FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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. (IGM Financial or the Company) for the years ended December 31, 2004 and 2003. Commentary in the MD&A as at and for the year ended December 31, 2004 is as of February 17, 2005.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of information presented in the Company's MD&A, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars – refer to Note 1 of the Consolidated Financial Statements.

Change to Corporate Name

During the second quarter of 2004, the Company received shareholder and regulatory approval to change its name from Investors Group Inc. to IGM Financial Inc.

Principal Holders of Voting Shares

As at December 31, 2004, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (GWL) held 55.9% and 3.5%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about IGM Financial, 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.

Summary of Consolidated Operating 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. Diluted earnings per share on this basis were $2.31 compared with $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 (unitholder compensation) as discussed on page 53 of the MD&A.

Net income in 2003 excludes:

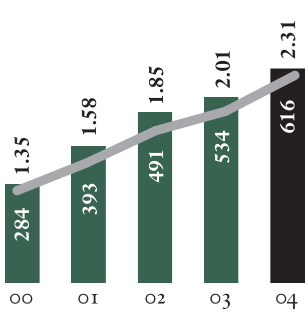
- A dilution gain of $14.8 million recorded in the third quarter resulting from the reduction in IGM Financial's percentage ownership of GWL related to their acquisition of The Canada Life Assurance Company (Canada Life).
- The reversal of $24.8 million ($15.6 million after tax) of restructuring costs related to the acquisition of Mackenzie Financial Corporation (Mackenzie) recorded in the fourth quarter.
- 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 in accordance with GAAP for the year ended December 31, 2004, which includes unitholder compensation noted above, was $596.4 million and diluted earnings per share were $2.24. This compares with net income attributable to common shareholders in accordance with GAAP for the year ended December 31, 2003, which includes the dilution gain, the reversal of restructuring costs, and the non-cash income tax charge noted above, of $539.1 million and diluted earnings per share of $2.03.

Shareholders' equity was $3.51 billion as at December 31, 2004, up from $3.22 billion at December 31, 2003. Return on average common equity was 19.8%, compared with 18.9% in 2003. The quarterly dividend per common share was increased to 30.0 cents in 2004 from 25.5 cents at the end of 2003.

NET INCOME AND DILUTED EARNINGS PER SHARE

For the financial year
($ millions, except per share amounts)



2001 excludes goodwill amortization and Mackenzie restructuring costs.
2003 excludes dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge.
2004 excludes unitholder compensation.

NON-GAAP FINANCIAL MEASURES

Net income, diluted earnings per share (EPS) and return on common equity (ROE) for the year ended December 31, 2004 excludes unitholder compensation. Net income, EPS and ROE for the year ended December 31, 2003 exclude a dilution gain, a reversal of restructuring costs and a non-cash income tax charge related to increases in Ontario tax rates. While these non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance, they do not have standard meanings and are not directly comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are also non-GAAP financial measures. EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further on page 47 of the MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP for net income, EPS and EBITDA is provided in Table 1. The reconciliation related to EBIT is provided in Table 2.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:
- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on earnings before interest and taxes as shown in Table 2. Discussion of segment operations for Investors Group and Mackenzie is contained on pages 29 to 45.

On May 10, 2004, IGM Financial 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 December 31, 2004 which are reported in the Corporate and Other segment in Table 2. Additional information related to the acquisition is included in the Outlook section of the MD&A on page 52 and in Note 21 to the Consolidated Financial Statements on page 83.

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 $30.2 million for the year ended December 31, 2004 compared to $34.8 million in 2003. Investment Planning Counsel's earnings before interest and taxes were $6.9 million for the period May 10 to December 31, 2004. The reduction in net investment income earned on unallocated investments and other income for the year ended December 31, 2004 compared with 2003 was due to lower levels of invested assets and other income.

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2004		2003		2002	
($ millions)	NET INCOME	EPS	NET INCOME	EPS	NET INCOME	EPS
Net income available to common shareholders – Non-GAAP measure	$ 615.6	$ 2.31	$ 533.5	$ 2.01	$ 491.1	$ 1.85
Unitholder compensation, net of tax	(19.2)	(0.07)	–	–	–	–
Dilution gain	–	–	14.8	0.05	–	–
Restructuring (cost) reversal, net of tax	–	–	15.6	0.06	–	–
Non-cash income tax charge	–	–	(24.8)	(0.09)	–	–
Net income available to common shareholders – GAAP	$ 596.4	$ 2.24	$ 539.1	$ 2.03	$ 491.1	$ 1.85
EBITDA – Non-GAAP measure	$ 1,253.1		$ 1,138.6		$ 1,148.6	
Commission amortization	(226.7)		(193.9)		(203.6)	
Amortization	(22.9)		(27.4)		(27.1)	
Interest expense on long-term debt	(91.5)		(97.9)		(90.2)	
Unitholder compensation	(28.8)		–		–	
Dilution gain	–		14.8		–	
Restructuring (cost) reversal	–		24.8		–	
Income before income taxes and non-controlling interest	883.2		859.0		827.7	
Income taxes	(264.9)		(299.2)		(317.4)	
Non-controlling interest	(1.2)		–		(0.3)	
Discontinued operations	–		–		1.8	
Preferred dividends	(20.7)		(20.7)		(20.7)	
Net income available to common shareholders – GAAP	$ 596.4		$ 539.1		$ 491.1	

Certain items reflected in Table 2 are not allocated to segments:

- *Restructuring (costs) reversal* – There were no restructuring costs recorded in 2004. In the fourth quarter of 2003, the Company recorded a $24.8 million ($15.6 million after tax or $0.06 per share) restructuring reversal related to the restructuring provision taken in 2001 following the acquisition of Mackenzie. A restructuring provision of $95.6 million ($56.0 million after tax or $0.22 per share) was recorded in the second quarter of 2001 to restructure and exit certain operations of Mackenzie. In the fourth quarter of 2003 the Company changed its estimate for the restructuring provision required to complete remaining restructuring activities.
- *Interest expense* – Represents the interest cost on debt issued pursuant to the Mackenzie acquisition and outstanding during the period totalling $74.9 million in 2004 compared with $85.3 million in 2003. The

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	2004	2003	2004	2003	2004	2003	2004	2003
Fee income	$ 1,080.8	$ 971.6	$ 821.6	$ 746.3	$ 53.4	$ (3.5)	$ 1,955.8	$ 1,714.4
Net investment income and other	123.3	104.0	15.8	19.9	24.2	35.9	163.3	159.8
	1,204.1	1,075.6	837.4	766.2	77.6	32.4	2,119.1	1,874.2
Operating expenses								
Commissions	264.0	191.3	320.2	284.0	32.5	–	616.7	475.3
Non-commission	273.8	239.3	255.6	257.3	14.9	(2.4)	544.3	494.2
	537.8	430.6	575.8	541.3	47.4	(2.4)	1,161.0	969.5
Earnings before interest and taxes	$ 666.3	$ 645.0	$ 261.6	$ 224.9	$ 30.2	$ 34.8	958.1	904.7
Restructuring (costs) reversal							–	24.8
Interest expense							(74.9)	(85.3)
							883.2	844.2
Dilution gain							–	14.8
Income before income taxes and non-controlling interest							883.2	859.0
Income taxes							264.9	299.2
Income before non-controlling interest							618.3	559.8
Non-controlling interest							1.2	–
Net income							617.1	559.8
Preferred dividends							20.7	20.7
Net income available to common shareholders								
Including unitholder compensation, dilution gain, restructuring reversal and non-cash income tax charge (GAAP)							$ 596.4	$ 539.1
Excluding unitholder compensation, dilution gain, restructuring reversal and non-cash income tax charge[1]							$ 615.6	$ 533.5

[1] *Refer to page 23 of the Management's Discussion and Analysis (MD&A) for an explanation of the Company's use of non-GAAP financial measures.*

reduction in the rate of interest on the $175 million Floating Bankers' Acceptance contributed to the decrease in interest expense in the year ended December 31, 2004 compared with 2003. The reduction in the average balance of outstanding long-term debt also contributed to the decrease in interest expense in 2004 compared with 2003. In the fourth quarter of 2004 the Company repaid the balance of the Floating Bankers' Acceptance related to the Mackenzie acquisition.

- *Dilution gain* – In the third quarter of 2003, the Company purchased $100 million of common shares of GWL which were issued as part of the funding of the Canada Life acquisition by GWL. Investors Group's percentage ownership of GWL was reduced to 4.2%, resulting in a dilution gain of $14.8 million ($0.05 per share).
- *Income taxes* – The effective rate of tax in 2004 was 30.0% compared with 34.8% in 2003. Income taxes in 2003 included a non-cash charge as a result of an increase in Ontario tax rates. In connection with the Mackenzie acquisition in the second quarter of 2001, the Company valued the indefinite life intangible assets of Mackenzie and allocated a portion of the purchase price to such assets. A future tax liability associated with the assets was estimated based upon future income tax rates substantively enacted at the time. During the fourth quarter of 2003, the Ontario provincial government increased income tax rates in respect of future years and, as a result, the Company increased the estimate of the future tax liability and recorded a $24.8 million ($0.09 per share) non-cash income tax charge. This charge increased the 2003 effective tax rate by 2.9%. Excluding the impact of this change in 2003, the effective tax rate declined by 1.94% in 2004 primarily as a result of the decrease in federal statutory tax rates.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 3.

- *Net Income and Earnings per Share* – Table 1 on page 24 of the MD&A shows the reconciliation of non-GAAP financial results to GAAP results for the three years under review. Net income in 2003 was $533.5 million excluding the dilution gain, the reversal of restructuring costs, and the non-cash income tax charge (a non-GAAP financial measure) compared with net income of $491.1 million in 2002. Except as noted above, variations in net income and total revenues result primarily from changes in total mutual fund assets under management. The impact on earnings and revenues of changes in mutual fund assets under management are discussed in the Review of Segment Operations sections of the MD&A.
- *Dividends per Common Share* – Dividends per common share have increased in each of the three years under review. Increases in dividends on common shares are consistent with increases in net income during the three year period.

SUMMARY OF QUARTERLY RESULTS

Financial information for the eight most recently completed quarters is included in Table 4. Significant variations in quarterly earnings occurred in the fourth quarter of 2004 due to the $28.8 million charge ($19.2 million after-tax) recorded by IGM Financial related to unitholder compensation. Other quarterly variations occurred in the third and fourth quarters of 2003 and related to:

- A dilution gain of $14.8 million in the third quarter,
- The reversal of restructuring costs of $24.8 million ($15.6 million after tax) in the fourth quarter, and
- A non-cash income tax charge of $24.8 million in the fourth quarter arising from increases in Ontario tax rates and their effect on the future income tax liability related to indefinite life intangible assets.

