8)	**(219.4)**	377.7	(158.1)
Market and income	**1,728.6**	(2,379.7)	172.6	**(370.2)**	(1,313.2)	71.8
Net change in assets	**1,508.4**	(2,242.8)	167.3	**(589.6)**	(935.5)	37.0
Beginning assets	**28,762.1**	34,706.9	(17.1)	**30,860.1**	33,399.6	(7.6)
Ending assets	**$ 30,270.5**	$ 32,464.1	(6.8)%	**30,270.5**	32,464.1	(6.8)
Private and Institutional Clients				**2,576.9**	2,825.5	(8.8)
Segregated Funds				**148.4**	111.4	33.2
Labour Sponsored Funds				**1,002.7**	1,001.4	0.1
Total				**$ 33,998.5**	$ 36,402.4	(6.6)%
Average mutual fund assets	**$ 29,814.3**	$ 34,024.9	(12.4)%	**$ 29,712.8**	$ 33,730.6	(11.9)%

Similarly, Mackenzie and its wholly owned subsidiary The MRS Group of Companies (MRS), recently announced the appointment of Mercer Investment Consulting, a leading provider of investment consulting services, to act as the consultant to Mackenzie for its STAR, Keystone and Mackenzie Private Client Portfolio Service strategic asset allocation programs. The appointment of Mercer Investment Consulting will take effect October 1, 2003.

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 June 30, 2003, Mackenzie had $148 million in segregated funds; provided investment management services to private and institutional accounts with assets of $2.6 billion; and provided administration and distribution services to venture capital funds with $1.0 billion in net assets.

SEGMENT OPERATING RESULTS

Mackenzie's earnings from operations before interest and taxes for the three and six month periods ended June 30, 2003 compared with 2002 are presented in Table 5.

Table 5: Operating Results

	Three months ended June 30			Six months ended June 30		
($ Millions)	**2003**	2002	Change	**2003**	2002	Change
Fee and net investment income						
Management	**$ 133.4**	$ 158.7	(15.9)%	**$ 267.2**	$ 311.6	(14.2)%
Administration	**36.0**	34.6	4.0	**74.9**	74.6	0.4
Distribution	**9.8**	11.3	(13.3)	**21.0**	22.2	(5.4)
Net investment income and other	**4.2**	4.3	(2.3)	**8.6**	9.6	(10.4)
	183.4	208.9	(12.2)	**371.7**	418.0	(11.1)
Operating expenses						
Commissions	**35.9**	39.4	(8.9)	**72.9**	77.7	(6.2)
Trailer fees	**34.2**	39.4	(13.2)	**67.6**	78.1	(13.4)
Non-commission	**62.6**	68.5	(8.6)	**132.7**	146.1	(9.2)
	132.7	147.3	(9.9)	**273.2**	301.9	(9.5)
Earnings before interest and taxes	**$ 50.7**	$ 61.6	(17.7)%	**$ 98.5**	$ 116.1	(15.2)%

Fee and Net Investment Income

Management fees were $133.4 million for the three month period ended June 30, 2003, a decrease of $25.3 million from $158.7 million in the comparative period last year. For the six month period ended June 30, 2003, management fees decreased $44.4 million to $267.2 million from $311.6 million in the comparative period last year. These declines are 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 increased by $1.4 million from $34.6 million in the comparative period to $36.0 million in the three month period ended June 30, 2003. In the six month period ended June 30, 2003 administration fees were $74.9

million as compared to $74.6 million in the comparative period. These increases are primarily attributable to the administration fees earned by M.R.S. Trust Company for assuming responsibility for a portion of the Mackenzie and Investors Group mutual fund RRSP Clone counterparty activity. M.R.S. Trust began providing this service in December 2002 for the Mackenzie funds and in April 2003 for the Investors Group funds.

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, decreased $1.5 million to $9.8 million in the three month period ended June 30, 2003 from $11.3 million in the comparative period last year. Distribution revenue in the six month period ended June 30, 2003 was $21.0 million, a decrease of $1.2 million from $22.2 million in the comparative period last year. These decreases are consistent with the decline in the redemption of mutual funds that were subject to a redemption fee.

Net investment income and other represents the net interest margin from M.R.S. Trust's lending and deposit operations. Net investment income in the three month period ended June 30, 2003 was $4.2 million, relatively consistent with the $4.3 million earned in the same period last year. Net investment income was $8.6 million in the six month period ended June 30 2003, a decrease of $1.0 million from $9.6 million in the comparative period last year. In the period ended March 31, 2002, M.R.S. Trust's net investment income included 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 9.9% and 9.5% in the three and six month periods ended June 30, 2003 respectively as compared to the same periods last year.

