



James L. Hunter, F.C.A.  
*President and  
 Chief Executive Officer  
 Mackenzie Financial Corporation*

Canadian investors once again enjoyed positive returns from equity markets in 2004. However, despite several years of positive markets, investors remained cautious as they exhibited a preference for products offering income or capital protection. As Canadians sought quality investment approaches, Mackenzie's proven approach to investing was particularly attractive. With a consistent approach to finding quality investments based on fundamental research, Mackenzie has earned a track record of credibility and reliability over the long-term. The Mackenzie brand and nine product sub-brands within the Mackenzie family represent products and services trusted by financial advisors and investors alike.

Mackenzie's quality approach was rewarded in 2004, as the company led the industry in sales of mutual funds through the financial advisory channel. Mutual fund sales for the year ended December 31, 2004 were \$6.8 billion compared to \$5.3 billion in the prior year. Mutual fund net sales increased significantly for the period, reaching \$795 million compared to net redemptions of \$69 million in the prior year.

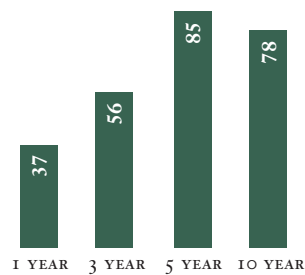
Partnership, communication and innovation characterize Mackenzie's operational accomplishments in 2004.

**PARTNERSHIP WITH ADVISORS**

Our commitment to our partnership with the advisor community was evidenced by our further support of their quest for continuous learning. Mackenzie University offers programs designed to complement advisor education objectives by sharing and enhancing knowledge in the areas of estate and tax planning, investment management, life cycle and risk management. Mackenzie's educational support of advisors is part of an ongoing commitment to strengthening relationships, building partnerships that benefit both parties and ultimately, investors.

**FUND PERFORMANCE**

*As at December 31, 2004 (% of assets)*



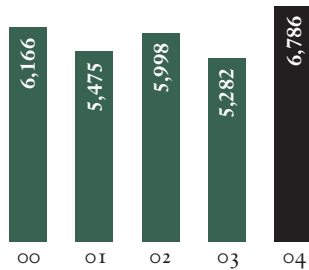
*% of Assets in the 1st and 2nd Quartiles  
 (Source: Morningstar<sup>®</sup>)*

**COMMUNICATION**

During the year, Mackenzie undertook an extensive investor communication initiative. The initiative provided the investing public with timely and accurate information on the salient issues that affect mutual fund management and financial planning. Communication regarding fees, compensation and assessing investment performance were presented in a series of printed publications. Direct, forthright communication around these and other key issues helped to inform investors and underscore the value of mutual funds and active management.

**SALES OF MUTUAL FUNDS**

*For the financial year (\$ millions)*



**INNOVATION**

Mackenzie continued to innovate in 2004 with the introduction of its Symmetry Portfolio Service – a strategic asset allocation program. Symmetry enables advisors to design customized portfolios for their clients, optimized on an ongoing basis according to the investor’s individual objectives and preferences. The program allows advisors to select from both equity and fixed income investment products offered by Mackenzie and other leading Canadian and global manufacturers. Symmetry is unique in that its web-based interface gives advisors input into the portfolio construction within the broader asset allocation framework, and offers powerful tax benefits, supported by a superior reporting framework. Since its launch in February, advisors have responded very positively to the program and its benefits, attracting \$300 million in assets.

**EXPANDING DISTRIBUTION CHANNELS**

In 2004, Mackenzie continued to expand its distribution in a variety of channels. These initiatives included new sub-advisory mandates with a major insurance company

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and two major mutual fund dealers, and expansion of sub-advisory roles within the banking channel and with sister companies within Power Financial. The company also realized significant growth on a sub-advisory mandate distributed in the U.S. market through Waddell & Reed.

Mackenzie introduced its new Structured Products business which successfully launched its first resource flow-through offering, the Mackenzie 2004 Resource Limited Partnership. In addition, the MSP Maxxum Trust closed-end fund raised \$108 million. Mackenzie offers a broad array of investment products. And while mutual funds comprise the most significant part of its business, the company is complementing these offerings with specialized products that meet the evolving needs of investors.

During 2004, Mackenzie updated its brand identity to Mackenzie Investments. The new brand more accurately reflects the breadth of Mackenzie's product line and its commitment to delivering the variety of investment products and services today's financial advisors and investors require.

#### **M.R.S. GROUP OF COMPANIES**

Mackenzie continues to benefit from the support and contribution of its trust and administration services operations at the M.R.S. Group of Companies. M.R.S. provides independent dealers and advisors access to back office administration, software solutions, web enhanced services, deposit and lending products, and trustee services. Together, Mackenzie and M.R.S. are well aligned, allowing the companies to deliver services both internally and externally, that are unique in the industry, building competitive advantage and enabling operating efficiencies for Mackenzie and its independent dealer clients.

#### **THE YEAR AHEAD**

As the financial services industry and Canadian investors become increasingly sophisticated, Mackenzie is well positioned to meet their evolving and increasingly complex needs. Mackenzie is committed to offering innovative products and services that are beneficial to both advisors and investors, delivering choice and flexibility while always remaining true to a proven, quality approach to investing.