A detailed discussion of the items noted above is contained on page 23 of the MD&A in the Summary of Consolidated Operating Results. With the exception of the items noted above, there were no significant variations to quarterly results. Quarterly results are not subject to significant seasonal fluctuations because earnings are primarily dependent on the level of mutual fund assets under management. Average mutual fund assets under management by quarter are shown in the Summary of Quarterly Results. Although mutual fund sales are higher in the first quarter of each year as a result of the RSP season, the impact of the higher sales on that quarter's earnings is not significant.

TABLE 3: SELECTED ANNUAL INFORMATION

	2004	2003	2002
Consolidated statements of income *($ millions)*			
Fee income	$ 1,955.8	$ 1,714.4	$ 1,813.2
Net investment income	163.3	159.8	126.6
	2,119.1	1,874.2	1,939.8
Operating expenses	1,235.9	1,030.0	1,112.4
	883.2	844.2	827.4
Dilution gain	–	14.8	–
Income before undernoted	883.2	859.0	827.4
Income taxes	264.9	299.2	317.4
	618.3	559.8	510.0
Discontinued operations	–	–	1.8
	618.3	559.8	511.8
Non-controlling interest	1.2	–	–
Net income	617.1	559.8	511.8
Preferred dividends	20.7	20.7	20.7
Net income available to common shareholders			
In accordance with GAAP	$ 596.4	$ 539.1	$ 491.1
Excluding unitholder compensation[1]	$ 615.6		
Excluding dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge[1]		$ 533.5	
Earnings per share *($)*			
In accordance with GAAP – Basic	$ 2.26	$ 2.04	$ 1.86
– Diluted	$ 2.24	$ 2.03	$ 1.85
Excluding unitholder compensation, dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge[1]			
– Basic	$ 2.33	$ 2.02	$ 1.86
– Diluted	$ 2.31	$ 2.01	$ 1.85
Dividends per share *($)*			
Common	$ 1.15	$ 0.99	$ 0.86
Preferred	$ 1.44	$ 1.44	$ 1.44
Total corporate assets *($ millions)*	$ 6,473	$ 6,292	$ 5,987
Total long-term debt *($ millions)*	$ 1,227	$ 1,404	$ 1,386
Outstanding common shares *(thousands)*	264,598	264,090	263,845

[1] *Refer to page 23 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.*

TABLE 4: SUMMARY OF QUARTERLY RESULTS

	2004				2003			
	4	3	2	1	4	3	2	1
Consolidated statements of income *($ millions)*								
Fee and net investment income								
Management	383.2	371.7	371.7	365.1	341.8	330.1	313.8	310.4
Administration	71.6	74.2	75.8	78.0	72.4	70.4	70.1	73.9
Distribution	46.2	44.5	38.9	34.9	32.7	31.6	33.1	34.1
Net investment income and other	47.1	36.7	37.1	42.4	37.9	42.3	43.1	36.5
Total fee and net investment income	548.1	527.1	523.5	520.4	484.8	474.4	460.1	454.9
Operating expenses								
Commission expense	163.8	155.3	153.8	143.8	126.3	117.1	115.8	116.1
Non-commission expense	154.2	126.6	126.7	136.8	120.6	122.3	121.2	130.1
Interest expense	18.9	18.7	18.6	18.7	23.6	19.3	21.5	20.9
Restructuring costs (reversal)	–	–	–	–	(24.8)	–	–	–
Total operating expenses	336.9	300.6	299.1	299.3	245.7	258.7	258.5	267.1
	211.2	226.5	224.4	221.1	239.1	215.7	201.6	187.8
Dilution gain	–	–	–	–	–	14.8	–	–
Income before undernoted	211.2	226.5	224.4	221.1	239.1	230.5	201.6	187.8
Income taxes	63.5	66.9	66.5	68.0	99.3	69.9	67.1	62.9
	147.7	159.6	157.9	153.1	139.8	160.6	134.5	124.9
Non-controlling interest	0.4	0.6	0.2	–	–	–	–	–
Net income	147.3	159.0	157.7	153.1	139.8	160.6	134.5	124.9
Preferred dividends	5.2	5.2	5.1	5.2	5.2	5.2	5.1	5.2
Net income available to common shareholders In accordance with GAAP	142.1	153.8	152.6	147.9	134.6	155.4	129.4	119.7
Reconciliation of non-GAAP financial measures[1] *($ millions)*								
Net income available to common shareholders (non-GAAP)	161.3	153.8	152.6	147.9	143.8	140.6	129.4	119.7
Unitholder compensation (net of tax)	(19.2)	–	–	–	–	–	–	–
Dilution gain	–	–	–	–	–	14.8	–	–
Restructuring reversal (net of tax)	–	–	–	–	15.6	–	–	–
Non-cash income tax charge	–	–	–	–	(24.8)	–	–	–
Net income available to common shareholders (GAAP)	142.1	153.8	152.6	147.9	134.6	155.4	129.4	119.7
Earning per share *(¢)*								
In accordance with GAAP								
– Basic	54	58	58	56	51	59	49	45
– Diluted	53	58	57	56	51	59	49	45
Excluding unitholder compensation, dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge[1]								
– Basic	61	58	58	56	54	53	49	45
– Diluted	61	58	57	56	54	53	49	45
Average daily mutual fund assets *($ billions)*	80.6	78.4	78.8	77.3	72.3	70.0	66.8	66.2

[1] *Refer to page 23 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.*

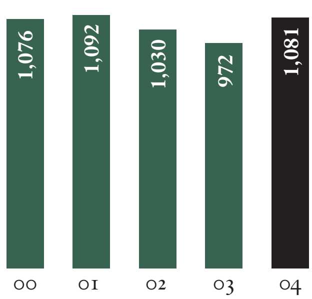
INVESTORS GROUP
Review of the Business

Investors Group's core business provides a comprehensive range of financial and investment planning services to Canadians through its dedicated network of highly trained and well-supported Consultants.

Investors Group earns revenue primarily from:
- Management fees charged to its mutual funds.
- Fees charged to its mutual funds for administrative and trustee services.
- Distribution fees charged to mutual fund account holders.

FEE INCOME – INVESTORS GROUP

For the financial year ($ millions)



Fee income is also earned from the distribution of insurance products, banking and securities services. Additional revenue is derived from mortgage banking, corporate investments and investment certificate operations.

Revenues depend largely on the value and composition of assets under management. Our comprehensive approach to financial planning, accomplished by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in a mutual fund redemption rate significantly lower than the industry average. During periods of equity market decline and reduced investor confidence, this approach mitigates any downward pressure on the asset base. During 2004, Investors Group's redemption rate for long-term funds reflected significant improvement. The redemption rate declined to 9.1% at December 31, 2004 from 10.7% in 2003 while the redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) increased to 15.3% at December 31, 2004 from 14.1% in 2003.

SEGMENT STRATEGY

Investors Group continually reviews its strategy to ensure that it is appropriate for both the current financial services environment and any anticipated changes that would affect the industry. We strive to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business model embraces current trends in the Canadian financial services industry and our strategic plan is focused on:

1. Growing our distribution network through the retention of existing Consultants and the attraction of new industry professionals.
2. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of highly trained and well-supported Consultants.
3. Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring relationships by meeting the changing needs of our broad spectrum of clients.
4. Maximizing returns on business investment by:
   - Capitalizing on economies of scale through our relationship with Mackenzie, The Great-West Life Assurance Company (Great-West Life), London Insurance Group Inc., Canada Life and with Investment Planning Counsel, as a result of the 74.7% ownership interest which IGM Financial acquired in May 2004.
   - Controlling expenditures through the management of staffing levels, improved productivity, effective and continual investments in technology, and the management of discretionary expenses.
   - Focusing resources on initiatives that have direct benefits to clients and Consultants.

CORE BUSINESS

Consultants

Investors Group distinguishes itself from its competition by offering personal, long-term financial planning to its clients. At the centre of this relationship is a national distribution network of highly skilled Consultants located in 113 Financial Planning Centres across Canada.

At Investors Group we are focused on growing our distribution network through the retention of existing Consultants and the attraction of new industry professionals. This is accomplished through the offering of a comprehensive and state-of-the-art financial planning practice support platform. Management believes that Consultant compensation and the constant evolution of our support services provide one of the best environments in which our Consultants can build their practices – whether they are entering the business, or are experienced Consultants with considerable assets under management.

Recruiting and retention
Investors Group combines a number of proven interview and testing techniques to identify high quality people who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners. In 2004, we saw a significant improvement in Consultant retention. Our work in strengthening the competitiveness of our Consultant and field management compensation, recognition and support programs has been successful, evidenced by the growth of our Consultant network.

At the end of 2004, Investors Group had 3,496 Consultants, compared with 3,223 in 2003. The number of Consultants with more than four years experience was 2,030 compared to 1,949 a year earlier.

Consultant development
Management continues to focus on Consultant development systems. Each year, the curriculum is reviewed and refreshed to offer all Consultants the essential building blocks they require to develop their individual businesses.

Consultants begin their relationship with Investors Group by attending a five week training program which is a mix of centralized and region office training, designed to combine technical education with field experience. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. Supplemental training, coaching and mentorship are top priorities for the Consultant network's Regional Directors and Division Directors across Canada.

In 2004, Investors Group continued to enhance its training and development programs for Consultants. The Field Development Program was introduced to provide enhanced coaching and mentorship to Consultants in their early years in the business. Experienced Consultants continued to benefit from programs which were introduced in 2003, including The 8 Best Practices of High-Performing Advisors† Program. These programs are focused on helping Consultants take their practices to higher levels of productivity. Annual advanced educational conferences, featuring internal and external industry-leading professionals, were expanded and made available to the entire Consultant network.

In keeping with Investors Group's commitment to maintaining the highest standards of ethical business practices and conduct, Consultants also receive ongoing training, information and guidance regarding business standards, and regulatory and compliance matters.

Investors Group also supports industry initiatives to introduce uniform qualification requirements for use of the "financial planner" designation. Enrollment in programs to achieve a Certified Financial Planner (CFP) designation, or the equivalent designation in the province of Quebec (Pl. Fin.), is encouraged and supported.

