

## QUARTERLY REPORT TO SHAREHOLDERS

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### FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements.

### NON-GAAP FINANCIAL MEASURES

This report may contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "Earnings before interest and taxes" (EBIT) and "Earnings before interest, taxes, depreciation and amortization" (EBITDA). Non-GAAP financial measures are used to provide management, investors and investment analysts with additional measures to assess earnings performance.

However, these non-GAAP financial measures do not have a standard meaning and are not directly comparative to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure.

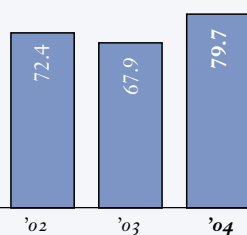
# Financial Highlights

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
<b>Net income available to common</b>						
shareholders (\$ millions)	\$ 152.6	\$ 129.4	18.0%	\$ 300.5	\$ 249.1	20.6%
<b>Diluted earnings per share</b>	0.57	0.49	16.3	1.13	0.94	20.2
<b>Return on equity</b>				19.8%	18.1%	
<b>Dividends per share</b>	0.275	0.240	14.6	0.550	0.480	14.6
(\$ millions)						
<b>Mutual funds</b>						
<b>Investors Group</b>						
Sales	\$ 1,064	\$ 914	16.3%	\$ 2,625	\$ 2,136	22.9%
Net sales (redemptions)	(71)	(382)	N/M	315	(463)	N/M
Assets under management				42,536	37,594	13.1
<b>Mackenzie</b>						
Sales	1,633	1,041	56.8	3,654	2,540	43.9
Net sales (redemptions)	219	(220)	N/M	562	(219)	N/M
Assets under management				35,847	30,271	18.4
<b>Investment Planning Counsel<sup>(1)</sup></b>						
Sales	71	–	N/A	71	–	N/A
Net sales	49	–	N/A	49	–	N/A
Assets under management				1,326	–	N/A
<b>Combined mutual fund assets under management<sup>(2)</sup></b>				79,680	67,865	17.4
<b>Insurance in force (face amount)</b>				34,513	29,320	17.7
<b>Securities operations assets under administration</b>				6,626	5,096	30.0
<b>Mortgages serviced</b>				6,217	6,668	(6.8)
<b>Deposits and certificates</b>				713	738	(3.4)
<b>Consultants – Investors Group</b>				3,207	3,186	0.7%
<b>Employees</b>				3,175	3,117	1.9
<b>Financial Planning Centres</b>				112	108	3.7

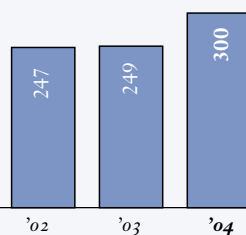
<sup>(1)</sup> From date of acquisition or as at June 30, 2004

<sup>(2)</sup> Adjusted for \$29 million in inter-segment assets

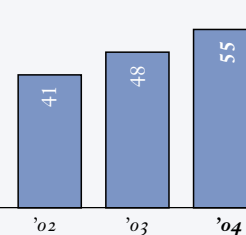
**MUTUAL FUND ASSETS UNDER MANAGEMENT**  
As at June 30 (\$ billions)



**NET INCOME**  
For the six months ended June 30 (\$ millions)



**DIVIDENDS PER SHARE**  
For the six months ended June 30 (cents)



# Report to Shareholders

## TO OUR SHAREHOLDERS

Interim consolidated financial statements for the six and three months ended June 30, 2004 are presented with this report.

## FINANCIAL RESULTS

Net income attributable to common shareholders for the six months ended June 30, 2004 was \$300.5 million compared to \$249.1 million in 2003. Earnings per share were \$1.13 compared with 94 cents in 2003, an increase of 20.2%.

For the three months ended June 30, 2004 net income attributable to common shareholders was \$152.6 million, compared to \$129.4 million in 2003. Earnings per share were 57 cents compared to 49 cents, an increase of 16.3%.

Gross revenues for the first six months of 2004 were \$1.04 billion, compared to \$915.0 million last year. Gross revenues for the second quarter were \$523.5 million, compared to \$460.2 million in the prior year. Operating expenses were \$598.4 million for the six months and \$299.0 million for the quarter compared with \$525.6 million and \$258.5 million respectively in 2003.

## INVESTORS GROUP OPERATIONS

Year-to-date mutual fund sales were \$2.6 billion compared to \$2.1 billion in the prior year and mutual fund net sales were \$315 million compared to last year's net redemptions of \$463 million. Net sales of long-term funds (excluding money market funds) were \$243 million compared to net redemptions of \$442 million in the prior year.

Mutual fund sales for the second quarter were \$1.1 billion compared to \$914 million in the prior year. For the quarter, mutual fund net redemptions were \$71 million compared to net redemptions of \$382 million in 2003 and long-term funds net redemptions were \$92 million compared to net redemptions of \$340 million in 2003.

Investors Group's redemption rate (excluding money market funds) was 9.6% at the end of the quarter, down from 11.3% at the same time last year. The corresponding rate at June 30, 2004 for all other members of the Investment Funds Institute of Canada was 14.8%.

On a year-to-date basis, insurance sales were up 4.3% from last year while mortgage originations increased 45.6%. External assets gathered into the securities operations declined 2.5% from the same time last year.

Investors Group's mutual fund assets at June 30, 2004 were \$42.5 billion, an increase of 13.1%, compared to \$37.6 billion at June 30, 2003.

The number of Investors Group Consultants was 3,207 at June 30, 2004 compared to 3,186 at June 30, 2003.

## MACKENZIE OPERATIONS

Year-to-date mutual fund sales were \$3.7 billion compared to \$2.5 billion in the prior year and mutual fund net sales were \$562 million compared to net redemptions of \$219 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were \$597 million for the period compared to the same amount of sales and redemptions in 2003.

Mackenzie recorded sales of mutual funds of \$1.6 billion for the second quarter compared to \$1.0 billion for the same quarter last year. Mutual fund net sales for the period were \$219 million, compared to net redemptions of \$220 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were \$192 million for the quarter, compared with net redemptions of \$43 million in 2003.

Mackenzie's redemption rate for long-term funds was 13.5% at the end of June 2004, compared to 12.7% at the end of June 2003. The corresponding rate at June 30, 2004 for all other members of the Investment Funds Institute of Canada was 14.3%.

Mackenzie's mutual fund assets under management at June 30, 2004 were \$35.8 billion, an increase of 18.4%, compared to \$30.3 billion one year ago.

## MACKENZIE LEADERSHIP TRANSITION

Mackenzie announced Jim Hunter's decision to retire as President and Chief Executive Officer in the next few months, at which point he will become the Chairman of the Board of Directors of Mackenzie Inc.

Mr. Hunter has been with Mackenzie since 1992. During this time, Mackenzie has strengthened its leadership position within the mutual fund industry and enhanced its reputation in Canada for providing innovative and high quality products and services to financial advisors and their clients.

Mr. Hunter also managed the company through the process which led to the acquisition of Mackenzie by IGM Financial in 2001, and subsequently played a key

role in helping to execute IGM Financial's strategy of realizing substantial financial benefits for shareholders and clients, while maintaining Mackenzie as a separate entity with its own management, products, brands, investment management and marketing.

This strategy will continue to be followed by IGM Financial and Mackenzie into the future as they build upon this record of success.

Working with Mr. Hunter, Mr. Orr, President and Chief Executive Officer of IGM Financial, will have responsibility for managing the leadership succession at Mackenzie.

#### CORPORATE DEVELOPMENTS

On April 30, 2004 the Company changed its name to IGM Financial Inc. to better reflect the evolution of the public company and more accurately represent the structure of the organization today, with its activities being conducted through more than one business unit. The new name will also serve to distinguish the public corporation from its operating business units.

On May 10, 2004, the Company completed its acquisition of Investment Planning Counsel which gave the Company an expanded presence in the financial planning market and is consistent with the Company's strategy of owning leading businesses within the advice segment of the Canadian financial services industry. It will be operated as a separate entity and will be managed by its current leadership team. Investment Planning Counsel is the fifth largest financial planning organization in Canada with \$7.4 billion of client assets under administration and \$1.3 billion of mutual fund assets under management. It serves the financial needs of Canadians through over 600 financial advisors.

#### INDUSTRY OVERVIEW

Despite generally positive corporate earnings reports during the quarter, the anticipation of a weaker performance for the second half of 2004 combined with the prospect of interest rates rising in the near-term resulted in some volatility in the markets in the second quarter. Investor confidence, however, was not affected by these conditions and to the end of June, inflows into the industry's mutual funds had remained positive for the ninth consecutive month.

The Investment Funds Institute of Canada reported considerably stronger net sales for the quarter compared to a year ago. Net sales for the second quarter of 2004 amounted to \$2.4 billion, compared to \$2.9 billion in net redemptions for the same period in 2003. IFIC figures show that as at June 30, 2004, mutual fund assets increased by 21.8% year-over-year to \$476.1 billion. During the second quarter, total mutual fund assets under management increased by 2.5%, or \$11.5 billion for the three month period ended June 30, 2004.

