

R. Jeffrey Orr
*President and
 Chief Executive Officer
 IGM Financial Inc.*



REPORT TO SHAREHOLDERS

The Company changed its name to IGM Financial Inc. in 2004, reflecting its growth and development over the past few years into an organization that now serves the financial needs of Canadians through multiple businesses. While IGM Financial's businesses operate distinctly, each with their own leadership, products and brands, they share a common focus in providing clients with personalized one-to-one financial advice, and are each committed to leadership and excellence within their respective segments of the market.



IGM Financial made significant progress on many fronts in 2004. Strong financial results were again delivered to shareholders during the year. The Company's two principal businesses – Investors Group Inc. and Mackenzie Financial Corporation – each enhanced their competitive positions and experienced strong momentum in areas such as sales, recruiting and retention. The Company added to its position of strength in the financial advice market through the acquisition of 75% of Investment Planning Counsel Inc. Leadership transition occurred at each of Investors Group and Mackenzie, positioning the Company strongly for the future.

FINANCIAL RESULTS

Net income attributable to common shareholders, excluding the items noted below, was \$615.6 million for the year ended December 31, 2004 compared to \$533.5 million in 2003. Earnings per share were \$2.31 compared to \$2.01 in 2003, an increase of 14.9%.

Net income in 2004 excludes a charge to earnings recorded in the fourth quarter of \$28.8 million (\$19.2 million after tax) which includes both compensation payments to certain unitholders of Investors Group and related costs resulting from settlement agreements with regulatory agencies (unitholder compensation). Net income in 2003 excludes:

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

Net income attributable to common shareholders, including the items noted above, was \$596.4 million for the year ended December 31, 2004 compared to \$539.1 million in 2003. Earnings per share were \$2.24 compared to \$2.03 in 2003.

Dividends increased for the fifteenth consecutive year, rising 16 cents to \$1.15 per share.

OPERATING HIGHLIGHTS

Investors Group Inc.'s enhancements to its Consultant programs and client product offering resulted in tangible benefits in 2004. Significant improvement in Consultant retention coupled with strong recruiting produced the highest growth of the Consultant network in many years. It also resulted in a meaningful reduction in the redemption rate of Investors Group's mutual funds, at a time when redemption rates in the industry overall were rising.

Mackenzie Financial Corporation has pursued a strategy focused on building excellent relationships with financial advisors, maintaining a high quality product line-up and adding to its team of experienced and talented investment managers. It was rewarded in 2004

by strong growth in sales and assets under management. Mackenzie led all companies within the advice segment of the industry in sales of mutual funds.

Notwithstanding that 2004 was a year of significant growth and investment, the Company's principal operating units remained focused on prudent management of operating costs within the context of higher sales and activity levels.

ACQUISITION OF INVESTMENT PLANNING COUNSEL

In May of this year, the Company completed the acquisition of 75% of Investment Planning Counsel Inc. Investment Planning Counsel is Canada's fifth largest financial planning organization, with \$8 billion in client assets under administration, which includes \$1.5 billion in mutual fund assets under management. Investment Planning Counsel serves the financial needs of Canadians through a network of 600 financial advisors.

The acquisition provides IGM Financial with an expanded presence in the financial planning market and provides it with an additional source of growth for the future. With the acquisition, the Company now owns two of Canada's five largest financial planning organizations and has further extended its broad and diverse distribution platform. Investment Planning Counsel will retain its strong entrepreneurial culture and will be led by its existing management team.

INDUSTRY PERSPECTIVE

In 2004, improved market conditions were reflected in higher industry activity, sales and asset levels. Net inflows into mutual funds increased relative to other investment alternatives on an industry-wide basis, as investors chose to put more of their investment dollars into funds. IGM Financial saw significant year-over-year growth, and significantly stronger sales. However, investors remained cautious in 2004 in their choice of investments, seeking products that offered yield and capital protection rather than capital appreciation.

Throughout 2004, the mutual fund industry in the U.S. and Canada was affected by investigations into market timing issues. IGM Financial worked closely

with regulators to bring satisfactory resolution to these matters for the industry, the Company and its clients. The Company will continue to work with regulators and other industry members for the application of clear and consistent standards for the benefit of clients.

LEADERSHIP

Transition in the leadership of IGM Financial's two principal businesses – Investors Group and Mackenzie – was successfully completed in 2004 and early 2005, positioning IGM Financial strongly for the future.

Mr. Murray J. Taylor was appointed President and Chief Executive Officer of Investors Group Inc. in April, 2004. Mr. Taylor's appointment followed very successful roles with Investors Group as head of sales and marketing operations and previously as leader of the transition activities between Mackenzie and Investors Group. He joined Investors Group after 25 years with Great-West Life and London Life, where he played a key role in establishing those companies' leading market positions among life companies in individual investment products.

In 2004, Mr. James L. Hunter announced his intention to retire as President and Chief Executive Officer of Mackenzie Financial Corporation. Mr. Hunter has been with Mackenzie since 1992. During that time, Mackenzie has strengthened its leadership position in the mutual fund industry and enhanced its reputation in Canada for providing high quality products and services to financial advisors and their clients. The Board wishes to thank him for his contributions over many years to Mackenzie and to IGM Financial.

The Company was pleased to announce that Mr. Charles R. Sims will join Mackenzie Financial Corporation in March of 2005 as President and Chief Executive Officer. Mr. Sims has extensive experience in the Canadian, U.S. and international mutual fund markets. For the past 15 years he has been with Franklin Resources Inc., the largest publicly traded asset management company in the world, where he has held leadership roles in the U.S. and Canada across a range of activities.

BOARD OF DIRECTORS

At the Company's Annual Meeting in 2004, The Honourable Paul Desmarais, P.C., C.C., retired from the Board of Directors of IGM Financial. Mr. Desmarais was a director of the Company's predecessor corporation since 1966, and of the Company since 1986. He has played a fundamental role in guiding the Company over the years, and has been integral to its success. In recognition of his significant contribution, the Board of Directors appointed Mr. Desmarais Director Emeritus. Ms. Wanda Dorosz also retired from the Board in 2004, having served as a director of the Company since 1995 and also served on the Investment Committee of the Board. We wish to thank her for her contribution to the Company.

The Board of Directors wishes to thank our many employees and the consultants and advisors with whom we partner for their continued support and commitment. Our success is a testament to their efforts.

LOOKING AHEAD

The past few years have witnessed changes in the industry's competitive landscape and in client preferences. IGM Financial has continued to build its position in the marketplace and strengthen its businesses, guided by the perspective that it is in a leadership position in a highly attractive industry possessing strong long-term growth prospects.

After several years of successfully managing change within our businesses, we are confident in our ability to identify and take advantage of the opportunities which lie ahead of us.

On behalf of the Board of Directors,



R. Jeffrey Orr
President and Chief Executive Officer
IGM Financial Inc.

February 18, 2005