Productivity
Investors Group implemented a number of significant changes in 2004 designed to enhance the competitiveness of the product and service offering to our clients as well as changes aimed at providing greater value to our Consultants. These included:

- The Field Development Program was introduced, enhancing the in-field training of new Consultants to increase the likelihood for success in their first two years.
- The Symphony Strategic Investment Planning™ program was enhanced to include a new component, Portfolio Tuner, which is designed to help Consultants rebalance clients' investment portfolios.
- The mutual fund offering was broadened with the introduction of seven new income-oriented mandates, including two new Masterseries™ funds (Investors Real Return Bond Fund and Investors Income Trust Fund), two new Corporate Class offerings (Investors Capital Yield Class and Investors Short-term Capital Yield Class), as well as three new Alto™ portfolio funds called Alto Monthly Income Portfolios.
- The introduction of a series of comprehensive enhancements to our insurance offering, under the

umbrella of *Insurance for the Future*, which included the addition of Canada Life term and universal life options to the product shelf in conjunction with the introduction of a streamlined application process.
- The Variable Rate Mortgage and the Lock & Roll Mortgage were added to bring expanded choice to the mortgage product shelf.

Management believes that these initiatives make Investors Group more attractive and competitive to Consultants and potential Consultants, and will lead to greater recruitment, productivity and asset growth into the future.

Products and services

Investors Group is regarded as a leader in personal financial planning in Canada. This is achieved by delivering personal financial solutions tailored to each client's individual needs. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals preferences and risk tolerance. They also look beyond investments to offer clients insurance products, banking services, mortgages and tax planning.

Symphony Strategic Investment Planning™ program

Symphony is Investors Group's enhanced strategic investment planning approach. Symphony is designed to help Consultants build their business with a sophisticated investment discipline, backed by a process that provides a sound methodology for measuring a client's risk tolerance. Based on that assessment, Consultants are able to provide appropriate risk-adjusted recommendations using Investors Group's extensive offering of funds.

Symphony is a scientific and fully integrated approach to strategic investment planning support, from the assessment of a client's risk tolerance and personal investment goals, to the construction and administration of an optimal investment portfolio.

Symphony simplifies the asset allocation process and provides Investors Group with a high degree of competitive differentiation. This approach should also provide clients with more predictable and stable investment returns over time.

In December 2004, Symphony was further enhanced to include a new component, Portfolio Tuner. Portfolio Tuner is a tool, built into Symphony, and designed to help Consultants rebalance clients' investment portfolios.

PFP – Personal Financial Planner

Investors Group's state-of-the-art financial planning software, the Personal Financial Planner (PFP), handles the full range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment planning, tax planning, retirement planning, education planning, risk management and estate planning. The PFP software continues to enhance the quality and professionalism in written financial plans prepared by Investors Group Consultants.

Mutual funds

Investors Group is committed to enhancing the performance, scope and diversity of our investment products. In 2004, we completed 13 mergers involving our funds. The mergers will help improve the clarity of our offering as well as derive economies of scale for the benefit of our unitholders by combining smaller funds. In addition, certain of these smaller funds were merged into funds having lower management fee rates. As a result, unitholders of those particular funds experienced a 25 basis point reduction in management fees. Discussion of mutual fund activity in 2004 compared with 2003 is presented in the Investors Group Review of Segment Operating Results beginning on page 36.

Investment management

Investors Group has over $44.5 billion in mutual fund assets under management in 144 mutual funds covering a broad range of investment mandates.

Through our own international team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can take advantage of the opportunity to diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Masterseries™ funds

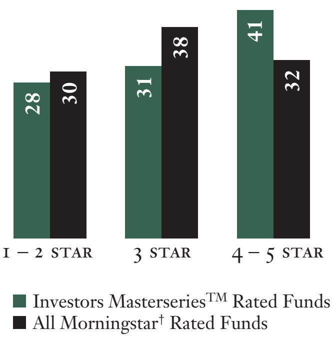
Investors Masterseries™ funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global reach, combined with over 50 years of experience, provides us with the depth of investment management capabilities that enables us to offer our clients money management expertise suitable for the widest range of investment objectives.

The Investors Masterseries™ family of funds includes 47 unit trust funds and 27 Corporate Class funds. The Corporate Class fund structure is discussed later in this report. The 47 unit trust funds include money market, fixed income, balanced, domestic and international equity, global and sector mandates. As at December 31, 2004, total assets related to these funds were $38.1 billion compared with $35.0 billion in 2003, an increase of 8.9%. Masterseries™ unit trust funds represented 85.7% of the total Investors Group mutual fund assets under management, up slightly from 85.6% a year ago. At December 31, 2004, 41% of Masterseries™ mutual funds had four or five star ratings from the Morningstar† fund ranking service and 72% had a rating of three stars or better, compared to 40% and 74% respectively in 2003 and is higher than the Morningstar† universe of 70%. Morningstar Ratings† are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category, of which the top 10% of the funds in each category get a five-star rating.

In December 2004, Investors Group introduced two new mutual funds. Investors Real Return Bond Fund was introduced to provide a level of income that is hedged against inflation. Investors Income Trust Fund was introduced to provide a high level of income with the potential for moderate capital appreciation.

MORNINGSTAR† RATINGS – MASTERSERIES™

As at December 31, 2004 (% of funds)



(Source – Morningstar†)

Partner funds

Partner funds are an important element of Investors Group's mutual fund product shelf, offering a range of investment disciplines through advisory relationships with other investment management firms. Partner funds are comprised of 27 unit trust funds and 19 Corporate Class funds which are discussed below.

With respect to the partner fund unit trusts, Investors Group continued its relationships with highly regarded investment managers Mackenzie Financial Corporation, AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp. and Goldman Sachs Asset Management, L.P. Two changes were made to our partner fund offering during 2004. In July, Bissett Investment Management, an operating division of Franklin Templeton Investments Corp. (Bissett Investment Management), based in Calgary, Alberta, was retained to sub-advise the new IG Bissett Canadian Equity Fund. Also in July, Sceptre Investment Counsel Ltd. was removed as a sub-advisor.

Investors Group oversees external investment advisors who are responsible for ensuring that their activities are consistent with Investors Group's investment philosophy and with the stated investment objectives and strategies of their respective funds.

At December 31, 2004, partner unit trust funds totalled $5.3 billion or 11.8% of Investors Group's mutual fund assets under management. Of this amount, Mackenzie currently provides investment advisory services for six funds with total assets of $1.6 billion.

Investors Group Corporate Class Inc.

Investors Group introduced Investors Group Corporate Class Inc., Canada's broadest tax advantaged fund structure in 2002. This group of funds features tax-deferred switching on a fee-free basis among 46 brand-name funds within the group. The funds include 27 of Investors Group's own Masterseries ™ funds advised by I.G. Investment Management as well as funds advised by Mackenzie Financial Corporation, AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management and Bissett Investment Management.

The following changes were made to our partner Corporate Class offering during 2004:

- In July, Bissett Investment Management was hired to sub-advise the new IG Bissett Canadian Equity Class.
- In August, IG Mackenzie Universal Global Future Class was introduced to complement the mandate's unit trust version.
- In December, the Corporate Class structure was enhanced with the addition of two new fixed-income oriented classes. The two new classes, Investors Capital Yield Class and Investors Short-Term Capital Yield Class, were launched to provide investors with the ability to better diversify their Corporate Class investment portfolios.

By the end of 2004, the Corporate Class funds had attracted $659 million in assets compared with $353 million in 2003.

Managed asset and multi-manager investment programs

Investors Group provides clients with access to a growing selection of asset allocation opportunities directed by the world's leading money-management firms. These programs include:

- **Allegro™ Portfolios:** The Allegro™ Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The seven portfolios include Investors Masterseries™ funds, Mackenzie partner funds as well as a wide variety of other partner funds. The asset mix of the Allegro™ portfolios was updated using the same strategic investment planning approach that was developed for the Symphony individual fund recommendations. Since their introduction in 2001 as 1World™ Portfolios (renamed Allegro™ in 2003), these funds have attracted $1.1 billion in assets as of December 31, 2004.
- **Alto™ Portfolios:** The new Alto™ Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The ten portfolios include Investors Masterseries™ funds and Mackenzie partner funds. Seven of the Alto™ portfolios were introduced in October 2003 to coincide with the launch of Symphony. Since their introduction in October 2003, these seven funds have attracted $153 million in assets as of December 31, 2004.

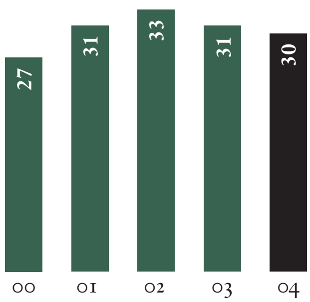
  On December 13, 2004, Investors Group introduced three new Alto™ portfolio funds. These portfolios, named the Alto Monthly Income Portfolios, are designed to provide investors with an ongoing monthly cash flow generated from a soundly diversified group of underlying funds. The main feature of these portfolios is series T, which is an income option through which investors can generate a known, expected monthly cash flow made up of income and return of capital.
- **Masterseries™ Portfolios:** This is one of the largest fund programs in Canada with assets of $6.5 billion as at December 31, 2004. The program is comprised of eight funds which invest in 21 underlying Masterseries™ funds to provide a high level of diversification.
- ***i*Profile™:** This is a unique portfolio management program introduced in 2001 for clients with assets over $250,000. *i*Profile™ investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of 12 global money management firms such as Goldman Sachs Asset Management, Jarislowsky Fraser Limited and I.G. Investment Management, Ltd. Effective January 28, 2004, Waddell & Reed, I.G. Investment Management, Ltd. and J.P. Morgan replaced Provident Investment Counsel, Alliance Bernstein and AIB Govett respectively in their sub-advisory services to the *i*Profile™ program. By the end of 2004, this program had attracted $437 million in assets.

Segregated funds

Investors Group offers eight segregated funds that are distributed solely by Investors Group Consultants. Our segregated funds provide death benefit guarantees and potential creditor protection. These funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. The investment component of these products is managed by Investors Group while the insurance component is underwritten by The Great-West Life Assurance Company.

INSURANCE SALES

For the financial year ($ millions)



Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a comprehensive range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Great-West Life Assurance Company
- The Canada Life Assurance Company
- Sun Life Assurance Company of Canada
- Clarica Life Insurance Company
- The Manufacturers Life Insurance Company (Manulife)

During 2004, sales of insurance products as measured by annualized premiums were $30 million. Total face amount of insurance in force increased during 2004 to $36 billion. The average number of policies sold per Consultant was 8.2 in 2004, consistent with 2003 results. The average number of Consultants with insurance licenses represented 79% of the Consultant network. Distribution of insurance products is enhanced through 41 insurance specialists who assist Consultants with the selection of appropriate insurance solutions.