Management believes that the addition of Investment Planning Counsel during the quarter is consistent with the long-term direction of the Company and will complement our ongoing efforts to strengthen the fundamental operations of our business and the value that we provide to advisors, Consultants and clients. While the Company maintains its emphasis on growth during 2004, we will do so with the understanding that we also need to be cost-competitive. In combination, these endeavours will continue to provide benefits to our many stakeholders both now and into the future.

#### 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, 2004 to shareholders of record on August 30, 2004 and has declared an increase of 2.5 cents per share in the quarterly dividend from 27.5 cents to 30 cents per share on the Company's common shares payable October 29, 2004 to shareholders of record on September 30, 2004.

On behalf of the Board of Directors,



R. Jeffrey Orr  
*President and Chief Executive Officer*  
 Winnipeg, Canada  
 July 29, 2004

## Management's Discussion and Analysis

*The Management's Discussion and Analysis (MD&A) presents management's view of the operations and financial condition of IGM Financial Inc. (the Company) as at and for the three and six months ended June 30, 2004, compared with the same periods in 2003, and should be read in conjunction with the 2003 Investors Group Inc. Annual Report, the enhanced Investors Group Inc. MD&A dated January 29, 2004 filed on www.sedar.com in May, 2004 and the 2004 Investors Group Inc. First Quarter Report to Shareholders. Commentary in the MD&A as at and for the three and six months ended June 30, 2004 is as of July 29, 2004.*

### FORWARD-LOOKING INFORMATION

*This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements.*

## IGM Financial Inc.

### Change to Corporate Name

During the second quarter, the Company received shareholder and regulatory approval to change its name from Investors Group Inc. to IGM Financial Inc.

## Summary of Consolidated Operating Results

For the three months ended June 30, 2004 net income attributable to common shareholders was \$152.6 million compared to \$129.4 million in 2003. Earnings per share on this basis were 57 cents compared with 49 cents in 2003, an increase of 16.3%.

Net income attributable to common shareholders for the six months ended June 30, 2004 was \$300.5 million compared to \$249.1 million in 2003. Earnings per share on this basis were \$1.13 compared with \$0.94 in 2003, an increase of 20.2%.

Shareholders' equity was \$3.39 billion as at June 30, 2004, up from \$3.22 billion at December 31, 2003. Return on average common equity for the six months ended June 30, 2004 was 19.8% compared with 18.1% in 2003.

The quarterly dividend per common share was 27.5 cents, unchanged from the first quarter but up from 25.5 cents in the fourth quarter of 2003.

On May 10, 2004, the Company acquired a 74.7% interest in Investment Planning Counsel Inc. (Investment Planning Counsel). The Company's results include its earnings for the period May 10 to June 30, 2004 which are reported in the Corporate and Other segment in Table 1. Additional information related to the acquisition is included in the Outlook section of the MD&A on page 16 and in Note 9 to the interim Consolidated Financial Statements on page 26.

TABLE I: CONSOLIDATED OPERATING RESULTS BY SEGMENT

THREE MONTHS ENDED JUNE 30 (\$ millions)	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
Fee income	\$ 269.8	\$ 237.9	\$ 204.5	\$ 180.0	\$ 12.0	\$ (0.8)	\$ 486.3	\$ 417.1
Net investment income and other	28.6	33.0	4.0	4.3	4.6	5.8	37.2	43.1
	298.4	270.9	208.5	184.3	16.6	5.0	523.5	460.2
Operating expenses								
Commissions	66.2	45.7	79.9	70.1	7.7	–	153.8	115.8
Non-commission	61.2	59.4	62.1	62.6	3.4	(0.8)	126.7	121.2
	127.4	105.1	142.0	132.7	11.1	(0.8)	280.5	237.0
<b>Earnings before interest and taxes</b>	<b>\$ 171.0</b>	<b>\$ 165.8</b>	<b>\$ 66.5</b>	<b>\$ 51.6</b>	<b>\$ 5.5</b>	<b>\$ 5.8</b>	<b>243.0</b>	<b>223.2</b>
Interest expense							18.5	21.5
Income before income taxes							224.5	201.7
Income taxes							66.5	67.1
Non-controlling interest							0.2	–
<b>Net income</b>							<b>157.8</b>	<b>134.6</b>
Preferred dividends							5.2	5.2
Net income available to common shareholders							<b>\$ 152.6</b>	<b>\$ 129.4</b>
SIX MONTHS ENDED JUNE 30 (\$ millions)								
Fee income	\$ 540.1	\$ 472.3	\$ 413.3	\$ 364.8	\$ 11.0	\$ (1.7)	\$ 964.4	\$ 835.4
Net investment income and other	62.2	55.8	7.8	8.5	9.5	15.3	79.5	79.6
	602.3	528.1	421.1	373.3	20.5	13.6	1,043.9	915.0
Operating expenses								
Commissions	131.0	91.3	158.9	140.5	7.7	–	297.6	231.8
Non-commission	128.1	120.3	133.1	132.7	2.3	(1.7)	263.5	251.3
	259.1	211.6	292.0	273.2	10.0	(1.7)	561.1	483.1
<b>Earnings before interest and taxes</b>	<b>\$ 343.2</b>	<b>\$ 316.5</b>	<b>\$ 129.1</b>	<b>\$ 100.1</b>	<b>\$ 10.5</b>	<b>\$ 15.3</b>	<b>482.8</b>	<b>431.9</b>
Interest expense							37.3	42.5
Income before income taxes							445.5	389.4
Income taxes							134.5	130.0
Non-controlling interest							0.2	–
<b>Net income</b>							<b>310.8</b>	<b>259.4</b>
Preferred dividends							10.3	10.3
Net income available to common shareholders							<b>\$ 300.5</b>	<b>\$ 249.1</b>

The Company's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other.

Management measures and evaluates the performance of 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 on pages 7 to 13.

Earnings before interest and taxes for Corporate and Other, the segment which includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations, were \$5.5 million for the three months ended June 30, 2004 compared to \$5.8 million in 2003 and \$10.5 million for the six months ended June 30, 2004 compared to \$15.3 million in 2003. Investment Planning Counsel earnings before taxes were \$0.6 million for the period May 10 to June 30, 2004. The reduction in net investment income earned on unallocated investments and other income for the three and six month periods ended June 30, 2004 compared with 2003 was due to lower levels of invested assets and other income.

Certain items reflected in Table 1 are not allocated to segments:

- *Interest expense* – represents the cost of financing the Mackenzie acquisition and totalled \$18.5 million for the three months ended June 30, 2004 compared with \$21.5 million in 2003. For the six month period in 2004, interest expense was \$37.3 million compared to \$42.5 million in 2003. The reduction in the average balance of outstanding long-term debt contributed to the decrease in interest expense in both the three and six month periods of 2004 compared with 2003.
- *Income taxes* – the effective rate of tax was 29.6% and 30.2% for the three and six month periods in 2004 compared with 33.3% and 33.4%, respectively in 2003. The decline in the effective rate for both the three and six month periods in 2004 compared to 2003 was due to reductions in statutory tax rates, increases in gains on the sale of securities and the Company's share of Great-West Lifeco Inc.'s (GWL) earnings which are reported in net investment income and other and which are taxed at lower rates, and other tax benefits.

#### NON-GAAP FINANCIAL MEASURES

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are non-GAAP financial measures. EBIT is an alternative measure of performance utilized by management to measure and evaluate the results of its reportable segments as shown in Table 1 and as discussed later in the MD&A. EBITDA is an alternative measure of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results and is discussed further on page 14 of the MD&A. These non-GAAP financial measures do not have a standard meaning and are not directly comparable to any GAAP measure or to similar measures used by other companies.

#### CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies during the three months ended June 30, 2004.

#### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

There were no changes in the nature of the Company's critical accounting estimates in the second quarter of 2004.

#### FUTURE ACCOUNTING CHANGES

Effective January 1, 2005, the Company will be required to comply with the provisions of Accounting Guideline 15, Consolidation of Variable Interest Entities, and amendments to Section 3860, Financial Instruments – Disclosure and Presentation. The Company is reviewing the potential impact that these new accounting requirements may have on the financial statement presentation of the Company.

## Investors Group

### Assets Under Management

The level of assets under management is influenced by three factors: sales, redemption rates and capital markets, including relative investment performance. The changes in assets under management in 2004 compared with 2003 are summarized in Table 2.