Commissions expense, which represents the amortization of deferred selling commissions, was $35.9 million in the three month period ended June 30, 2003 as compared to $39.4 million in the previous year. Commission expense in the six month period ended June 30, 2003 was $72.9 million, as compared to $77.7 million in the same period in 2002. Mackenzie amortizes its deferred selling commissions over a maximum period of seven years, and, 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 and the reduction in redemption fee revenue.

Trailer fees paid to dealers were $34.2 million in the three month period ended June 30, 2003, a decrease of $5.2 million from $39.4 million in the three month period ended June 30, 2002. Trailer fees in the six month period ended June 30, 2003 were $67.6 million as compared to $78.1 million in 2002. These decreases are consistent with the overall decline in Mackenzie's average mutual fund assets under management in the current periods as compared to the corresponding periods 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 $5.9 million to $62.6 million in the three month period ended June 30, 2003 from $68.5 million in the comparative period last year. Non-commission expenses in the six month period ended June 30, 2003 were $132.7 million as compared to $146.1 million in 2002. These declines were 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, lower levels of sub-advised assets, 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 $6.13 billion at June 30, 2003, compared to $5.99 billion at December 31, 2002.

The Company's holdings of securities were $107.5 million at June 30, 2003 — a decrease of $48.7 million or 31.2%. Securities currently represent 1.8% of total assets as compared with 2.6% at December 31, 2002. The market value of the Company's portfolio at June 30, 2003 exceeded cost by $114.3 million compared with $125.1 million at year end 2002.

Loans, including mortgages and personal loans, increased by 3.3%, or $17.9 million, to $566.9 million at June 30, 2003 and represent 9.3% of total assets, compared to 9.2% at year end 2002. An increase of $39.4 million in residential mortgage loans related to the Company's mortgage banking operations during the period was offset in part by a decrease of $21.5 million in mortgages and personal loans attributed to the Company's intermediary activities.

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 June 30, 2003, liquidity for these subsidiaries was in excess of regulatory requirements.

During the six months ended June 30, 2003, the Company repaid $275 million of the Floating Bankers' Acceptances due May 30, 2006 which were related to the acquisition of Mackenzie.

On July 10, 2003, the Company purchased, by way of private placement, 2,662,690 common shares of Great-West Lifeco Inc. (Great-West), an affiliate of the Company, for total cash consideration of $100 million in support of Great-West's acquisition of Canada Life Financial Corporation.

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 $547.1 million for the six months ended June 30, 2003, compared to $586.5 million in 2002. Although overall fee revenues were down 11.2% for the six months ended June 30, 2003, the decrease in EBITDA was only 6.7% 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 June 30, 2003, the market value of the marketable securities in its portfolios and its unregulated subsidiaries was $191.7 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 $3.07 billion as at June 30, 2003 from $2.95 billion at December 31, 2002. During the same period, long-term debt increased marginally to $1.41 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 which will benefit clients, financial advisors and shareholders. 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 has met its objective which was to achieve these synergies on a run rate basis in the second year following acquisition. As of June 30, 2003, total annual synergies of $102 million per year (pre-tax basis) had been achieved. This total is comprised of $76 million in synergies to the Company's shareholders and $26 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.
- Transitioning towards a single systems architecture.

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 June 30, 2003, the restructuring provision for work to be completed on projects in progress was $46.6 million ($27.3 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.

On June 25, 2003, the Company launched Investors Group Solutions Banking™ on a national basis. The introduction of Solutions Banking™, with its range of loan and deposit products, Mastercard™ products, and loan insurance products, enhances Investors Group's ability to provide its clients with a number of solutions for their transactional needs.

Market Influences

MUTUAL FUND INDUSTRY

At June 30, 2003, mutual fund industry assets in Canada totalled $390.8 billion compared with $391.3 billion at December 31, 2002 and $416.6 billion one year ago.

The $542 million decrease in industry assets from December 31, 2002 reflects year-to-date net redemptions of $2.9 billion, as well as an estimated $2.3 billion increase from positive market action. This positive market action represents a 0.6% increase over year end 2002 industry assets of $391.3 billion.