Securities operations

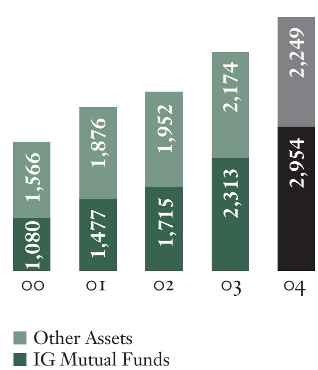
Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer clients to one of the 24 securities specialists available through Investors Group Securities Inc.

During 2004, assets under administration in Investors Group Securities Inc. grew by 15.9% to $5.2 billion. Total assets under administration at December 31, 2004 include $2.2 billion in third party mutual funds and securities as well as $3.0 billion in Investors Group's mutual funds. This compares to $2.2 billion and $2.3 billion in 2003, respectively. The number of clients using this service grew to over 61,300 clients, an increase of 4.4% over 2003. At year-end, 83% of Consultants had referred clients to Investors Group Securities Inc., compared to 91% in the prior year – a decrease of 8% largely due to an increase in the number of new Consultants joining Investors Group in 2004. At December 31, 2004, 95% of Consultants with at least 12 months tenure had referred clients compared to 97% last year. The assets gathered by Investors Group Securities Inc. during 2004 were $1.1 billion, consistent with 2003.

Management believes that its securities operation will continue to be an important part of its product and service offering, assisting Consultants in attracting clients and maintaining relationships with investors who wish to include individual securities as a part of their overall financial plan.

INVESTORS GROUP SECURITIES INC.
ASSETS UNDER ADMINISTRATION

As at December 31 ($ millions)

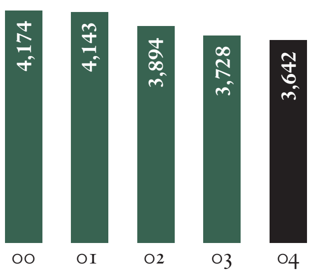


Mortgage operations

Investors Group Consultants play an integral role in sourcing high-quality residential mortgages through client referrals to Investors Group mortgage planning specialists. At December 31, 2004, Investors Group

MORTGAGES SERVICED FOR INVESTORS GROUP CLIENTS

As at December 31 ($ millions)



employed 50 mortgage specialists who originate mortgages in key residential markets.

Mortgage originations in 2004 increased 1.2% to $848 million from $838 million in 2003. The proportion of residential mortgages sourced with the assistance of Consultants has remained constant at 89% in 2004. While most of these new mortgages were sold to third parties through Investors Group's mortgage banking operation, the servicing of these mortgages continues to be provided by Investors Group.

Investors Group added the Variable Rate Mortgage and the Lock & Roll Mortgage to its mortgage product shelf on September 7, 2004 in order to provide its mortgage specialists and Consultants with more flexibility within the mortgage product offering.

The Variable Rate Mortgage provides clients with the lowest available interest rate, discounted 1.00% below prime for the first 6 months and .375% below prime for the balance of its 5 year term with payments that are fixed throughout the term of the mortgage. If interest rates decline, the principal owing reduces more rapidly while, in an increasing interest rate environment, payments remain stable with an increased proportion being applied towards interest costs.

The Lock & Roll Mortgage offers the convenience of a 5 year term together with the advantage of a discounted short term interest rate.

Both mortgages offer convertibility features and prepayment options designed to meet clients' changing needs. Consultants and clients have responded very favourably to these new product offerings.

Investors Group mortgage operations also provide both origination and servicing to:

- Investors Mortgage Fund, which because of its size requires a steady stream of high-quality mortgages.
- Investors Group Trust Co. Ltd. and Investors Syndicate Limited, both subsidiaries of the Company.
- London Life Insurance Company (London Life), a subsidiary of Great-West Lifeco Inc.

Solutions Banking†

Investors Group now has 18 months experience with our Solutions Banking† initiative. As at December 31, 2004, 75% of Investors Group Consultants have incorporated Solutions Banking† into their financial planning practices with one or more products sold.

The offering consists of a wide range of products and services provided by National Bank of Canada under a long-term distribution agreement, and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to over 1,400 banking machines, as well as a private labeled client web site and private labeled client service centre.

The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions for our clients via a comprehensive financial planning platform.

Additional products and services

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the year ended December 31, 2004 compared with 2003 are presented in Table 5.

TABLE 5: OPERATING RESULTS – INVESTORS GROUP

($ millions)	2004	2003	CHANGE
Fee and net investment income			
Management	$ 830.3	$ 741.4	12.0%
Administration	156.3	138.3	13.0
Distribution	94.2	91.9	2.5
Net investment income and other	123.3	104.0	18.6
	1,204.1	1,075.6	11.9
Operating expenses			
Commissions	108.8	81.2	34.0
Asset retention bonus and premium	155.2	110.1	41.0
Non-commission	273.8	239.3	14.4
	537.8	430.6	24.9
Earnings before interest and taxes	$ 666.3	$ 645.0	3.3%

FEE INCOME

Fee income is generated from the management, administration and distribution of 144 Investors Masterseries™, partner and managed asset investment funds. The distribution of insurance and banking products and the provision of securities services provide additional fee income.

Fee income represented 89.8% of gross revenue in 2004, compared with 90.3% in 2003. Total fee income increased by $109.2 million to $1.1 billion, an increase of 11.2% from 2003. Fee income is driven primarily by the level and composition of assets under management. Assets under management are 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 6.

For the year ended December 31, 2004, sales of Investors Group mutual funds through its Consultant network were $4.7 billion, an increase of 17.4% from 2003. This compares to an overall industry increase in mutual fund sales of 27.5%. Mutual fund redemptions totalled $4.5 billion for the same period, a decrease of 7.3% from $4.9 billion in 2003. Investors Group's redemption rate for long-term funds decreased to 9.1% in 2004 from 10.7% in 2003, and remains well below the corresponding redemption rate of 15.3% for all other members of IFIC. Net sales of Investors Group mutual funds were $218 million in 2004 compared with net redemptions of $839 million in 2003.

Sales of long-term funds were $3.7 billion in 2004, compared with $3.1 billion in 2003, an increase of 19.7%. Net redemptions of long-term funds were $81 million compared to net redemptions of $855 million in 2003. Certain sales of long-term funds in the first quarter of 2004, sourced through Investors Group's Solutions Banking† 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 year ended December 31, 2004 would have been $3.8 billion and $52 million respectively.

Investors Group's mutual fund assets under management were $44.5 billion at December 31, 2004, an increase of $3.6 billion or 8.8% from December 31, 2003.

TABLE 6: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

($ millions)	2004	2003	CHANGE
Sales	$ 4,722.3	$ 4,021.2	17.4%
Redemptions	4,504.4	4,860.1	(7.3)
Net sales (redemptions)	217.9	(838.9)	N/M
Market and income	3,387.7	4,155.0	(18.5)
Net change in assets	3,605.6	3,316.1	8.7
Beginning assets	40,904.2	37,588.1	8.8
Ending assets	$ 44,509.8	$ 40,904.2	8.8%
Consists of:			
Investors Masterseries™	$ 38,570.2	$ 35,267.2	9.4%
IG Mackenzie	1,696.8	1,250.2	35.7
Partner funds	3,805.4	3,997.8	(4.8)
*i*Profile™ funds	437.4	389.0	12.4
	$ 44,509.8	$ 40,904.2	8.8%
Average daily assets	$ 42,493.4	$ 37,980.3	11.9%

The increase in assets from December 31, 2003 reflects positive market action of $3.4 billion and net sales of mutual funds totalling $218 million. The increase in assets in the industry for the twelve months ended December 31, 2004 was 13.3%.

Investors Group earns management fees for investment management services provided to its mutual funds. In 2004, management fee income increased by $88.9 million or 12.0% to $830.3 million. This increase in fee income reflects the increase of 11.9% in average daily mutual fund assets in 2004 compared with 2003.

Investors Group earns administration fees for providing:

- Administrative services to its mutual funds through certain of its subsidiaries.
- Trusteeship services to its mutual funds through Investors Group Trust Co. Ltd.

Administration fees totalled $156.3 million in 2004, up 13.0% from $138.3 million in 2003. During the twelve month period, fees charged to the mutual funds for administrative services increased $7.8 million due to increases in related non-commission expenses. Increases in trustee fees resulted from growth in average mutual fund assets in 2004 compared to 2003. Other administration fees increased due to both the growth in average mutual fund assets during 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†, an arrangement with the National Bank of Canada introduced in June 2003.

Distribution fee income of $94.2 million in 2004 increased by 2.5% from $91.9 million in 2003. Distribution fees related to securities, insurance 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 $3.9 million primarily due to lower redemptions subject to deferred sales charges.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes interest and dividends earned on cash and cash equivalents, securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of an affiliate's earnings as well as income related to mortgage banking activities. Investors Group measures net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and a component of the Corporation's long-term debt, but excludes interest expense on debt incurred to finance the acquisition of Mackenzie.

Net investment income and other totalled $123.3 million, an increase of $19.3 million or 18.6% from $104.0 million in 2003. This increase was due principally to an increase of $16.5 million in Investors Group's share of GWL's earnings as well as increases in gains on the sale of securities and 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 was $108.8 million in 2004, an increase of $27.6 million from $81.2 million in 2003. The increase in commission expense was related to:

- Increase in amortization of commissions totalling $19.1 million in 2004 related to prior year sales. This increase reflects the impact from the change in estimate, effective April 1, 2001, which increased the term of amortization on sales commissions to 72 months.
- Increase in amortization of commissions of $3.3 million related to higher commission payments in 2004 compared with 2003. The increase in commission payments results from both higher mutual fund sales and an increase in commission rates introduced in 2003 as part of Investors Group's realignment of its Consultant compensation.
- Increases in other compensation related to mutual fund operations, insurance, mortgage and banking products.

In 2004, asset retention bonus (ARB) and asset retention premium (ARP) expenses were comprised of the following:

- Regular ARB which is paid monthly and is based on the month-end value of assets under management. As part of Investors Group's realignment of its Consultant compensation in 2003, increases to the ARB rate paid to Consultants were introduced. Regular ARB expense increased by $28.7 million in 2004 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) which is a deferred component of compensation designed to promote Consultant retention. The ARP, which was announced in 2003, and is also based on the level of assets under management, was effective beginning in 2004 and totalled $16.4 million in 2004.