For the three months ended June 30, 2004, sales of Investors Group mutual funds sold through its Consultant Network were \$1.1 billion, an increase of 16.3% from 2003. This compares to an overall industry increase in mutual fund sales of 36.6%. Mutual fund redemptions totalled \$1.1 billion for the same period, a decrease of 12.5% from the \$1.3 billion recorded in 2003. Investors Group's redemption rate for long-term funds decreased to 9.6% at June 30, 2004 from 11.3% at June 30, 2003 and remains well below the corresponding redemption rate of 14.8% for all other members of the Investment Funds Institute of Canada (IFIC). Net redemptions of Investors Group mutual funds were \$71 million compared with net redemptions of \$382 million in 2003.

Sales of long-term funds were \$848 million for the three months ended June 30, 2004, compared with \$696 million in 2003, an increase of 21.8%. Net redemptions of long-term funds were \$92 million compared to net redemptions of \$340 million in 2003.

For the six months ended June 30, 2004, sales of Investors Group mutual funds sold through its Consultant Network were \$2.6 billion, an increase of 22.9% from 2003. This compares to an overall industry increase in mutual fund sales of 45.7%. Mutual fund redemptions totalled \$2.3 billion for the same period, a decrease of 11.1% from the \$2.6 billion recorded in 2003. Net sales of Investors Group mutual funds were \$315 million compared with net redemptions of \$463 million in 2003.

Sales of long-term funds were \$2.1 billion for the six months ended June 30, 2004, compared with \$1.7 billion in 2003, an increase of 23.8%. Net sales of long-term funds were \$109 million compared to net redemptions of \$442 million in 2003. Certain sales of long-term funds in the first quarter of 2004, sourced through Investors Group's Solutions Banking<sup>†</sup> loan programs, were deposited and held in Investors Group's Money Market Fund on a one-day basis and then transferred into long-term mutual funds. Including these sales, the sales and net sales of long-term funds for the six months ended June 30, 2004 would have been \$2.2 billion and \$243 million respectively.

Investment management services have provided reasonable levels of returns to date in 2004. At June 30, 2004, 38% of Masterseries<sup>™</sup> funds had a four or five star

TABLE 2: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Sales	\$ 1,063.5	\$ 914.4	16.3%	\$ 2,624.7	\$ 2,135.7	22.9%
Redemptions	1,134.1	1,296.0	(12.5)	2,309.2	2,598.7	(11.1)
Net sales (redemptions)	(70.6)	(381.6)	N/M	315.5	(463.0)	N/M
Market and income	(68.7)	2,321.2	N/M	1,316.3	469.2	N/M
Net change in assets	(139.3)	1,939.6	N/M	1,631.8	6.2	N/M
Beginning assets	42,675.3	35,654.7	19.7	40,904.2	37,588.1	8.8
<b>Ending assets</b>	<b>\$ 42,536.0</b>	<b>\$ 37,594.3</b>	<b>13.1%</b>	<b>\$ 42,536.0</b>	<b>\$ 37,594.3</b>	<b>13.1%</b>
<b>Consists of:</b>						
Investors Masterseries <sup>™</sup>				\$ 36,097.5	\$ 32,412.0	11.4%
IG Mackenzie <sup>(1)</sup>				1,406.7	1,051.8	33.7
Partner funds				4,110.6	3,552.1	15.7
iProfile <sup>™</sup> funds				415.2	351.3	18.2
Investors Group Corporate Class Inc.				506.0	227.1	122.8
				<b>\$ 42,536.0</b>	<b>\$ 37,594.3</b>	<b>13.1%</b>
<b>Average daily assets</b>	<b>\$ 42,445.0</b>	<b>\$ 37,022.1</b>	<b>14.6%</b>	<b>\$ 42,382.1</b>	<b>\$ 36,820.5</b>	<b>15.1%</b>

<sup>(1)</sup> On August 1, 2003, mandates for two partner funds with assets totaling \$173 million were assigned to Mackenzie.

rating compared to 40% at March 31, 2004 and December 31, 2003, and higher than the Morningstar<sup>†</sup> universe at 32%. As at June 30, 2004, 65% of the Masterseries<sup>™</sup> funds had a rating of three stars or better. This compares with 74% at both March 31, 2004 and December 31, 2003 and is slightly lower than the Morningstar<sup>†</sup> universe of 67%. Morningstar Ratings<sup>†</sup> 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 percent of the funds in each category get a five-star rating.

Investors Group's mutual fund assets under management were \$42.5 billion at June 30, 2004, an increase of \$4.9 billion or 13.1% from June 30, 2003. During the three month period ended June 30, 2004, Investors Group's mutual fund assets decreased \$139 million and in the six month period ended June 30, 2004, increased \$1.6 billion or 4.0%. The twelve month increase in assets from June 30, 2003 reflects positive market action of \$5.0 billion offset by net redemptions of mutual funds totaling \$61 million. The decline in assets for the three months ended June 30, 2004 reflects negative market action and net redemptions. The increase in assets from December 31, 2003 reflects positive market action and net sales experienced in the six

months of 2004. The increase in assets in the industry for the three, six and twelve months ended June 30, 2004 are 2.5%, 8.5% and 21.8%, respectively.

On May 14, 2004, Investors Group announced proposed changes to its fund shelf including thirteen fund mergers involving funds with identical or substantively similar investment mandates. These changes, which were approved at unitholder and shareholder meetings on June 21, 2004, are intended to facilitate more efficient management of the funds and provide better investment diversification opportunities. Seven fund mergers will take effect on or about July 31, 2004 and six fund mergers are scheduled to take effect on or about November 21, 2004. In conjunction with the planned fund mergers, Investors Group served notice to terminate its investment advisory arrangements with Sceptre Investment Counsel Limited. The IG Sceptre funds will be merged into existing Masterseries<sup>™</sup> and Investors Group Corporate Class funds in late July.

During the second quarter, Investors Group also announced that it had added Canadian equity fund manager Bissett Investment Management to its fund offering and plans to launch two new funds, IG Bissett Canadian Equity Fund and IG Bissett Canadian Equity Class of Investors Group Corporate Class Inc.

## Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the three and six month periods ended June 30, 2004 compared with 2003 are presented in Table 3.

TABLE 3: OPERATING RESULTS – INVESTORS GROUP

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
<b>Fee and net investment income</b>						
Management	\$ 206.4	\$ 180.4	14.4%	\$ 412.0	\$ 357.0	15.4%
Administration	41.0	34.1	20.2	80.8	69.0	17.1
Distribution	22.4	23.4	(4.3)	47.3	46.3	2.2
Net investment income and other	28.6	33.0	(13.3)	62.2	55.8	11.5
	298.4	270.9	10.2	602.3	528.1	14.1
<b>Operating expenses</b>						
Commissions	28.1	19.8	41.9	55.5	39.6	40.2
Asset Retention Bonus	38.1	25.9	47.1	75.5	51.7	46.0
Non-commission	61.2	59.4	3.0	128.1	120.3	6.5
	127.4	105.1	21.2	259.1	211.6	22.4
<b>Earnings before interest and taxes</b>	\$ 171.0	\$ 165.8	3.1%	\$ 343.2	\$ 316.5	8.4%

#### FEE AND NET INVESTMENT INCOME

For the three months ended June 30, 2004, management fee income increased by \$26.0 million to \$206.4 million. The increase reflects the growth of 14.6% in average daily mutual fund assets in the second quarter compared with 2003. Management fee income represents 195 basis points of average mutual fund assets, unchanged from 2003. For the six months ended June 30, 2004, management fee income increased by \$55.0 million to \$412.0 million. The increase in the six month period ended June 30, 2004 reflects the growth of 15.1% in average daily mutual fund assets compared with 2003. Management fee income represents 195 basis points of average mutual fund assets, unchanged from 2003.

Investors Group earns administration fees for providing administrative services to its mutual funds through certain of its subsidiaries and trusteeship services to its mutual funds through Investors Group Trust Co. Ltd. Administration fees totalled \$41.0 million for the three months ended June 30, 2004, up 20.2% from \$34.1 million in 2003. Fees for the six months ended June 30, 2004 were \$80.8 million in 2004, compared to \$69.0 million in 2003. During the three and six month periods, fees charged to the mutual funds for administrative services increased \$3.4 million and \$5.8 million respectively due to increases in related non-commission expenses. Increases in trustee fees in both the three and six month periods resulted from growth in average mutual fund assets in 2004 compared to 2003. Other service fees increased due to both the growth in average mutual fund assets during the three and six month periods of 2004 compared to 2003 and the introduction of the fixed rate service fee on deferred sales charge and no-load products in August 2003.

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds subject to a deferred sales charge. In 2003, Investors Group revised redemption fee rates on mutual funds sold subject to a deferred sales charge. Fees charged range from 5.5% in the first year reducing to nil after seven years and are consistent with industry rates. Previously, redemption fee rates ranged from 3.0% in the first year reducing to nil after six years.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Provision of securities services through Investors Group Securities Inc.

- Provision of banking services through Solutions Banking<sup>†</sup>, an arrangement with the National Bank of Canada introduced in June 2003.