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 in 2003. 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 11.9% at June 30, 2003, among the lowest in the industry. The corresponding redemption rate for the industry as a whole, excluding the Company's mutual funds, was 15.0%.

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 June 30 **2003**	 2002	Six months ended June 30 **2003**	 2002
Fee and net investment income				
Management	**$ 313,830**	$ 366,024	**$ 624,159**	$ 725,797
Administration	**70,116**	70,724	**144,005**	146,482
Distribution	**33,144**	34,638	**67,269**	68,240
Net investment income and other	**43,061**	30,103	**79,602**	60,297
Total fee and net investment income	**460,151**	501,489	**915,035**	1,000,816
Operating expenses				
Commission expense	**115,772**	129,766	**231,837**	261,525
Non-commission expense	**121,190**	133,597	**251,286**	279,300
Interest expense	**21,521**	19,947	**42,452**	40,242
Total operating expenses	**258,483**	283,310	**525,575**	581,067
Income before income taxes and discontinued operations	**201,668**	218,179	**389,460**	419,749
Income taxes	**67,143**	82,100	**130,013**	162,222
Income before discontinued operations	**134,525**	136,079	**259,447**	257,527
Discontinued operations	**–**	(329)	**–**	(65)
Net income	**134,525**	135,750	**259,447**	257,462
Preferred dividends	**5,175**	5,175	**10,350**	10,350
Net income available to common shareholders	**$ 129,350**	$ 130,575	**$ 249,097**	$ 247,112
Average number of common shares (in thousands) (Note 7)				
– Basic	**263,831**	263,466	**263,831**	263,326
– Diluted	**265,060**	265,638	**264,982**	265,307
Earnings per share (in dollars)				
Excluding discontinued operations				
– Basic	**$ .490**	$ .497	**$ .944**	$ .939
– Diluted	**$ .488**	$ .493	**$ .940**	$ .932
Including discontinued operations				
– Basic	**$ .490**	$ .496	**$ .944**	$ .938
– Diluted	**$ .488**	$ .492	**$ .940**	$ .931

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited) (in thousands of dollars)	Six months ended June 30 **2003**	 2002
Balance, beginning of period	**$ 1,148,892**	$ 884,531
Net income	**259,447**	257,462
Dividends		
Preferred	**(10,350)**	(10,350)
Common	**(126,645)**	(108,029)
Premium paid on common shares purchased for cancellation	**(2,127)**	–
Balance, end of period	**$ 1,269,217**	$ 1,023,614

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited) (in thousands of dollars)	**June 30 2003**	December 31 2002
Assets		
Cash and short-term investments	**$ 909,447**	$ 771,522
Securities	**107,454**	156,186
Loans	**566,889**	548,969
Investment in affiliate	**338,073**	320,988
Deferred selling commissions	**754,099**	726,718
Other assets	**320,645**	336,956
Goodwill and intangible assets (Note 2)	**3,129,783**	3,125,613
	$ 6,126,390	$ 5,986,952
Liabilities		
Deposits and certificates	**$ 737,617**	$ 709,012
Other liabilities	**591,683**	639,876
Future income taxes	**314,414**	301,744
Long-term debt (Note 4)	**1,409,580**	1,386,365
	3,053,294	3,036,997
Shareholders' Equity		
Share capital (Note 5)		
Preferred	**360,000**	360,000
Common	**1,443,879**	1,441,063
Retained earnings	**1,269,217**	1,148,892
	3,073,096	2,949,955
	$ 6,126,390	$ 5,986,952