Non-commission expenses include: costs incurred by Investors Group in the support of its Consultant network; the administration, marketing and management of its mutual funds and other products; as well as all other expenses in the operation of its business.

Non-commission expense totalled $273.8 million in 2004 compared with $239.3 million in 2003, an increase of $34.5 million or 14.4%. Increases in expenses were primarily due to:

- Unitholder compensation of $28.8 million recorded in the fourth quarter of 2004 as discussed earlier.
- Increases in expenses related to the administration of Investors Group's mutual funds due to increased transactional volumes.
- The amortization of capital expenditures and post conversion activity costs, both of which were related to the single shareholder system. Investors Group and Mackenzie merged their transfer agency and unitholder record keeping systems into one shareholder system in November 2003, preserving the integrity and privacy of their respective client bases.
- 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 numbers of Consultants and increased activity levels.

Non-commission expense of $273.8 million in 2004 also includes a reduction of $3.7 million recorded in the third quarter of 2004 which represents a portion of the general allowance for credit losses. This reduction of a portion of the general allowance results from the periodic review of the credit quality of Investors Group's mortgage portfolio and the adequacy of the related general allowance and reflects changes in the size and composition of portfolios, improving default and loss trends and continued improvement in underwriting and default management policies and processes.

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
Review of the Business

Mackenzie is a multi-faceted investment management and financial services corporation founded in 1967. Mackenzie's core business is the management and administration of mutual funds on behalf of Canadian investors and their financial advisors.

ASSET MANAGEMENT OPERATIONS

As of December 31, 2004, more than one million clients held Mackenzie mutual funds and segregated funds purchased through a network of over 30,000 independent financial advisors. Under the Mackenzie master brand, the Mackenzie family includes: Cundill, Ivy, Keystone, Maxxum, Sentinel*, Select Managers*, Symmetry, Universal, and the recently introduced Mackenzie Structured Products brand. Total Mackenzie assets under management and administration increased 13.9% during the year to total $43.3 billion.

Gross sales of Mackenzie mutual funds were $6.8 billion for 2004, an industry leading figure for non-bank-owned fund complexes. Net sales for the year totalled $795 million. This compared to $5.3 billion gross sales and $69 million net redemptions in 2003.

In 2004, Mackenzie received six awards at the annual Canadian Investment Awards. Fred Sturm, lead manager of the Mackenzie Growth Fund and the Mackenzie Universal Canadian Resource Fund, had the distinction of being named "Analysts' Choice Fund Manager of the Year". Mackenzie is now home to the "Analysts' Choice Fund Manager of the Year" award winner for six of the past seven years. Peter Cundill, lead manager of the Mackenzie Cundill Funds, received this award last year. Jerry Javasky, lead manager of Mackenzie's Ivy Funds, received the distinction in 1998 and 2002, and Ian Ainsworth, the award winner for 1999 and 2000, joined Mackenzie in 2003 to head up its growth equity team.

With such a broad range of funds and investment styles, Mackenzie's mutual funds experience periods of both over and under relative performance. Cundill Funds continued their industry leading performance during 2004 with all seven rated funds qualifying for the five star rating offered by Morningstar†, a leading fund rating service. As at December 31, 2004, all Cundill Funds were ranked in the first quartile for both three and five year performance by Morningstar†.

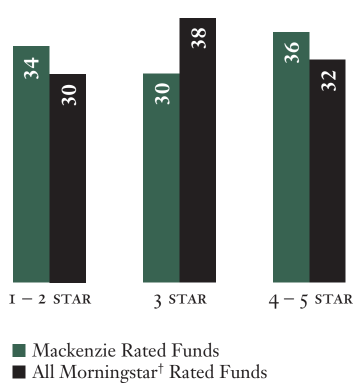
It was a year of relative underperformance for the Ivy Funds. The continued strength of the Canadian dollar during 2004 had a negative impact on the returns of the foreign holdings in this fund family. Ivy's approach to investing continues to be the building of diversified portfolios of high quality businesses that exhibit the characteristics of conservative growth purchased at reasonable prices. Currency is not hedged so that the funds offer Canadian investors diversification not only in terms of foreign businesses, but also in terms of foreign currencies. In addition, the market activity in 2004 was focused on natural resource and energy linked companies as well as on cyclical and recovery stories, a narrow market in which the Ivy Funds tend not to participate. Despite this, the Ivy funds continue to have solid long-term performance records and to attract significant investor interest.

Another important measure of performance is recognition by investors. The Mackenzie Maxxum Dividend Fund and the Mackenzie Maxxum Dividend Growth Fund grew from assets of $1.8 billion to $2.6 billion over the year. These funds focus on conservative core value and are well positioned to address the retirement planning needs of an aging population.

Overall Mackenzie's relative fund performance continues to be strong. At December 31, 2004, 36% of Mackenzie mutual funds had a four or five star Morningstar† rating which is unchanged from December 31, 2003, and is higher than the Morningstar† universe of 32%. As at December 31, 2004, 66% of

MORNINGSTAR† RATINGS – MACKENZIE

As at December 31, 2004 (% of funds)



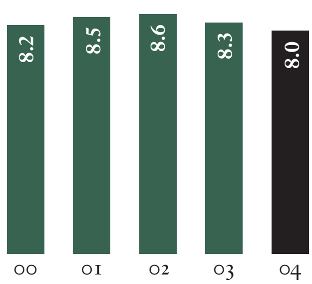
(Source – Morningstar†)

Mackenzie's mutual funds had a rating of three stars or better. This compares with 71% at December 31, 2003 and compares to the Morningstar† universe of 70%.

Mackenzie continues to streamline its product line to avoid duplication, create efficiencies, and enhance the value provided to investors. During 2004 six funds were merged into other funds with similar mandates to create better economies of scale for Mackenzie investors.

MARKET SHARE OF LONG-TERM MUTUAL FUND ASSETS

As at December 31 (%)



(Source: IFIC)

PRODUCT DEVELOPMENT, SERVICE AND POSITIONING

Mackenzie is a recognized product innovator in Canada and is constantly striving to develop better products that meet the evolving needs of investors. Mackenzie pioneered the now common RSP clone fund concept. In recent years, Mackenzie has faced significant competition from structured yield products such as income trusts, structured funds of income trusts, closed-end TSX listed equity, fixed income and derivative split share products, and bank principal guaranteed equity fund structures. Over the last five years the market capitalization of income trusts listed on the TSX has grown significantly. In contrast, open-ended mutual funds experienced net redemptions in 2003 and only modest net sales growth in 2004.

Management is confident that it can meet these competitive market forces with superior investment product structures for financial advisors and their clients. Mackenzie's ability to innovate has historically been a key to growth in assets under management and administration. In mid-2004 Mackenzie formalized a Structured Products Group to focus on such opportunities and to drive all non-mutual-fund product development.

In partnership with CIBC, Mackenzie issued CIBC FULPaY† Mackenzie Funds-Linked Deposit Notes Series 4, 5 and 6. The Notes have the potential to deliver returns through a link to the performance of selected Mackenzie funds. Sold over a selling period of limited duration and traded on the secondary market, these debt instruments proved popular with investors seeking the upside potential offered by mutual funds but concerned about safety of principal. Total sales of the three Mackenzie issued CIBC FULPaY† Mackenzie Funds-Linked Deposit Notes exceeded $75 million in 2004. In June the structured products team closed its first Resource Limited Partnership, which at December 31, 2004 had assets of $33.8 million. In December, the team ended the year with an offering under the Maxxum Trust banner which raised net proceeds of $95.2 million on the initial closing and $8.1 million on the final closing in early 2005. Underlying assets of the various structured products are being managed by Mackenzie investment managers. We expect the Structured Products Group to continue to be active in 2005.

To compete with in-house wrap programs developed by some distributors, we launched Symmetry, an asset allocation product, in February 2004. Symmetry, targeted at the emerging affluent investor, has a minimum investment requirement of $25,000. Symmetry portfolios are constructed to meet each investor's unique profile using strategic asset allocation and are extremely tax efficient due to their use of the Mackenzie Capital Class platform. The program allows further customization with the integration of active funds to incorporate style biases, investment themes, or concentration on a particular geographic region. Symmetry brings together the best of strategic asset allocation and advice to provide a level of customization not available with most other programs. At December 31, 2004, Symmetry assets were $290.5 million.

The ongoing strong performance of the resource sectors provided an opportunity for Waddell & Reed, a major business partner of Mackenzie in the United States. Waddell & Reed acts as a sub-advisor to

Mackenzie and also distributes in the United States the Ivy Global Natural Resource Fund. Several leading investment firms in the United States have recommended the fund, and as a result assets in this fund grew from $190.0 million at the beginning of the year to $1.1 billion as at December 31, 2004.

VenGrowth Capital Partners Inc. (VenGrowth) added to its family of retail venture capital funds and, in late 2003, launched VenGrowth Traditional Industries Fund, its most conservative offering to date. The fund, with assets of $26.1 million at the end of 2004, uses VenGrowth's hallmark later-stage investment strategy. Mackenzie markets and is the fund administrator for VenGrowth's retail funds, which at December 31, 2004 totalled $1.0 billion in assets.

Financial advisors insist on a high quality back office service as part of the overall partnership with a fund company. It is for that reason Mackenzie continues to invest in technology, process improvement and its people. A recent survey of advisor preferences conducted by TARP, a customer service research firm, found that financial advisors' overall satisfaction levels with Mackenzie's service are at an all time high since research was commenced in 2001. Mackenzie continues to evolve and look at new ways of doing business to increase efficiencies and to continue to leverage the group wide opportunities within the Power Financial group of companies.

DEALER, TRUST AND ADMINISTRATION SERVICES

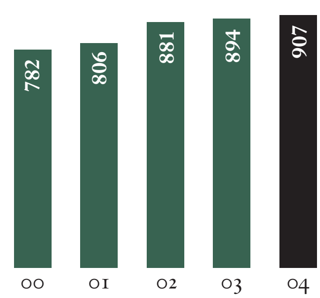
MRS Group partners with independent financial advisors and their dealer firms to provide product and service solutions that increase their competitive advantage in the marketplace. MRS Group has supported the independent advice channel for more than 20 years.

MRS Group is comprised of M.R.S. Inc., a mutual fund dealer, M.R.S. Trust Company (M.R.S. Trust), a federally-regulated trust company, M.R.S. Securities Services Inc., an IDA member firm, and Winfund Software Corp., a developer and distributor of dealer back-office software. These companies work together to support Canadian investment and mutual fund dealers and their financial advisors. Since 1998, MRS Group has sponsored and distributed the Keystone Funds and currently has over $1 billion under management. MRS Group contributes to a strong and competitive market for segregated and mutual fund distribution.