Distribution fee income of \$22.4 million for the three months ended June 30, 2004 decreased 4.3% from \$23.4 million in 2003. Redemption fee income declined by \$1.6 million primarily due to lower redemptions subject to deferred sales charges in 2004 compared to 2003. This was partially offset by distribution fees related to insurance, securities, and banking operations which increased in 2004 as a result of higher business volumes.

Distribution fee income of \$47.3 million for the six months ended June 30, 2004 increased by 2.2% from \$46.3 million in 2003. Distribution fees related to insurance, securities, and banking operations increased in 2004 as a result of higher business volumes. This was offset in part by lower redemption fee income which declined by \$2.9 million primarily due to lower redemptions subject to deferred sales charges in 2004 compared to 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, but excludes interest expense on debt incurred to finance its acquisition of Mackenzie. Net investment income and other totalled \$28.6 million for the three months ended June 30, 2004, a decrease of \$4.4 million from \$33.0 million in 2003 primarily due to a decrease in revenues relating to mortgage banking activities.

For the six months ended June 30, 2004, net investment income and other totalled \$62.2 million, an increase of \$6.4 million from \$55.8 million in 2003. This increase was due principally to increases in Investors Group's share of GWL's earnings and gains on the sale of securities, offset in part by a decrease in revenues related to mortgage banking activities.

#### OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense for the three months ended June 30, 2004 increased by \$8.3 million to \$28.1 million compared with \$19.8 million in 2003. For the six months ended June 30, 2004, commission expense increased by \$15.9 million to \$55.5 million from \$39.6 million in 2003.

The increase in commission expense for both the three and six month periods in 2004 compared to 2003 was due to:

- Amortization of commissions related to 2003 sales of \$2.6 million for the three months and \$6.5 million for the six months due to the change in estimate, effective April 1, 2001, which increased the term of amortization to 72 months.
- Amortization of commissions related to 2004 sales of \$3.0 million for the three months and \$4.3 million for the six months.
- Increases in other compensation related to mutual fund operations, insurance, mortgage and banking products.

In 2004, the asset retention bonus (ARB) expense, which is based on the level of assets under management, is made up of:

- Regular ARB – is paid monthly and is based on the month-end value of assets under management. As part of the Company's realignment of its Consultant compensation in 2003, increases to the ARB rate paid to Consultants were introduced. Regular ARB expense increased by \$8.1 million and \$15.7 million for the three and six month periods as a result of both the increase in assets under management and the increase in the ARB rate paid to Consultants.
- Asset retention premium (ARP) – is a deferred component of compensation designed to promote Consultant retention. The ARP, which was announced in 2003, was effective beginning in 2004.

ARP expense for the three and six month periods to June 30, 2004 was \$4.1 million and \$8.1 million.

Non-commission expense totalled \$61.2 million for the three months ended June 30, 2004 compared to \$59.4 million in 2003, representing an increase of \$1.8 million or 3.0%. For the six month period, non-commission expense totalled \$128.1 million compared with \$120.3 million in 2003, an increase of \$7.8 million or 6.5%.

The increase in both periods was primarily due to:

- Increases in expenses related to the administration of Investors Group's mutual funds due to both increased transactional volumes as well as post conversion activity costs related to the single shareholder system. Investors Group and Mackenzie merged their transfer agency and unitholder recordkeeping systems into one shareholder system in November 2003.
- Increases in sub-advisory fees as a result of increases in these assets under management.
- Increases in Consultant network support costs as a result of increased activity levels.

Investors Group continues to benefit from the impact of synergies related to the transition work completed with Mackenzie. In addition, management continues to focus on both control of discretionary expenses and expense reductions beyond the opportunities created by the transition activities.

## Mackenzie

### Assets Under Management

Mackenzie's mutual fund assets under management were \$35.8 billion at June 30, 2004, an increase of \$0.4 billion from \$35.4 billion as at March 31, 2004, and an increase of \$5.5 billion from \$30.3 billion as at June 30, 2003.

During the three month period ended June 30, 2004, sales of Mackenzie's mutual funds were \$1.63 billion, an increase of 56.8% from \$1.04 billion in the comparative period last year. Redemptions of mutual funds during these same periods were \$1.41 billion and \$1.26 billion respectively, resulting in net sales of mutual funds of \$218 million during the three month period ended June 30, 2004 as compared to net redemptions of mutual funds of \$220 million in the three month period ended June 30, 2003. Net sales of long-term funds were \$192 million in the current quarter as compared to net redemptions of long-term funds of \$43 million in the corresponding period last year.

During the six month period ended June 30, 2004, sales of Mackenzie's mutual funds were \$3.66 billion, an increase of 43.9% from \$2.54 billion in the comparative period last year. During 2004 redemptions of mutual funds were \$3.09 billion as compared to redemptions of \$2.76 billion in the six month period ended June 30, 2003. Net sales of mutual funds during the six month period ended June 30, 2004 were \$562 million, as compared to net redemptions of \$219 million in the comparative period last year. Net sales of long-term funds were \$597 million for the six month period ended June 30, 2004, as compared to equal sales and redemptions of long-term

funds in the comparative period last year.

Market performance during the three and six month periods ended June 30, 2004 positively impacted mutual fund assets by \$245 million and \$1.51 billion, respectively. Last year, market performance increased mutual fund assets by \$1.73 billion in the three month period ended June 30, 2003 and reduced mutual fund assets by \$370 million in the six month period ended June 30, 2003.

As at June 30, 2004, Mackenzie held the top position among fund companies for offering the most Morningstar<sup>®</sup> rated five-star funds of any fund company in Canada. Excluding funds that emulate the portfolio of another fund, Mackenzie had eleven funds with the top ranking. At June 30, 2004, 43% of Mackenzie mutual funds had ratings of four or five stars, and 69% had three stars or better. This compares to 35% and 68%, respectively at March 31, 2004, and 36% and 71%, respectively at December 31, 2003 and exceeds the Morningstar<sup>®</sup> universe of 32% and 67%, respectively.

In addition to its mutual fund business, an important component of Mackenzie's operations are the provision of investment management, administration and distribution services for other investment products. As at June 30, 2004, Mackenzie provided investment management services to private and institutional accounts with assets of \$3.98 billion, a 54.3% increase from the corresponding period last year, and provided administration and distribution services to venture capital funds with \$1.03 billion in net assets.

TABLE 4: CHANGES IN ASSETS UNDER MANAGEMENT AND ADMINISTRATION – MACKENZIE

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
<b>Mutual Funds</b>						
Sales	\$ 1,633.1	\$ 1,041.4	56.8%	\$ 3,654.2	\$ 2,540.2	43.9%
Redemptions	1,414.6	1,261.6	12.1	3,092.0	2,759.6	12.0
<b>Net sales (redemptions)</b>	<b>218.5</b>	<b>(220.2)</b>	<b>N/M</b>	<b>562.2</b>	<b>(219.4)</b>	<b>N/M</b>
Market and income	244.9	1,728.6	(85.8)	1,514.8	(370.2)	N/M
Net change in assets	463.4	1,508.4	(69.3)	2,077.0	(589.6)	N/M
Beginning assets	35,383.5	28,762.1	23.0	33,769.9	30,860.1	9.4
<b>Ending assets</b>	<b>\$ 35,846.9</b>	<b>\$ 30,270.5</b>	<b>18.4%</b>	<b>35,846.9</b>	<b>30,270.5</b>	<b>18.4</b>
<b>Private and Institutional Clients</b>				<b>3,976.4</b>	2,576.9	54.3
<b>Labour Sponsored Funds</b>				<b>1,030.5</b>	1,002.7	2.8
<b>Total</b>				<b>\$ 40,853.8</b>	<b>\$ 33,850.1</b>	<b>20.7%</b>
<b>Average daily mutual fund assets</b>	<b>\$ 35,625.0</b>	<b>\$ 29,814.3</b>	<b>19.5%</b>	<b>\$ 35,315.2</b>	<b>\$ 29,712.8</b>	<b>18.9%</b>

## Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the three and six month periods ended June 30, 2004 compared with 2003 are presented in Table 5.

### FEE AND NET INVESTMENT INCOME

Management fees were \$161.6 million for the three month period ended June 30, 2004, an increase of \$27.4 million or 20.4% from \$134.2 million in the comparative period last year. This increase is consistent with the 19.5% increase in Mackenzie's average mutual fund assets under management and the growth in its private and institutional accounts. For the six month period ended June 30, 2004, management fees increased \$53.2 million or 19.8% to \$322.1 million from \$268.9 million in the comparative period last year. This increase is consistent with the 18.9% increase in Mackenzie's average mutual fund assets under management and the growth in its private and institutional accounts.