(See accompanying notes to interim consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended June 30		Six months ended June 30	
(in thousands of dollars)	**2003**	2002	**2003**	2002
Operating activities				
Net income	**$ 134,525**	$ 135,750	**$ 259,447**	$ 257,462
Adjustments to determine net cash from operating activities				
Future income taxes	**11,450**	7,041	**12,671**	34,033
Commission amortization	**48,465**	53,160	**96,880**	107,494
Depreciation	**5,984**	7,541	**13,811**	14,411
Discontinued operations	**–**	329	**–**	65
Changes in operating assets and liabilities and other	**(32,457)**	(37,650)	**(77,019)**	(87,143)
	167,967	166,171	**305,790**	326,322
Commissions paid	**(54,131)**	(72,346)	**(124,261)**	(171,388)
	113,836	93,825	**181,529**	154,934
Financing activities				
(Decrease) increase in deposits and certificates	**(21,428)**	17,827	**28,605**	27,399
Repayment of bankers' acceptances	**–**	(225,000)	**–**	(256,000)
Issue of debentures	**–**	–	**300,000**	–
Repayment of long-term debt	**(75,000)**	(11,698)	**(276,785)**	(25,022)
Issue of common shares	**3,207**	1,081	**3,430**	4,957
Preferred dividends paid	**(5,175)**	(5,175)	**(10,350)**	(10,350)
Common dividends paid	**(63,300)**	(53,995)	**(122,665)**	(103,983)
Common shares purchased for cancellation	**–**	–	**(2,741)**	–
	(161,696)	(276,960)	**(80,506)**	(362,999)
Investing activities				
Acquisition of non-controlling interest (Note 2)	**–**	–	**(4,733)**	–
Purchase of securities	**(189)**	(6,101)	**(947)**	(18,790)
Proceeds from the sale of securities	**24,989**	2,714	**69,022**	96,127
(Increase) decrease in loans	**(36,455)**	41,845	**(69,428)**	(84,211)
Proceeds from securitizations	**51,573**	16,383	**51,573**	45,561
(Additions to) net proceeds from the sale of real estate	**(89)**	367	**(92)**	375
Additions to office premises	**(4,305)**	(1,297)	**(8,493)**	(5,589)
	35,524	53,911	**36,902**	33,473
(Decrease) increase in cash and cash equivalents	**(12,336)**	(129,224)	**137,925**	(174,592)
Cash and cash equivalents, beginning of period	**921,783**	808,907	**771,522**	854,275
Cash and cash equivalents, end of period	**$ 909,447**	$ 679,683	**$ 909,447**	$ 679,683
Cash	**$ 56,611**	$ 217,939	**$ 56,611**	$ 217,939
Short-term investments	**852,836**	461,744	**852,836**	461,744
	$ 909,447	$ 679,683	**$ 909,447**	$ 679,683

(See accompanying notes to interim consolidated financial statements.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 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.

Disclosure of guarantees

In February 2003, the CICA issued Accounting Guideline 14 (AcG-14), Disclosure of Guarantees, which identifies disclosure requirements for certain guarantees, for financial statements of interim and annual periods starting on or after January 1, 2003.

In the normal course, the Company may enter into agreements which may contain features which meet the AcG-14 definition of a guarantee, and while the maximum guarantee cannot always be determined, given the nature of future events which may or may not occur, any such arrangements that were material have been previously disclosed by the Company.

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. In the second quarter, the Company completed an evaluation of the fair value of the net assets acquired. The excess of the consideration paid over the fair value of the tangible net assets acquired of $4,170 has been recorded as goodwill and has been allocated to the Mackenzie segment.

3. Securitizations

During the second quarter the Company securitized $51,794 of residential mortgages through sales to commercial paper conduits that in turn issued securities to investors and received net cash proceeds of $51,573. The Company's retained interest in the securitized loans was valued at $1,183. A pre-tax gain on sale of $633 was recognized and reported in net investment income and other in the consolidated statements of income.

4. Long-term debt

		June 30 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	**175,000**	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**	–
		$ 1,409,580	$ 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' Acceptance due May 30, 2006, and, on April 16, 2003, a further $75 million was repaid.

5. Share capital

Issued and outstanding

	June 30, 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	**205,869**	**3,430**	763,602	9,900
Purchased for cancellation	**(112,300)**	**(614)**	–	–
Balance, end of period	**263,938,902**	**$ 1,443,879**	263,845,333	$ 1,441,063

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 June 30, 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. No common shares were purchased in the second quarter.

6. Stock-based compensation

	June 30, 2003	December 31, 2002
Common share options		
– Outstanding	**6,637,124**	5,536,834
– Exercisable	**2,000,365**	1,636,995

In the first quarter of 2003 the Company issued 1,420,594 options to employees and 86,500 options to non-employees. No options were issued by the Company during the second quarter. 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 $46 for the three months ended June 30, 2003 and $93 for the six months ended June 30, 2003 for options issued to non-employees.