At December 31, 2004, MRS Group serviced approximately 638,000 registered and investment accounts on behalf of Mackenzie, Investors Group Securities Inc. and Investment Planning Counsel, all of which are affiliates. This compares with approximately 615,000 in 2003. In addition, MRS Group serviced over 269,000 registered and investment accounts at December 31, 2004 on behalf of more than 200 other dealers and their advisors compared with 279,000 in 2003.

MRS GROUP INVESTOR ACCOUNTS UNDER ADMINISTRATION

As at December 31 (thousands)



ASSETS UNDER MANAGEMENT AND ADMINISTRATION

Total Mackenzie assets under management and administration as at December 31, 2004 were $43.3 billion, an increase of 13.9% over the previous year.

Mackenzie's mutual fund assets under management were $37.3 billion at December 31, 2004, an increase of 10.4% from $33.8 billion at December 31, 2003.

Sales of Mackenzie's mutual funds were $6.8 billion, an increase of 28.5% from $5.3 billion in 2003. This compares to an overall industry increase in mutual fund sales of 27.5%. During 2004 redemptions of mutual funds were $6.0 billion as compared to redemptions of $5.4 billion in 2003. Net sales of mutual funds during 2004 were $795 million, as compared to net redemptions of $69 million last year. Despite improving market conditions in 2004, investors were slow to return to the equity markets and for much of the year remained invested in conservative investments such as money market, income and balanced funds. Net sales of long-term funds were $819 million in 2004, compared to $209 million in 2003.

During 2004, Mackenzie's redemption rate for long-term funds was 13.8% as compared to 13.0% in 2003. A factor contributing to this increase is the growth in the amount of Mackenzie's mutual fund units that were originally sold on a deferred sales charge basis that are no longer subject to a redemption fee. The redemption rate for long-term funds for all other members of IFIC increased to 14.8% at December 31, 2004 from 13.8% in 2003.

Market performance increased mutual fund assets by $2.7 billion during the year, as compared to an increase of $3.0 billion in 2003.

In addition to its mutual fund business, an important component of Mackenzie's operations is the provision of investment management, administration and distribution services for other investment products. As at December 31, 2004, Mackenzie provided investment management services to private and institutional accounts with assets of $4.9 billion, a 48.3% increase from the corresponding period last year, and provided administration and distribution services to venture capital funds with $1.0 billion in net assets. Also at December 31, 2004, Mackenzie's structured products totalled $129.0 million, excluding the assets in the CIBC FULPaY† Mackenzie Funds – Linked Deposit Notes, as those assets are included in the underlying Mackenzie mutual fund.

TABLE 7: CHANGES IN ASSETS UNDER MANAGEMENT AND ADMINISTRATION – MACKENZIE

($ millions)	2004	2003	CHANGE
Mutual Funds			
Sales	$ 6,786.7	$ 5,282.3	28.5%
Redemptions	5,991.4	5,351.7	12.0
Net sales (redemptions)	795.3	(69.4)	N/M
Market and income	2,733.0	2,979.2	(8.3)
Net change in assets	3,528.3	2,909.8	21.3
Beginning assets	33,769.9	30,860.1	9.4
Ending assets	37,298.2	33,769.9	10.4
Private and Institutional Clients			
Investors Group	1,696.8	1,250.2	35.7
Great-West Life/London Life	1,695.5	1,469.9	15.3
Other	1,518.5	591.9	156.5
	4,910.8	3,312.0	48.3
Structured Products	129.0	–	N/A
Labour Sponsored Funds	1,010.7	992.6	1.8
Total	$ 43,348.7	$ 38,074.5	13.9%
Average daily mutual fund assets	$ 35,427.8	$ 30,877.9	14.7%

Review of Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the year ended December 31, 2004 compared with 2003 are presented in Table 8.

TABLE 8: OPERATING RESULTS – MACKENZIE

($ millions)	2004	2003	CHANGE
Fee and net investment income			
Management	$ 645.5	$ 558.2	15.6%
Administration	140.5	148.5	(5.4)
Distribution	35.6	39.6	(10.1)
Net investment income and other	15.8	19.9	(20.6)
	837.4	766.2	9.3
Operating expenses			
Commissions	150.3	141.7	6.1
Trailer fees	169.9	142.3	19.4
Non-commission	255.6	257.3	(0.7)
	575.8	541.3	6.4
Earnings before interest and taxes	$ 261.6	$ 224.9	16.3%

FEE AND NET INVESTMENT INCOME

Management fees were $645.5 million for the year ended December 31, 2004, an increase of $87.3 million from $558.2 million in 2003. This increase is consistent with the 14.7% increase in Mackenzie's average mutual fund assets under management and the increase in the average management fee rate, a result of an increase in the percentage of assets in equity funds which have a higher management fee rate than money market and fixed income funds. Also contributing to the year over year growth in management fees was an increase in private and institutional assets under management.

Administration fees include the following main components: operating expenses charged to funds; fees earned from administering the VenGrowth labour sponsored venture capital funds; asset allocation fees; and trustee and other administration fees generated from the MRS Group account administration business. Administration fees declined by $8.0 million to $140.5 million in 2004 compared to $148.5 million in 2003. The decline in administration fees is attributable to a $5.4 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 $2.6 million in asset allocation fees and administration fees earned by the MRS Group.

Mackenzie earns distribution fee income upon redemption of mutual fund units sold on a deferred sales charge basis. Fees charged range from 5.5% in the first year and decrease to zero after seven years. Distribution fee income decreased $4.0 million to $35.6 million from $39.6 million in the previous year. This decrease is a result of the aging of Mackenzie's mutual fund units, which results in lower applicable redemption fees.

Net investment income and other represents the net interest margin from M.R.S. Trust's lending and deposit operations. Net investment income in 2004 was

$15.8 million, a decline of $4.1 million from $19.9 million in 2003. The decline in the current year is primarily attributed to a gain realized on the disposition of real estate held for sale in 2003. There is no corresponding gain in the current year's results. The remainder of the decline is due to changes in the composition of M.R.S. Trust's lending and deposit portfolios and the compression of the net interest margin thereon.

OPERATING EXPENSES

Mackenzie's operating expenses increased $34.5 million to $575.8 million from $541.3 million in the previous year.

Commission expense, which represents the amortization of deferred selling commissions, increased $8.6 million to $150.3 million from $141.7 million 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 $169.9 million in 2004, an increase of $27.6 million from $142.3 million in the previous year. Trailer fees as a percentage of average mutual fund assets under management increased to 47.9 basis points in the current year as compared to 46.2 basis points last year. The increase in trailer fees was consistent with:

- The year over year growth in the average mutual fund assets under management;
- The shift in the percentage of Mackenzie's mutual fund assets invested in long-term equity funds as opposed to short-term money market funds, which contributed to a higher average trailer fee rate; and,
- The percentage of Mackenzie's mutual fund assets that were purchased on a front-end basis as opposed to a deferred sales charge basis, which also contributed to a higher average trailer fee rate.

Non-commission expenses decreased $1.7 million to $255.6 million in 2004 from $257.3 million in 2003. 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 period as compared to 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 prior year.

IGM FINANCIAL INC.
Consolidated Financial Position

IGM Financial's on-balance sheet assets totalled $6.47 billion at December 31, 2004, compared to $6.29 billion at December 31, 2003.

SECURITIES

The Company's holdings of securities were $126.3 million at December 31, 2004, an increase of $20.1 million or 18.9% from 2003. The fair value of the Company's portfolio at December 31, 2004 exceeded cost by $127.8 million compared with $137.8 million at December 31, 2003.

IGM Financial continually strives to ensure that its portfolio holdings are of the highest quality. To manage the market and credit risk associated with the securities portfolio, a Senior Management Investment Committee monitors the Company's portfolio and approves all purchases.

This Committee regularly reviews the portfolio to identify holdings where there has been an other than temporary decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss.

LOANS

Loans, including mortgages and personal loans, decreased by $31.4 million to $496.7 million at December 31, 2004 and represent 7.7% of total assets compared to 8.4% in 2003. This decrease is comprised of $17.1 million in mortgages and personal loans related to the Company's intermediary activities and a decrease of $14.3 million in residential loans related to the Company's mortgage banking operations.

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

Credit Risk

At December 31, 2004, impaired loans totalled $0.4 million compared to $2.2 million at December 31, 2003, and represented 0.07% of the total loan portfolio, compared with 0.40% at December 31, 2003. The general allowance for credit losses was $17.8 million at December 31, 2004 compared to $21.5 million in 2003. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. The Company also periodically reviews the credit quality of the loan portfolios and the adequacy of the related general allowance. In 2004, the Company reduced its general allowance by $3.7 million to reflect changes in the size and composition of the portfolios, improving default trends, and continued improvement in underwriting and default management policies and procedures. These policies and practices have resulted in the effective control of impaired loans.

Management continued its conservative policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage, loan, and real estate portfolios. The allowance for credit losses exceeded impaired mortgages and loans by $17.4 million as at December 31, 2004, compared to $19.3 million at December 31, 2003.

As at December 31, 2004:

- The portfolios were 95% residential and 61% insured.
- The portfolios were in excess of 80% owner occupied.
- Mortgages in the portfolio were geographically diverse.
- Strict credit risk management policies continue to be applied.

The characteristics of the mortgage portfolios at December 31, 2004 described above are consistent with prior years.

Consolidated Liquidity and Capital Resources

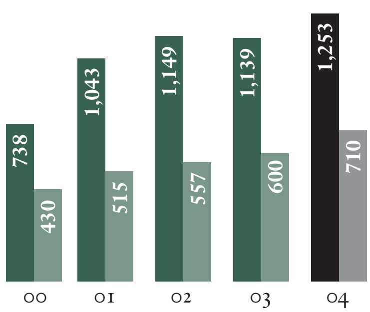
LIQUIDITY

IGM Financial'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 its outstanding common shares.
- Maintaining liquidity requirements for regulated subsidiaries.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

For the financial year ($ millions)



■ EBITDA – 2001 excludes Mackenzie restructuring costs. 2003 excludes dilution gain and restructuring reversal related to Mackenzie. 2004 excludes unitholder compensation costs.
■ Cash flow available from operations before payment of commissions.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through management fee revenue earned on mutual fund assets under management and through additional sales charges levied in connection with the early redemption of mutual funds.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of the mortgages are sold to third parties on a fully serviced basis. In order to effectively manage its overall liquidity, the Company is active in both the whole loan sale and securitization markets. During 2004, whole loan sales to third parties totalled $712.1 million and proceeds from securitizations were $207.1 million, compared with $847.3 million and $126.7 million respectively in 2003.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $1,253.1 million for 2004 compared to $1,138.6 million in 2003, and represents an increase of 10.1%.