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 declined by \$1.8 million from \$36.0 million in the comparative period to \$34.2 million in the three month period ended June 30, 2004. The decrease in administration fees is attributed to a \$1.1 million decline in operating expenses charged to funds, consistent with the

decline in expenses incurred by Mackenzie on behalf of its mutual funds, and a reduction of \$0.7 million in administration fees earned by the MRS Group. In the six month period ended June 30, 2004 administration fees were \$72.4 million as compared to \$74.9 million in the comparative period. The decrease in administration fees is attributed to a \$2.3 million decline in recoverable fund operating expenses and a reduction of \$0.2 million in administration fees earned by the MRS Group.

Distribution fee income, 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 \$1.1 million to \$8.7 million in the three month period ended June 30, 2004 from \$9.8 million in the comparative period last year. Distribution fee income in the six month period ended June 30, 2004 was \$18.8 million, a decrease of \$2.2 million from \$21.0 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 and to the fact that mutual fund units subject to redemption fees are aging and therefore have lower applicable redemption fee rates.

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, 2004 was \$4.0 million, a decline of \$0.3 million as compared to \$4.3 million in the corresponding period last year. Net investment income

TABLE 5: OPERATING RESULTS – MACKENZIE

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
<b>Fee and net investment income</b>						
Management	\$ 161.6	\$ 134.2	20.4%	\$ 322.1	\$ 268.9	19.8%
Administration	34.2	36.0	(5.0)	72.4	74.9	(3.3)
Distribution	8.7	9.8	(11.2)	18.8	21.0	(10.5)
Net investment income and other	4.0	4.3	(7.0)	7.8	8.5	(8.2)
	<b>208.5</b>	<b>184.3</b>	<b>13.1</b>	<b>421.1</b>	<b>373.3</b>	<b>12.8</b>
<b>Operating expenses</b>						
Commissions	37.1	35.9	3.3	74.8	72.9	2.6
Trailer fees	42.8	34.2	25.1	84.1	67.6	24.4
Non-commission	62.1	62.6	(0.8)	133.1	132.7	0.3
	<b>142.0</b>	<b>132.7</b>	<b>7.0</b>	<b>292.0</b>	<b>273.2</b>	<b>6.9</b>
<b>Earnings before interest and taxes</b>	<b>\$ 66.5</b>	<b>\$ 51.6</b>	<b>28.9%</b>	<b>\$ 129.1</b>	<b>\$ 100.1</b>	<b>29.0%</b>

was \$7.8 million in the six month period ended June 30, 2004, a decrease of \$0.7 million from \$8.5 million in the comparative period last year. These decreases are due to the net interest margin compression on M.R.S. Trust's lending and deposit portfolios.

#### OPERATING EXPENSES

Mackenzie's operating expenses increased 7.0% and 6.9% in the three and six month periods ended June 30, 2004 respectively as compared to the same periods last year.

Commissions expense, which represents the amortization of deferred selling commissions, was \$37.1 million in the three month period ended June 30, 2004 as compared to \$35.9 million in the previous year. Commission expense in the six month period ended June 30, 2004 was \$74.8 million, as compared to \$72.9 million in the same period in 2003. Mackenzie amortizes deferred selling commissions over a maximum period of seven years. However, to the extent fees are received on the redemption of the underlying mutual fund units, amortization is accelerated.

Trailer fees paid to dealers were \$42.8 million in the three month period ended June 30, 2004, an increase of \$8.6 million or 25.1% from \$34.2 million in the three month period ended June 30, 2003. Trailer fees in the six month period ended June 30, 2004 were \$84.1 million as compared to \$67.6 million in 2003. Trailer fees as a percentage of average mutual fund assets under management increased to 48.3 basis points in the current quarter as compared to 45.9 basis points in the corresponding period last year and increased to 47.6 basis points in the six month period ended June 30, 2004 as compared to 45.7 basis points in the same period last

year. The increase in trailer fees in both the three and six month periods ended June 30, 2004 was consistent with the period over period growth in average mutual fund assets under management and the shift in the percentage of Mackenzie's mutual fund assets invested in long-term equity based funds as opposed to short-term money market funds which has resulted in a higher average trailer fee rate.

Non-commission expenses decreased \$0.5 million to \$62.1 million in the three month period ended June 30, 2004 from \$62.6 million in the comparative period last year. A component of the non-commission expenses incurred by Mackenzie is related to the administration of its mutual funds. These expenses, which are recovered from Mackenzie's mutual funds, declined in the current quarter as compared to the corresponding period last year, largely a result of continued cost synergies being realized from the transition work with Investors Group. This reduction in non-commission expenses was partially offset by an increase in sub-advisory expenses incurred by Mackenzie in the management of its mutual funds, consistent with the growth in its sub-advised assets under management as compared to the same period last year.

Non-commission expenses in the six month period ended June 30, 2004 were \$133.1 million, an increase of \$0.4 million from \$132.7 million in the comparative period in 2003. The increase in non-commission expenses during this period was attributed to higher marketing and sales program related expenditures and increased sub-advisory expenses, consistent with the growth in its sub-advised assets under management. This was partially offset by a decline in expenses incurred by Mackenzie in relation to the administration of its mutual funds.

## IGM Financial Inc.

### Consolidated Financial Position

The Company's on-balance sheet assets totalled \$6.46 billion at June 30, 2004 compared to \$6.29 billion at December 31, 2003.

The Company's holdings of securities were \$120.6 million at June 30, 2004, an increase of \$14.3 million or 13.5% from December 31, 2003. Securities currently represent 1.9% of total assets as compared to 1.7% at December 31, 2003. The market value of the Company's portfolio exceeded cost by \$116.6 million at June 30, 2004 and \$125.1 million at December 31, 2003.

Loans, including mortgages and personal loans, increased by 23.2%, or \$122.3 million, to \$650.3 million at June 30, 2004 and represent 10.0% of total assets, compared to 8.4% at December 31, 2003. Residential loans related to the Company's mortgage banking operations, designated for sale to third parties on a fully serviced basis, increased by \$117.3 million while mortgages and personal loans related to the Company's intermediary activities increased by \$5.0 million.

## Consolidated Liquidity and Capital Resources

### LIQUIDITY

The Company's operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on the Company's outstanding common shares.
- Maintaining liquidity requirements for the Company's regulated entities.

The Company continues to generate significant cash flows which are sufficient to meet its operating liquidity requirements. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$308.0 million for the three months ended June 30, 2004 compared to \$279.9 million in 2003, and represents an increase of 10.0%. EBITDA totalled \$611.2 million for the six months ended June 30, 2004 compared to \$547.1 million for the same period in 2003, an increase of 11.7%. During the three and six month periods ended June 30, 2004, average consolidated mutual fund assets under management increased by 17.9% and 17.3% respectively over 2003 levels.

Other potential sources of liquidity include the Company's portfolio of securities and lines of credit. As at June 30, 2004, the market value of the marketable securities in its portfolios and its unregulated subsidiaries was \$216.3 million. The Company's operating lines of credit totalled \$235 million with various Schedule 1 Canadian chartered banks, of which \$75 million represented committed lines of credit.

Liquidity can also be provided through the Company's demonstrated ability to raise funds in domestic debt and equity markets.

### Cash Flows

Table 6 – Cash Flows is a summary of the Statements of Cash Flows which form part of the interim Consolidated Financial Statements for the three and six months ended June 30, 2004 and is on page 21 of this report.

Operating activities, before payment of commissions, generated \$159.8 million and \$314.1 million during the three and six month periods ended June 30, 2004, as compared to \$168.0 million and \$305.8 million in 2003. Cash commissions paid of \$69.6 million and \$169.7 million in the three and six month periods ended June 30, 2004 reflect the increases in mutual fund sales over 2003 levels. Cash commissions paid during the comparable periods in 2003 were \$54.1 million and \$124.3 million.

Financing activities during the quarter ended June 30, 2004 compared to the same period in 2003 related primarily to:

- A decrease of \$50.1 million in deposits and certificates in 2004 compared to a \$21.4 million decrease in 2003.
- The payment of regular preferred and common share dividends which increased to \$77.8 million in 2004 from \$68.5 million in 2003 as a result of increases in the Company's common share dividends.
- The repayment of long-term debt assumed on the acquisition of Investment Planning Counsel in May 2004.

TABLE 6: CASH FLOWS

(\$ millions)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Operating activities	\$ 90.2	\$ 113.8	(20.7)%	\$ 144.3	\$ 181.5	(20.5)%
Financing activities	(150.9)	(161.7)	6.7	(227.4)	(80.5)	(182.5)
Investing activities	(117.2)	35.5	N/M	(183.6)	36.9	N/M
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(177.9)</b>	<b>(12.4)</b>	<b>N/M</b>	<b>(266.7)</b>	<b>137.9</b>	<b>N/M</b>
Cash and cash equivalents, beginning of period	880.5	921.8	(4.5)	969.3	771.5	25.6
<b>Cash and cash equivalents, end of period</b>	<b>\$ 702.6</b>	<b>\$ 909.4</b>	<b>(22.7)%</b>	<b>\$ 702.6</b>	<b>\$ 909.4</b>	<b>(22.7)%</b>

Financing activities during the six months ended June 30, 2004 compared to the same period in 2003 related primarily to:

- A decrease of \$37.2 million in deposits and certificates in 2004 compared to an increase of \$28.6 million in 2003 relates to changes in demand deposit levels.
- The payment of regular preferred and common share dividends which increased to \$150.3 million in 2004 from \$133.0 million in 2003 as a result of increases in the Company's common share dividends.
- The repayment of long-term debt assumed on the acquisition of Investment Planning Counsel in May 2004.
- The repurchase of 642,000 common shares under the Company's normal course issuer bid at a cost of \$23.0 million.