If the Company had used the fair-value method of accounting for stock options granted to employees, the Company's results would have been as follows:

	Three months ended June 30, 2003	**Six months ended June 30, 2003**
Pro-forma net income available to common shareholders	$129,059	$248,612
Pro-forma earnings per common share — basic	$ 0.489	$ 0.942
Pro-forma earnings per common share — diluted	$ 0.487	$ 0.938

7. Earnings per common share

	Three months ended June 30		Six months ended June 30	
	2003	2002	**2003**	2002
Earnings				
Income before discontinued operations	**$ 134,525**	$ 136,079	**$ 259,447**	$ 257,527
Discontinued operations	**–**	(329)	**–**	(65)
Net income	**134,525**	135,750	**259,447**	257,462
Preferred dividends	**5,175**	5,175	**10,350**	10,350
Net income available to common shareholders	**$ 129,350**	$ 130,575	**$ 249,097**	$ 247,112
Number of common shares (in thousands)				
Average number of common shares outstanding	**263,831**	263,466	**263,831**	263,326
Add:				
– Potential exercise of outstanding stock options	**1,229**	2,172	**1,151**	1,981
Average number of common shares outstanding – diluted basis	**265,060**	265,638	**264,982**	265,307
Earnings per common share (in dollars)				
Basic				
Excluding discontinued operations	**$ 0.490**	$ 0.497	**$ 0.944**	$ 0.939
Including discontinued operations	**$ 0.490**	$ 0.496	**$ 0.944**	$ 0.938
Diluted				
Excluding discontinued operations	**$ 0.488**	$ 0.493	**$ 0.940**	$ 0.932
Including discontinued operations	**$ 0.488**	$ 0.492	**$ 0.940**	$ 0.931

In certain circumstances, the preferred shares referred to in Note 5 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.

8. Segmented information

Three months ended June 30

2003	**Investors Group**	**Mackenzie**	**Corporate and Other**	**Total**
Income	**$ 270,931**	**$ 183,406**	**$ 5,814**	**$ 460,151**
Expenses	**104,314**	**132,648**	**–**	**236,962**
Earnings before undernoted	**$ 166,617**	**$ 50,758**	**$ 5,814**	**223,189**
Interest expense				**21,521**
Income before income taxes				**201,668**
Income taxes				**67,143**
Net income				**134,525**
Preferred dividends				**5,175**
Net income available to common shareholders				**$ 129,350**

2002	Investors Group	Mackenzie	Corporate and Other	Total
Income	$ 288,367	$ 208,831	$ 4,291	$ 501,489
Expenses	116,109	147,254	–	263,363
Earnings before undernoted	$ 172,258	$ 61,577	$ 4,291	238,126
Interest expense				19,947
Income before income taxes and discontinued operations				218,179
Income taxes				82,100
Income before discontinued operations				136,079
Discontinued operations				(329)
Net income				135,750
Preferred dividends				5,175
Net income available to common shareholders				$ 130,575

Six months ended June 30

2003	**Investors Group**	**Mackenzie**	**Corporate and Other**	**Total**
Total assets under management and administration	**$ 39,838,452**	**$ 35,635,608**	**$ 675,392**	**$ 76,149,452**
Income	**$ 528,058**	**$ 371,669**	**$ 15,308**	**$ 915,035**
Expenses	**209,917**	**273,206**	**–**	**483,123**
Earnings before undernoted	**$ 318,141**	**$ 98,463**	**$ 15,308**	**431,912**
Interest expense				**42,452**
Income before income taxes				**389,460**
Income taxes				**130,013**
Net income				**259,447**
Preferred dividends				**10,350**
Net income available to common shareholders				**$ 249,097**

8. Segmented information (cont'd)

2002	Investors Group	Mackenzie	Corporate and Other	Total
Total assets under management and administration	$ 42,189,727	$ 38,932,050	$ 554,687	$ 81,676,464
Income	$ 573,662	$ 417,960	$ 9,194	$ 1,000,816
Expenses	238,941	301,884	–	540,825
Earnings before undernoted	$ 334,721	$ 116,076	$ 9,194	459,991
Interest expense				40,242
Income before income taxes and discontinued operations				419,749
Income taxes				162,222
Income before discontinued operations				257,527
Discontinued operations				(65)
Net income				257,462
Preferred dividends				10,350
Net income available to common shareholders				$ 247,112

9. 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 June 30, 2003, the restructuring provision for work to be completed on projects in progress was $46.6 million ($27.3 million after tax).

10. Subsequent event

On July 10, 2003, the Company purchased, by way of private placement, 2,662,690 common shares of Great-West Lifeco Inc. (Great-West), an affiliate of the Company, for total consideration of $100 million in support of Great-West's acquisition of Canada Life Financial Corporation. As a result of this transaction, the Company currently holds 18,893,694 shares of Great-West, which represents an equity interest of 4.2%.

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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