Other potential sources of liquidity include the Company's portfolio of securities and lines of credit. As at December 31, 2004, the fair value of the marketable securities in its portfolios and those of its unregulated subsidiaries was $229.1 million. The Company maintains operating lines of credit totalling $210 million with various Schedule A Canadian chartered banks, of which $50 million represented committed lines of credit.

Liquidity can also be provided through IGM Financial's demonstrated ability to raise funds in the capital markets.

Cash Flows

Table 9 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the Consolidated Financial Statements for the year ended December 31, 2004 on page 62.

Operating activities, before payment of commissions, generated $790.4 million during the year ended December 31, 2004, as compared to $673.2 million in 2003. Cash commissions paid of $305.8 million in 2004 compared with $231.0 million in 2003 and reflects both the increase in mutual fund sales over 2003 levels and the increase in commission rates on Investors Group's mutual fund sales introduced in 2003 as part of changes in Consultant compensation.

Financing activities during the year ended December 31, 2004 compared to the same period in 2003 related primarily to:

- A decrease of $39.1 million in deposits and certificates in 2004 compared to an increase of $20.4 million in 2003 as a result of changes in both the demand and term deposit levels.

TABLE 9: CASH FLOWS

($ millions)	2004	2003	CHANGE
Operating activities			
Before payment of commissions	$ 790.4	$ 673.2	17.4%
Commissions paid	(305.8)	(231.0)	(32.4)
Net of commissions paid	484.6	442.2	9.6
Financing activities	(569.5)	(230.0)	(147.6)
Investing activities	(19.4)	(14.4)	(34.7)
(Decrease) increase in cash and cash equivalents	(104.3)	197.8	N/M
Cash and cash equivalents, beginning of year	969.3	771.5	25.6
Cash and cash equivalents, end of year	$ 865.0	$ 969.3	(10.8)%

- The payment of regular preferred and common share dividends which increased to $312.8 million in 2004 from $274.0 million in 2003 as a result of increases in IGM Financial's common share dividends.
- The repayment of the remaining $175 million of Floating Bankers' Acceptance in the fourth quarter of 2004 as well as the repayment of long-term debt assumed on the acquisition of Investment Planning Counsel in May 2004.
- The repurchase of 756,100 common shares under IGM Financial's normal course issuer bid at a cost of $26.9 million.

Other activity in 2003 related to the issue of $300 million in debentures and the repayment of $275 million in long-term debt.

Investing activities during the year ended December 31, 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 $62.6 million.
- The purchase of $61.7 million in securities and securities sales with proceeds of $78.5 million compared with $9.0 million and $91.7 million respectively in 2003.
- Increases in residential mortgages related to the Company's mortgage banking operations and personal loans of $167.0 million compared with an increase of $105.8 million in 2003 offset by securitizations of $207.1 million in 2004 and $126.7 million in 2003.

Other activity in 2003 related to the purchase of, by way of private placement, 2,662,690 common shares of Great West Lifeco Inc., an affiliate of the Company, for total cash consideration of $100 million related to their acquisition of Canada Life.

Contractual Obligations

TABLE 10: CONTRACTUAL OBLIGATIONS

		PAYMENTS DUE BY PERIOD			
AS AT DECEMBER 31, 2004 *($ millions)*	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS
Long-term debt (1)	$ 1,226.8	$ 1.8	$ 25.0	$ –	$ 1,200.0
Operating leases (2)	163.6	38.8	62.0	37.2	25.6
Total contractual obligations	$ 1,390.4	$ 40.6	$ 87.0	$ 37.2	$ 1,225.6

(1) *Refer to Note 12 of the Consolidated Financial Statements.*

(2) *Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.*

INTEREST RATE RISK

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure within limits established by the Investment Committee of the Board of Directors.

The Company manages the re-pricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of M.R.S. Trust and Investors Group Trust Co. Ltd. As at December 31, 2004, the total gap between one-year deposit assets and liabilities was well within the Company's stated guidelines.

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 December 31, 2004, liquidity for both companies was in excess of regulatory requirements.

CAPITAL RESOURCES

Shareholders' equity increased to $3.5 billion as at December 31, 2004 from $3.2 billion at December 31, 2003. During 2004, long-term debt decreased to $1.2 billion from $1.4 billion at December 31, 2003 as shown in Note 12 to the Consolidated Financial Statements. In the fourth quarter of 2004, IGM Financial repaid the remaining balance of the Floating Bankers' Acceptance as discussed above.

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.

Independent reviews confirm the continuing quality of IGM Financial's balance sheet and the strength of its operations. During 2004, both Standard & Poors (S&P) and the Dominion Bond Rating Service (DBRS) reviewed their ratings of the Company's senior debt and liabilities. The senior debt and liabilities were rated "A" with a stable outlook by both S&P and DBRS.

Management is confident that the Company's current capital resources are adequate and can support its activities during 2005.

OFF-BALANCE SHEET ARRANGEMENTS

- *Securitizations* – The Company's liquidity management practices include the periodic transfers of mortgages and personal loans to commercial paper conduits that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also transfers NHA-insured loans through the issuance of mortgage-backed securities. Securitized loans serviced at December 31, 2004 totalled $593.2 million compared with $660.9 million in 2003. The fair value of the Company's retained interest was $19.7 million at December 31, 2004 and $24.5 million in 2003. Additional information related to the Company's securitization activities can be found in Notes 1 and 4 of the Consolidated Financial Statements.
- *Derivative Contracts* – The Company utilizes derivative financial instruments in the management of interest rate and equity market exposures. The Company does not utilize derivative instruments for speculative purposes. The Company enters into interest rate swap arrangements in order to reduce the impact of fluctuating interest rates on its mortgage banking activities. The Company also manages its exposure to market risk on its Corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. All derivative contracts are negotiated in the over-the-counter market with Schedule I and Schedule II bank counterparties on a diversified basis. Additional information related to the Company's utilization of derivative contracts can be found in Notes 1 and 15 of the Consolidated Financial Statements.

SHAREHOLDERS' EQUITY

As at December 31 ($ millions)

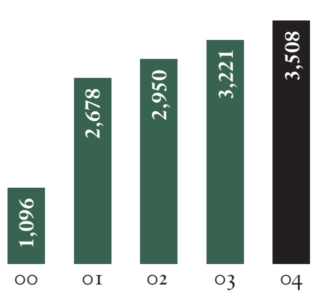


TABLE 11: FINANCIAL INSTRUMENTS

	2004		2003	
AS AT DECEMBER 31 *($ millions)*	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	$ 865.0	$ 865.0	$ 969.3	$ 969.3
Securities	126.3	254.1	106.2	244.0
Loans	496.7	499.5	528.0	531.2
Account and other receivables	172.6	172.6	129.9	129.9
	$ 1,660.6	$ 1,791.2	$ 1,733.4	$ 1,874.4
Liabilities				
Deposits and certificates	$ 711.0	$ 717.2	$ 729.5	$ 738.5
Other financial liabilities	494.6	494.6	450.3	450.3
Long-term debt	1,226.8	1,377.5	1,403.6	1,518.8
	$ 2,432.4	$ 2,589.3	$ 2,583.4	$ 2,707.6
Off-balance sheet derivatives	$ –	$ (17.7)	$ –	$ (20.2)

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Table 11 presents the carrying value and the fair value of on and off-balance sheet financial instruments.

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, accounts and other receivables, and other financial liabilities.
- Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.
- Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments' fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

Details of each component of the financial instruments are contained in the various related notes to the Consolidated Financial Statements.

A description of the material risks and management of the risks associated with the various financial instruments are contained in the Consolidated Financial Position, Liquidity and Capital Resources, and Off-balance Sheet Arrangements sections in the MD&A.

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

The financial services industry continues to experience growth and change influenced by:

- Continuing growth of the Canadian economy.
- Shifting demographics as the number of baby-boomers in their prime savings years continue to increase.
- Regulatory environment changes.
- An evolving competitive landscape.
- Changes in investor attitudes and preferences.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of products and services in-house. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent forces are blurring as all of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf.

The preferred method of retirement planning by Canadians continues to be in the context of a relationship with a financial advisor. Over 60% of Canadian discretionary financial assets, including short term deposits, reside within a relationship with a financial advisor. Increased investor awareness and sophistication, driven by these advisory relationships, continues to drive a reconfiguration of household balance sheets from short term financial assets towards longer term financial assets.

Investment funds, which include mutual funds, remain the most popular financial asset class relied upon by Canadians for their long term savings, and they represent over one-third of Canadian long term discretionary financial assets. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

At December 31, 2004, mutual fund industry assets in Canada were $497.3 billion, an increase of 13.3% relative to December 31, 2003. The $58.4 billion increase in industry assets from December 31, 2003 reflected an estimated $36.3 billion increase from market action, which represented 8.3% of year-end 2003 industry assets, the inclusion of approximately $7.4 billion of new assets that were not previously categorized as mutual fund assets, and net sales of $14.7 billion.

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and Investment Planning Counsel compete directly with other mutual fund managers and other investment managers, and are also in competition with other asset classes for an increased share of clients' investable assets.

Canadian banks remain a dominant force in Canadian retail financial services. The banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Recently, bank branches have increased their emphasis on both financial planning and mutual funds. In addition, each of the big six banks owns one or more mutual fund management subsidiaries which distribute through these and other distribution channels. Collectively, mutual fund assets of the big six bank-owned mutual fund managers represented 35% of total industry mutual fund assets at December 31, 2004 and accounted for approximately 69% of the industry's long term mutual fund net sales during 2004.

Mutual fund dealers and other financial planning firms represent a significant distribution channel for mutual funds, particularly those managed by third parties. The last five years have been characterized by significant consolidation in this sector of the industry, with many of the larger firms being purchased by mutual fund managers and insurers. Despite this level of consolidation activity, the sector remains fragmented. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

As a result of this consolidation activity, the mutual fund management sector is characterized by large, often vertically-integrated, firms. The ten largest firms and their subsidiaries represented 79.6% of industry assets at December 31, 2004 with smaller firms representing primarily niche players. Management believes scale, access to distribution, and a broad product shelf are key competitive success factors in the financial services industry.