Other activity in 2003 related to the issue of \$300 million in debentures and the repayment of \$276 million in long-term debt, as discussed in the 2003 Annual Report.

Investing activities during the quarter ended June 30, 2004 compared to the same period in 2003 related primarily to:

- The acquisition of Investment Planning Counsel, net of cash and cash equivalents assumed, which totalled \$63.9 million.
- The purchase of \$24.7 million in securities and security sales with proceeds of \$35.5 million compared with \$0.2 million and \$25.0 million respectively in 2003.
- Increases in residential mortgages and personal loans of \$59.9 million compared to \$36.5 million in 2003. Residential mortgages are related to the Company's mortgage banking operations and are held on a temporary basis pending sale to third parties on a fully serviced basis.
- No securitization transactions were undertaken in the second quarter of 2004, while proceeds on securitizations in 2003 totalled \$51.6 million in the quarter.

Investing activities during the six months ended June 30, 2004 compared to the same period in 2003 related primarily to:

- Acquisition of Investment Planning Counsel as discussed above.
- The purchase of \$54.6 million in securities and security sales with proceeds of \$60.9 million compared with \$0.9 million and \$69.0 million respectively in 2003.

- Increases in residential mortgages related to the Company's mortgage banking operations as discussed above, and personal loans of \$130.4 million compared with an increase of \$69.4 million in 2003 offset in part by securitizations of \$10.2 million in 2004 and \$51.6 million in 2003.

#### **Contractual Obligations**

There have been no material changes in the contractual obligations of the Company from those reported at December 31, 2003.

#### **Regulatory Liquidity Requirements**

Liquidity requirements for M.R.S. Trust and Investors Group Trust Co. Ltd., which engage in financial intermediary activities, are established by regulatory authorities. As at June 30, 2004, liquidity for both companies was in excess of regulatory requirements.

#### **Off-Balance Sheet Arrangements**

- *Securitizations* – there were no changes to the Company's liquidity management practices related to securitizations and no significant transactions undertaken during the three month period ended June 30, 2004.
- *Derivatives* – there have been no changes in the Company's policies and procedures with respect to the use of derivative instruments during the quarter ended June 30, 2004. In addition, there has not been a significant change in either the notional amount outstanding or in the exposure to credit risk, which is limited to the current fair value of those instruments which are in a gain position.

#### **CAPITAL RESOURCES**

Shareholders' equity increased to \$3.39 billion as at June 30, 2004 from \$3.22 billion at December 31, 2003. On May 10, 2004, the Company issued 734,796 common shares on the acquisition of Investment Planning Counsel with a stated value of \$24.4 million. Changes in common share capital are reflected in Note 3 to the interim Consolidated Financial Statements. Long-term debt remained at year end 2003 levels of \$1.40 billion.

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.

#### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Changes in both the carrying values and fair values of financial instruments did not have a significant impact on the financial condition of the Company for the quarter ended June 30, 2004. In addition, there were no significant changes in the risks related to these financial instruments and in the policies and procedures designed to manage these risks during the period.

#### RELATED PARTY TRANSACTIONS

There were no changes to the types of related party transactions entered into by the Company during the

quarter ended June 30, 2004. There were no material transactions during the period except as follows:

- To facilitate innovative product enhancements, Mackenzie enters into transactions involving entities managed by Mackenzie. As part of this arrangement, the parties have the legal right and intend to settle on a net basis certain related party financial assets and liabilities. These assets, which total \$2.4 billion at June 30, 2004 compared to \$2.2 billion at December 31, 2003, have been offset and, accordingly, have no impact on the Consolidated Balance Sheets.

## Outlook

#### ACQUISITION OF INVESTMENT PLANNING COUNSEL

On May 10, 2004, the Company paid \$75.9 million in cash and issued 734,796 common shares, for total consideration of \$100.3 million, including transaction costs, to acquire a 74.7% interest in Investment Planning Counsel.

This acquisition will expand the Company's presence in the independent financial planning channel. Investment Planning Counsel is the fifth largest financial planning firm in Canada with an effective and committed management team as well as over 600 financial planners, and had mutual fund assets under management of \$1.3 billion (Counsel Group of Funds) and total assets under management and administration of \$7.4 billion at June 30, 2004. The transaction was structured to maintain

the entrepreneurial character of Investment Planning Counsel and was consistent with the Company's strategy of owning leading businesses in both manufacturing and distribution within the advice segment of the financial services industry. Investment Planning Counsel is operating as a separate entity and is being managed by its existing leadership team.

#### GROWTH OF MUTUAL FUNDS

The mutual fund market continues to play a prominent role in the financial services industry. As at June 30, 2004, mutual fund industry assets in Canada totalled \$476.1 billion, an increase of 2.5% from \$464.6 billion at March 31, 2004 and 8.5% from \$438.9 billion at December 31, 2003. The \$11.5 billion increase during the second quarter of 2004 reflects an estimated \$1.2 billion increase

TABLE 7: FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – CARRYING VALUE

(\$ millions)	JUNE 30 2004	DECEMBER 31 2003
<b>Assets</b>		
Cash and cash equivalents	\$ 702.6	\$ 969.3
Securities	120.6	106.2
Loans	650.3	528.0
Account and other receivables	206.6	155.9
	<b>\$ 1,680.1</b>	<b>\$ 1,759.4</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 712.8	\$ 729.5
Other financial liabilities	481.7	450.3
Long-term debt	1,401.8	1,403.6
	<b>\$ 2,596.3</b>	<b>\$ 2,583.4</b>

from market action which represented 0.3% of March 31, 2004 assets, net sales of \$2.4 billion, and the inclusion of approximately \$7.9 billion in new assets not previously reported to the Investment Funds Institute of Canada. The \$37.2 billion increase in industry assets in the six month period from December 31, 2003 reflects an estimated \$16.3 billion increase from market action, which represented 3.7% of year-end 2003 industry assets, net sales of \$13.3 billion, and the inclusion of approximately \$7.6 billion in new assets that were not previously reported to the Investment Funds Institute of Canada.

#### EXPANDED PRODUCT AND SERVICE OFFERING

Offering a broader range of financial products and increasing the diversification of the Company's core products have strengthened existing client relationships and have attracted new clients. This strategy continues to enhance the extent and quality of the Company's client relationships, protect its client base and expand its market share.

In the quarter ended June 30, 2004, Mackenzie completed the second and final closing of its initial public offering of the Mackenzie 2004 Resource Limited Partnership. A total of 1,532,463 units were sold for aggregate gross proceeds of \$38.3 million. The Partnership's objective is to seek capital appreciation and maximize tax benefits for investors through investment in a portfolio of flow-through shares of Canadian resource companies. Mackenzie is the manager and investment advisor of the Partnership.

#### THE REGULATORY ENVIRONMENT

##### Review of Mutual Fund Industry Practices

The Ontario Securities Commission, the Mutual Fund Dealers Association of Canada and the Investment Dealers Association of Canada are undertaking a review of "late trading" and "market timing" activities of mutual fund companies over the past two and one half years. Each of Investors Group and Mackenzie is participating in these reviews, and has provided detailed information to the regulators in response to their various questionnaires, inquiries and office visits over the period from November 2003 to date.

There were no instances of "late trading" in the funds of either Investors Group or Mackenzie during the review period. Both companies maintain strict and effective procedures to prevent such trading. Both

Investors Group and Mackenzie have determined that there were no instances of market timing transactions in their funds during the review period, as that term was defined by the regulators, but that there were a small number of instances of short-term trading in its international mutual funds during the relevant period. These were identified through the application of monitoring procedures, and steps were taken to terminate the trading activity.

We understand that this regulatory review is ongoing and will continue for some time. Both Investors Group and Mackenzie are supportive of the regulators' initiative to strengthen the Canadian mutual fund industry.

#### RISK FACTORS

##### Market Risk

Investor confidence remained positive in the first half of 2004 in spite of financial markets which experienced some volatility. This has led to significant increases in the level of mutual fund sales and increases in the level of assets under management. However, risks related to performance of the equity markets and changes in interest rates can have a significant impact on the level and mix of mutual fund assets and sales. In addition, these factors can 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 11.3% at June 30, 2004, among the lowest in the industry. The corresponding redemption rate for the industry as a whole was 14.9%, excluding the Company's mutual funds.