MEETING COMPETITIVE CHALLENGES

Management feels that IGM Financial is well-positioned to meet competitive challenges and capitalize on future opportunities. The Company enjoys significant competitive strengths, including:

- Industry-leading scale.
- Significant and diversified distribution with an emphasis on financial advisors.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Part of the Power Financial group of companies, which includes Great-West Life, London Life and Canada Life.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.

Industry Leading Scale

IGM Financial enjoys a 16.6% share of industry mutual fund assets under management and is nearly double the size of its nearest competitor. This scale provides the Company and its subsidiaries with numerous benefits, including lower unit costs and greater access to capital.

Broad and Diversified Distribution

In addition to owning two of Canada's premier financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has considerable access to distribution through the over 30,000 third party advisor relationships enjoyed by Mackenzie. IGM Financial's businesses are all focused on supporting the enduring relationships developed between a client and a financial advisor.

Broad Product Capabilities

During 2004, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimal portfolios for their clients.

Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through cost savings from shared service arrangements, as well as through increased access to distribution, products, and capital.

Enduring Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships its advisors enjoy with their clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

ACQUISITION OF INVESTMENT PLANNING COUNSEL

On May 10, 2004, IGM Financial paid $74.6 million in cash and issued 734,796 common shares, for total consideration of $99.0 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 600 financial planners, and had mutual fund assets under management of $1.5 billion (Counsel Group of Funds Inc.) and total assets under management and administration of $8.0 billion at December 31, 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 pre-acquisition leadership team.

THE REGULATORY ENVIRONMENT

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements with the Company's principal regulators including agencies of the provincial and territorial governments in Canada. The Company's activities are also regulated by the members of the Canadian Securities Administrators (CSA) and various self-regulatory organizations. Changes in the regulatory framework or failure to comply with any of these laws, rules and regulations could have an adverse effect on the company.

IGM Financial's core distribution business is regulated by the Mutual Fund Dealers Association (MFDA) of Canada in which the Company's mutual fund dealer subsidiaries are members.

The Company supports all regulatory efforts that will protect the interests of clients and preserve the integrity and reputation of the industry and its members.

Mutual Fund Dealers Association of Canada

Investors Group Financial Services Inc., M.R.S. Inc. and IPC Investment Corporation, the Company's mutual fund dealer subsidiaries, are members of the MFDA. This is the self-regulatory organization for the mutual fund dealer industry in every jurisdiction in Canada except Quebec. The MFDA continues to work towards the establishment of a contingency fund to protect investors in the event of an insolvency of any of its dealer members.

Harmonization of Securities Rules

The CSA continues to work towards enhancing public confidence in capital markets and streamlining the securities regulatory process. In the past year recent enactments relating to audit committee responsibilities, certification of financial reports by the Chief Executive Officer and the Chief Financial Officer and continuous disclosure guidelines and requirements are in the course of being implemented. Further requirements on corporate governance disclosure, fund governance and continuous disclosure for mutual funds are expected during 2005. Continued harmonization efforts have been centered around the CSA secretariat to coordinate the efforts of the members of the CSA with respect to projects such as uniform securities legislation and national registration requirements. There have been continuing efforts to improve the national electronic information systems such as SEDI, SEDAR and NRD.

Review of Mutual Fund Industry Practices

On December 16, 2004 the Ontario Securities Commission (OSC) and the Manitoba Securities Commission (MSC) approved a settlement agreement between I.G. Investment Management, Ltd. (IGIM) and the OSC regarding trading by an institutional client of Investors Group Inc. (IG) in mutual funds managed by IGIM. IG agreed to provide compensation of $19.2 million, plus interest at 5% per annum from the settlement date to the approval of the plan of distribution, to affected unitholders. Also on December 16, 2004 a hearing panel of the MFDA approved a settlement agreement between Investors Group Financial Services Inc. and the MFDA regarding the same matter, providing for compensation of $2.65 million, plus interest on the foregoing basis, to be paid to affected unitholders and the payment of a fine of $2.65 million to the MFDA. The compensations are to be made pursuant to a distribution plan to be developed by IG together with an independent consultant and approved by the OSC and the MSC. The Company recorded a $19.2 million after-tax charge to income in the fourth quarter to reflect these settlements and related costs.

These settlements arose following a review of "late trading" and "market timing" activities in the mutual fund industry which started in November 2003 by the OSC, the MFDA and the Investment Dealers Association of Canada. The OSC noted at the time of the settlements that no ongoing market timing activity in the Canadian mutual fund industry has been found since the beginning of the review. OSC staff had also noted earlier that their review revealed no evidence of "late trading" and that they had found no evidence of any "market timing" by any insiders of IGIM.

OTHER RISK FACTORS

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Two class actions related to alleged market timing trading activity in mutual funds of the Company have been commenced. The Company entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Market Risk

Investors' confidence remained positive throughout 2004. This led to significant increases in mutual fund sales and increases in the level of assets under management during the year. 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.

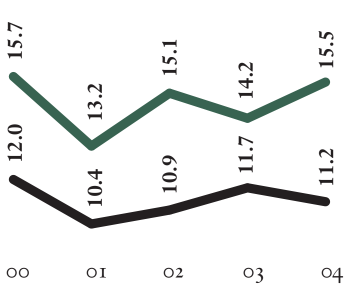
Redemption Rates
The combined redemption rate for long-term funds for Investors Group, Mackenzie and Investment Planning Counsel mutual funds was 11.2% at December 31, 2004, among the lowest in the industry. The corresponding redemption rate for the industry as a whole was 15.5%, excluding IGM Financial's mutual funds.

IGM Financial provides 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 are effective in reminding clients of the benefits of long-term investing.

LONG-TERM MUTUAL FUND REDEMPTION RATES

As at December 31 (%)



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 focused on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business beginning on page 29 of the MD&A. As at December 31, 2004, the number of Consultants totalled 3,496 compared with 3,223 at December 31, 2003. This represents an increase of 8.5% in the Consultant network in 2004.
- *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 complete 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. These factors are discussed further in the Mackenzie Review of the Business beginning on page 40.

Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 1 of the Consolidated Financial Statements.

The major critical accounting estimates and related judgments underlying the Company's financial statements are summarized below. Critical accounting estimates relating to Goodwill and intangibles, Income taxes and Deferred selling commissions relate to both the Investors Group and Mackenzie reportable segments while Employee future benefits applies to the Investors Group reportable segment.

- *Goodwill and intangible assets* – At December 31, 2004, goodwill totalled $2.4 billion and intangible assets totalled $900 million as reflected in Note 7 of the Consolidated Financial Statements. Under the Canadian Institute of Chartered Accountants (CICA) Section 3062 – Goodwill and Other Intangible Assets, the Company is required to test the fair value of goodwill and indefinite life intangible assets for impairment at least once a year. The Company performs that evaluation during the second quarter each year. These tests involve the use of estimates and assumptions appropriate in the circumstances. The annual impairment testing was completed for 2004 and management determined that no impairment charge was necessary.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Income. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in Note 11 of the Consolidated Financial Statements.
- *Employee Future Benefits* – Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for accrued benefit obligations. These estimates are discussed in Note 10 of the Consolidated Financial Statements.
- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization for Investors Group was three years. On April 1, 2001 Investors Group revised the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The Company regularly reviews the carrying value of the deferred selling commissions with respect to any events or circumstances that indicate impairment or that an adjustment to the amortization period is necessary.

CHANGES IN ACCOUNTING POLICIES

As disclosed in Note 1 of the Consolidated Financial Statements, IGM Financial adopted the following changes in accounting policies in 2004:

- *CICA Section 3870* – Stock-Based Compensation and Other Stock-Based Payments, effective January 1, 2004, was amended to require expense treatment of 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 since 2002. The cumulative effect of adopting the new recommendations in the Company's Consolidated Financial Statements was to both increase contributed surplus and decrease opening retained earnings by $1.1 million.

The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in contributed surplus are added to share capital.

- *CICA Accounting Guideline 13* – Hedging Relationships (AcG-13), effective January 1, 2004, was adopted by the Company on a prospective basis. 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. The Company reassessed its hedging relationships as at January 1, 2004 and determined that its interest rate swaps on mortgage banking activities did not qualify for hedge accounting under AcG-13. The impact on the Consolidated Financial Statements was not material.

  Derivatives that do not qualify for hedge accounting are carried at fair value on the Consolidated Balance Sheets, and changes in fair value are recorded in Net investment income and other in the Consolidated Statements of Income. Non-qualifying derivatives continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if the specific hedge accounting requirements of AcG-13 are not met.

FUTURE ACCOUNTING CHANGES

- *CICA Section 3860* – Financial Instruments – Disclosure and Presentation, effective for fiscal years beginning on or after November 1, 2004, was amended to require obligations that can be settled at the issuer's option by issuing a variable number of the issuer's own equity instruments to be presented as liabilities rather than equity. On January 1, 2005, the Company will adopt the amended standard retroactively with restatement of prior periods. The Company's preferred shares will be reclassified from shareholders' equity to liabilities and the preferred dividends will be reclassified to operating expenses in the Consolidated Statements of Income. The change will not have any impact on basic earnings per share or net income available to common shareholders since preferred dividends are currently deducted from net income in determining these measures.
- *CICA Accounting Guideline 15* – Consolidation of Variable Interest Entities (VIEs), effective for annual or interim periods beginning on or after November 1, 2004, which requires consolidation of VIEs by the primary beneficiary. The Company is currently reviewing the potential impact that this requirement may have on the financial statement disclosure in 2005.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life, London Life and Canada Life, subsidiaries of its affiliate, GWL. These transactions are in the normal course of business and at market terms and conditions as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed life insurance and disability insurance products under a distribution agreement with Great-West Life and Canada Life and received $17.8 million in distribution fees (2003 – $17.7 million). London Life distributed certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2004, the Company sold residential mortgage loans to Great-West Life and London Life for $76.9 million compared to $160.7 million in 2003.

Mackenzie entered into an arrangement involving a wholly-owned subsidiary of Mackenzie and an entity managed by Mackenzie to facilitate innovative product enhancements. As part of this arrangement, the parties have the legal right and intent to settle on a net basis certain related party financial assets and liabilities. These assets and liabilities, which totalled $3.7 billion at December 31, 2004 (2003 – $2.2 billion), have been offset and, accordingly, have no impact on the Consolidated Balance Sheets. During the year, Mackenzie earned investment income of $1.8 million (2003 – $0.8 million) and incurred interest expense of $1.8 million (2003 – $0.8 million) related to this arrangement.

For further information on transactions involving related parties, see Notes 5 and 19 of the Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2004 totalled 264,598,380. As at February 17, 2005, outstanding common shares totalled 264,645,830.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.