Investors Group and Mackenzie provide Consultants and independent financial advisors 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.

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. Financial advisors can also play a key role in educating investors about the value of portfolio diversification. In periods of declining markets and market volatility, our Consultants and independent financial advisors have been effective in reminding clients of the benefits of long-term investing.

### **Distribution Risk**

*Investors Group Consultant Network* – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with particular clients which can lead to a strong and personal client relationship based on the client's trust in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focussed on both retaining its key Consultants and growing its overall distribution network, as discussed in the Investors Group Review of the Business beginning on page 27 of the MD&A contained in the 2003 Annual Report. As at June 30, 2004, the number of Consultants totalled 3,207 compared with 3,186 at June 30, 2003, which represents an increase of 21 Consultants in the twelve month period.

*Mackenzie* – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients

investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's portfolio of financial products is recognized as one of the most innovative and unique in the industry. This, combined with strong performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors.

### **Other Information**

- *Outstanding Share Data* – Outstanding shares of the Company as at June 30, 2004 of 264,652,985 are disclosed in Note 3 – Share Capital in the notes to the interim Consolidated Financial Statements. Outstanding shares of the Company as at July 29, 2004 totalled 264,652,985.
- Additional information relating to IGM Financial Inc., including the Company's most recent financial statements and Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

## Consolidated Statements of Income

(unaudited) (in thousands of dollars, except shares and per share amounts)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
<b>Fee and net investment income</b>				
Management	\$ 371,701	\$ 313,830	\$ 736,781	\$ 624,159
Administration	75,768	70,116	153,796	144,005
Distribution	38,892	33,144	73,827	67,269
Net investment income and other	37,121	43,061	79,482	79,602
<b>Total fee and net investment income</b>	<b>523,482</b>	<b>460,151</b>	<b>1,043,886</b>	<b>915,035</b>
<b>Operating expenses</b>				
Commission expense	153,802	115,772	297,624	231,837
Non-commission expense	126,692	121,190	263,493	251,286
Interest expense	18,532	21,521	37,254	42,452
<b>Total operating expenses</b>	<b>299,026</b>	<b>258,483</b>	<b>598,371</b>	<b>525,575</b>
Income before income taxes and non-controlling interest	224,456	201,668	445,515	389,460
Income taxes	66,535	67,143	134,530	130,013
Income before non-controlling interest	157,921	134,525	310,985	259,447
Non-controlling interest	160	–	160	–
<b>Net income</b>	<b>157,761</b>	<b>134,525</b>	<b>310,825</b>	<b>259,447</b>
Preferred dividends	5,175	5,175	10,350	10,350
<b>Net income available to common shareholders</b>	<b>\$ 152,586</b>	<b>\$ 129,350</b>	<b>\$ 300,475</b>	<b>\$ 249,097</b>
Average number of common shares (in thousands) (Note 6)				
Basic	264,331	263,831	264,251	263,831
Diluted	265,960	265,060	265,847	264,982
Earnings per share (in dollars) (Note 6)				
Basic	\$ 0.58	\$ 0.49	\$ 1.14	\$ 0.94
Diluted	\$ 0.57	\$ 0.49	\$ 1.13	\$ 0.94

## Consolidated Statements of Retained Earnings

(unaudited) (in thousands of dollars)	SIX MONTHS ENDED JUNE 30	
	2004	2003
<b>Balance, beginning of period</b>		
As previously reported	\$ 1,414,705	\$ 1,148,892
Change in accounting policy (Note 1)	(1,093)	–
As restated	1,413,612	1,148,892
Net income	310,825	259,447
Dividends		
Preferred	(10,350)	(10,350)
Common	(145,409)	(126,645)
Premium paid on common shares purchased for cancellation (Note 3)	(19,449)	(2,127)
Other	(166)	–
<b>Balance, end of period</b>	<b>\$ 1,549,063</b>	<b>\$ 1,269,217</b>

(See accompanying notes to interim consolidated financial statements.)

## Consolidated Balance Sheets

<i>(unaudited)</i>	JUNE 30	DECEMBER 31
<i>(in thousands of dollars)</i>	2004	2003
<b>Assets</b>		
Cash and cash equivalents	\$ 702,566	\$ 969,315
Securities	120,557	106,232
Loans	650,330	528,012
Investment in affiliate	483,729	460,655
Deferred selling commissions	831,918	763,874
Other assets	380,610	333,825
Goodwill and intangible assets <i>(Note 2)</i>	3,286,764	3,129,783
	<b>\$ 6,456,474</b>	<b>\$ 6,291,696</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 712,773	\$ 729,456
Other liabilities	532,734	562,820
Future income taxes	422,613	375,072
Long-term debt	1,401,795	1,403,580
	<b>3,069,915</b>	<b>3,070,928</b>
<b>Shareholders' Equity</b>		
Share capital <i>(Note 3)</i>		
Preferred	360,000	360,000
Common	1,474,882	1,446,063
Contributed surplus	2,614	-
Retained earnings	1,549,063	1,414,705
	<b>3,386,559</b>	<b>3,220,768</b>
	<b>\$ 6,456,474</b>	<b>\$ 6,291,696</b>

*(See accompanying notes to interim consolidated financial statements.)*

## Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
<b>Operating activities</b>				
Net income	\$ 157,761	\$ 134,525	\$ 310,825	\$ 259,447
Adjustments to determine net cash from operating activities				
Future income taxes	17,092	11,450	39,958	12,671
Commission amortization	55,470	48,465	109,526	96,880
Amortization	5,449	5,984	10,764	13,811
Changes in operating assets and liabilities and other	(75,988)	(32,457)	(157,002)	(77,019)
	159,784	167,967	314,071	305,790
Commissions paid	(69,610)	(54,131)	(169,733)	(124,261)
	90,174	113,836	144,338	181,529
<b>Financing activities</b>				
(Decrease) increase in deposits and certificates	(50,076)	(21,428)	(37,247)	28,605
Issue of debentures	–	–	–	300,000
Repayment of long-term debt	(23,044)	(75,000)	(24,829)	(276,785)
Issue of common shares	51	3,207	7,934	3,430
Preferred dividends paid	(5,175)	(5,175)	(10,350)	(10,350)
Common dividends paid	(72,629)	(63,300)	(139,972)	(122,665)
Common shares purchased for cancellation	–	–	(22,975)	(2,741)
	(150,873)	(161,696)	(227,439)	(80,506)
<b>Investing activities</b>				
Acquisition of Investment Planning Counsel, less cash and cash equivalents acquired (note 9)	(63,872)	–	(63,872)	–
Acquisition of non-controlling interest	–	–	–	(4,733)
Purchase of securities	(24,715)	(189)	(54,644)	(947)
Proceeds from the sale of securities	35,522	24,989	60,861	69,022
Increase in loans	(59,948)	(36,455)	(130,410)	(69,428)
Proceeds from securitizations	–	51,573	10,190	51,573
Additions to office premises	(4,207)	(4,394)	(5,773)	(8,585)
	(117,220)	35,524	(183,648)	36,902
(Decrease) increase in cash and cash equivalents	(177,919)	(12,336)	(266,749)	137,925
Cash and cash equivalents, beginning of period	880,485	921,783	969,315	771,522
<b>Cash and cash equivalents, end of period</b>	<b>\$ 702,566</b>	<b>\$ 909,447</b>	<b>\$ 702,566</b>	<b>\$ 909,447</b>
Cash	\$ 44,588	\$ 56,611	\$ 44,588	\$ 56,611
Cash equivalents	657,978	852,836	657,978	852,836
	\$ 702,566	\$ 909,447	\$ 702,566	\$ 909,447

(See accompanying notes to interim consolidated financial statements.)

# Notes to the Interim Consolidated Financial Statements

JUNE 30, 2004 (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, 2003 as set out on pages 48 to 68 of the 2003 Annual Report. Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

During the second quarter, the Company received shareholder and regulatory approval to change its name from Investors Group Inc. to IGM Financial Inc.

## 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, 2003 except as noted below.

### BASIS OF CONSOLIDATION

On May 10, 2004, the Company acquired 74.7% of the outstanding common shares of Investment Planning Counsel Inc. (Investment Planning Counsel). The acquisition was accounted for by the purchase method. The consolidated financial statements include its assets and liabilities as of June 30, 2004 and the results of its operations from the date of acquisition.

### STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Effective January 1, 2004, CICA 3870, Stock-based Compensation and Other Stock-based Payments was amended to require expense treatment for all stock-based compensation and payments. Previously the standard encouraged, but did not require, the use of a fair value-based method to account for stock-based transactions with employees. On January 1, 2004, the Company adopted the amended standard retroactively without restatement of prior periods for all stock-based compensation and payments to employees. The cumulative effect of adopting the new recommendations in the Company's consolidated financial statements was to increase contributed surplus by \$1.1 million and decrease opening retained earnings by \$1.1 million.

### HEDGING RELATIONSHIPS

Accounting Guideline 13 – Hedging Relationships (AcG-13) specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation, and effectiveness of hedges and the discontinuance of hedge accounting. Subsequent to January 1, 2004, derivatives that do not qualify for hedge accounting will be carried at fair value on the consolidated balance sheets, and changes in fair value will be recorded in the consolidated statements of income. Non-qualifying derivatives will continue to be utilized on a basis consistent with the risk management policies of the Company and will be monitored by the Company for effectiveness as economic hedges even if the specific hedge accounting requirements of AcG-13 are not met. The Company has reassessed its hedging relationships as at January 1, 2004 and has determined that the adoption of the new recommendation did not have a material effect on the Company's consolidated financial statements.

## 2. Goodwill and intangible assets

As a result of the acquisition of Investment Planning Counsel, the Company's goodwill increased by \$124.6 million and finite-life intangible assets increased by \$32.6 million less \$0.2 million of amortization in the period since acquisition. These assigned values are preliminary and will be finalized as soon as the Company has gathered all the significant information considered necessary to finalize the purchase price allocation (Note 9).

### 3. Share capital

#### ISSUED AND OUTSTANDING

	JUNE 30, 2004		DECEMBER 31, 2003	
	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	264,089,791	\$ 1,446,063	263,845,333	\$ 1,441,063
Issued on acquisition of Investment Planning Counsel <i>(Note 9)</i>	734,796	24,366	–	–
Issued under Stock Option Plan	470,398	7,979	356,758	5,614
Purchased for cancellation	(642,000)	(3,526)	(112,300)	(614)
Balance, end of period	264,652,985	\$ 1,474,882	264,089,791	\$ 1,446,063

#### NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid, effective for one year, on February 22, 2004. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding as at January 31, 2004. As at June 30, 2004, 642,000 shares were purchased at a cost of \$23.0 million and the premium paid to purchase the shares was charged to retained earnings. On February 22, 2003, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at January 31, 2003. As at June 30, 2003, 112,300 shares were purchased at a cost of \$2.7 million. No common shares were purchased in the second quarter of 2004 or 2003.

### 4. Stock-based compensation

	JUNE 30 2004	DECEMBER 31 2003
Common share options		
Outstanding	7,367,141	6,303,023
Exercisable	2,591,037	2,292,297

In the first quarter of 2004, the Company issued 1,262,500 (2003 – 1,420,594) options to employees and 88,750 (2003 – 86,500) options to non-employees. In the second quarter, the Company issued 260,000 (2003 – nil) options to employees. A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of options granted during the six months ended June 30, 2004 has been estimated at \$7.37 per option (2003 – \$5.34) using the Black-Scholes option pricing model, based on the following assumptions: (i) risk-free interest rate of 4.01% (2003 – 4.58%), (ii) expected option life of six years (2003 – six years), (iii) expected volatility of 25.00% (2003 – 25.00%) and (iv) expected dividend yield of 3.28% (2003 – 3.70%).

The Company recorded compensation expense related to its stock option program of \$1.3 million (2003 – nil) for the six months ended June 30, 2004.

## 5. Pension plans and other post-retirement benefits

The Company recorded pension and other post-retirement benefits expense (income) as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
Pension expense (income)	\$ 51	\$ (28)	\$ 101	\$ (57)
Other post-retirement benefits expense	903	749	1,806	1,498
Total	\$ 954	\$ 721	\$ 1,907	\$ 1,441

## 6. Earnings per common share

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
<b>Earnings</b>				
Net income	\$ 157,761	\$ 134,525	\$ 310,825	\$ 259,447
Preferred dividends	5,175	5,175	10,350	10,350
Net income available to common shareholders	\$ 152,586	\$ 129,350	\$ 300,475	\$ 249,097
<b>Number of common shares</b> <i>(in thousands)</i>				
Average number of common shares outstanding	264,331	263,831	264,251	263,831
Add:				
– Potential exercise of outstanding stock options	1,629	1,229	1,596	1,151
Average number of common shares outstanding – diluted basis	265,960	265,060	265,847	264,982
<b>Earnings per common share</b> <i>(in dollars)</i>				
Basic	\$ 0.58	\$ 0.49	\$ 1.14	\$ 0.94
Diluted	\$ 0.57	\$ 0.49	\$ 1.13	\$ 0.94

In certain circumstances, the preferred shares referred to in Note 3 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 JUNE 30 2004	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Income	\$ 298,432	\$ 208,442	\$ 16,608	\$ 523,482
Expenses	127,415	141,992	11,087	280,494
Earnings before undernoted	\$ 171,017	\$ 66,450	\$ 5,521	242,988
Interest expense				18,532
Income before income taxes and non-controlling interest				224,456
Income taxes				66,535
Non-controlling interest				160
Net income				157,761
Preferred dividends				5,175
Net income available to common shareholders				\$ 152,586
2003	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Income	\$ 270,931	\$ 184,247	\$ 4,973	\$ 460,151
Expenses	105,155	132,648	(841)	236,962
Earnings before undernoted	\$ 165,776	\$ 51,599	\$ 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
SIX MONTHS ENDED JUNE 30 2004	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Total assets under management and administration	\$ 45,019,303	\$ 42,758,721	\$ 7,828,388	\$ 95,606,412
Income	\$ 602,352	\$ 421,066	\$ 20,468	\$ 1,043,886
Expenses	259,065	292,006	10,046	561,117
Earnings before undernoted	\$ 343,287	\$ 129,060	\$ 10,422	482,769
Interest expense				37,254
Income before income taxes and non-controlling interest				445,515
Income taxes				134,530
Non-controlling interest				160
Net income				310,825
Preferred dividends				10,350
Net income available to common shareholders				\$ 300,475

## 7. Segmented information *(continued)*

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	\$ 373,338	\$ 13,639	\$ 915,035
Expenses	211,586	273,206	(1,669)	483,123
Earnings before undernoted	\$ 316,472	\$ 100,132	\$ 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. Restructuring

Following the acquisition of Mackenzie, the Company commenced the integration and rationalization of its administration, systems and operations. The restructuring costs related primarily to severance and related expenses, contract termination costs, decommissioning of systems, and other expenses.

	JUNE 2004	DECEMBER 2003
Balance at beginning of period	\$ 38,337	\$ 69,786
Utilized during the period	(9,679)	(6,617)
Change in estimate	–	(24,832)
Balance at end of period	\$ 28,658	\$ 38,337

Of the \$28.7 million balance, \$6.2 million relates to termination benefits, \$4.3 million relates to contract termination costs and the remaining \$18.2 million relates to decommissioning of systems and other expenses. The balance includes \$7.0 million of liabilities related to completed activities and \$21.7 million related to projects in process.

## 9. Acquisition of Investment Planning Counsel

On May 10, 2004, the Company acquired 74.7% of the outstanding common shares of Investment Planning Counsel, a Canadian financial services company. The results of its operations have been included in the consolidated financial statements since that date.

The aggregate purchase price was \$100.3 million, including \$75.9 million of cash, including transaction costs, and common shares valued at \$24.4 million. The value of the 734,796 common shares issued was determined based on the weighted-average market price of the Company's shares over the two-day period before and after the terms of the acquisition were agreed to and announced.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The purchase price allocation is preliminary and based on the Company's best estimates. The final purchase price allocations will be completed as soon as the Company has gathered all the significant information considered necessary in order to finalize this allocation.

## 9. Acquisition of Investment Planning Counsel *(continued)*

Fair value of assets acquired:	
Cash and cash equivalents	\$ 12,035
Deferred selling commissions	7,837
Other assets	26,818
Finite-life intangible assets	32,643
	79,333
Less fair value of liabilities assumed and non-controlling interest:	
Deposits	20,564
Other liabilities	52,052
Future income taxes	7,583
Long-term debt	23,044
Non-controlling interest	396
	103,639
Fair value of net assets acquired	(24,306)
Goodwill and other intangible assets	124,579
	\$ 100,273

Included in Other liabilities are accruals for contract termination costs of \$26.7 million which were paid during the second quarter, and other restructuring costs of \$9.4 million related to the acquisition.

## Shareholder Information

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### TRANSFER AGENT AND REGISTRAR

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V6C 3B9

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Winnipeg, Manitoba  
R3B 3K6

### STOCK EXCHANGE LISTING

**Toronto Stock Exchange**  
Shares of IGM Financial Inc.  
are listed on the Toronto  
Stock Exchange under the  
following listings:  
Common Shares: IGI  
First Preferred Shares, Series A:  
IGI.PR.A

### ANALYST CONTACT

For additional financial information  
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### SHAREHOLDER INFORMATION

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### WEBSITES

Visit our websites at  
**www.investorsgroup.com**  
and  
**www.mackenziefinancial.com**  
and  
**www.ipcc.ca**

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