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**IGM**  
Financial

IGM FINANCIAL INC. FIRST QUARTER REPORT  
FOR THE THREE MONTHS ENDED MARCH 31, 2005

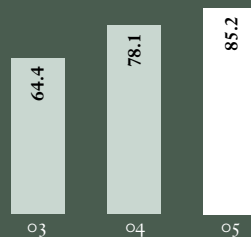
# FINANCIAL HIGHLIGHTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31

	2005	2004	CHANGE
<b>Net income</b> ( <i>\$ millions</i> )	\$ 160.7	\$ 147.9	8.7%
<b>Diluted earnings per share</b>	0.60	0.56	7.1
<b>Return on equity</b>	19.4%	19.8%	
<b>Dividends per share</b>	0.3225	0.2750	17.3
<i>(\$ millions)</i>			
<b>Mutual funds</b>			
<b>Investors Group</b>			
Sales	\$ 1,652	\$ 1,561	5.8%
Net sales	428	386	10.9
Assets under management	45,508	42,675	6.6
<b>Mackenzie</b>			
Sales	2,277	2,021	12.6
Net sales	346	344	0.6
Assets under management	38,189	35,383	7.9
<b>Investment Planning Counsel<sup>(1)</sup></b>			
Sales	138	—	N/A
Net sales	83	—	N/A
Assets under management	1,580	—	N/A
<b>Combined mutual fund assets under management<sup>(2)</sup></b>	85,245	78,058	9.2
<b>Insurance in force</b> ( <i>face amount</i> )	36,411	33,012	10.3
<b>Securities operations assets under administration</b>	7,405	5,925	25.0
<b>Mortgages serviced</b>	5,911	6,327	(6.6)
<b>Employees</b>	3,329	3,134	6.2%

## MUTUAL FUND ASSETS UNDER MANAGEMENT

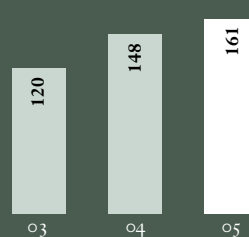
As at March 31 (\$ billions)



## NET INCOME

For the three months ended March 31

(\$ millions)



## DIVIDENDS PER SHARE

For the three months ended March 31

(cents)

<sup>(1)</sup> From date of acquisition or as at March 31, 2005.<sup>(2)</sup> Adjusted for \$32 million in inter-segment assets.

# REPORT TO SHAREHOLDERS

## TO OUR SHAREHOLDERS

Interim consolidated financial statements for the three months ended March 31, 2005 are presented with this report.



## FINANCIAL RESULTS

Net income for the three months ended March 31, 2005 was \$160.7 million compared to \$147.9 million for the same period in 2004, an increase of 8.7%. Earnings per share were 60 cents compared with 56 cents in 2004.

Gross revenues for the first three months of 2005 were \$573.1 million, compared to \$520.4 million last year. Operating expenses were \$340.8 million for the three months compared to \$304.5 million for the first quarter in 2004.

Shareholders' equity at March 31, 2005, was \$3.2 billion, unchanged from December 31, 2004. Return on average common equity for the three months was 19.4% compared with 19.8% for the same period in 2004.

## INVESTORS GROUP OPERATIONS

Mutual fund sales for the three month period were \$1.7 billion compared to \$1.6 billion in the prior year and mutual fund net sales were \$428 million compared to net sales of \$386 million last year.

Investors Group's redemption rate at March 31, 2005, excluding money market funds, was 9.1% compared to 10.2% a year ago. The redemption rate for all other members of the Investment Funds Institute of Canada at March 31, 2005 was 16.0%.

The number of Investors Group Consultants was 3,503 at March 31, 2005, compared to 3,219 at March 31, 2004.

Mutual fund assets under management at March 31, 2005 were \$45.5 billion compared to \$42.7 billion at March 31, 2004.

In the first quarter, insurance sales were \$7.7 million compared to \$8.0 million last year and mortgage originations were \$176 million compared to \$217 million in 2004. External assets gathered into the securities operations were \$318 million in 2005 compared to \$337 million in 2004.

#### **MACKENZIE FINANCIAL OPERATIONS**

Mutual fund sales for the three month period were \$2.3 billion compared to \$2.0 billion in the prior year. Mutual fund net sales for the period were \$346 million compared to \$344 million in the prior year. Net sales of long-term funds (excluding money market and managed yield funds) were \$368 million for the period, compared with net sales of \$406 million in 2004.

Mackenzie's redemption rate at March 31, 2005, excluding money market and managed yield funds, was 14.3% compared to 13.2% a year ago. The corresponding rate at March 31, 2005 for all other members of the Investment Funds Institute of Canada was 15.4%.

Mutual fund assets under management at March 31, 2005 were \$38.2 billion compared to \$35.4 billion at March 31, 2004.

#### **INDUSTRY OVERVIEW**

The first quarter of the year includes the annual deadline for Canadians' contributions to their registered retirement savings accounts, and it typically represents the period with the highest sales activity for the mutual fund industry and the IGM Financial group of companies. Canadians purchased \$9.4 billion of mutual funds during the quarter, net of redemptions. This figure was down slightly from the \$10.9 billion they purchased during the same quarter last year, but continued the pattern which resumed in the fall of 2003 of Canadians investing in mutual funds as a principal component of their savings plans.

Equity markets around the globe have now produced attractive returns for investors for the past several years, consistent with their historical long-term investment record. Despite this performance and the

positive net investment flows being made into mutual funds, Canadians have remained very cautious in their choice of funds. Income-oriented and balanced funds have garnered more than all of the net flows into mutual funds, while pure equity funds have been in net redemptions. This was the case during the first quarter of 2005, as it was throughout 2004.

The combination of positive net purchases of funds and market appreciation resulted in the total amount of mutual funds held by Canadians surpassing the \$500 billion mark for the first time during the first quarter of 2005, according to figures reported by the Investment Funds Institute of Canada. As mutual funds continue to grow in importance within the individual savings landscape, the breadth and depth of competition from all sectors of the financial services industry have increased. IGM Financial believes that its companies are well positioned to meet competitive challenges and take advantage of the market opportunities which lie ahead.

#### **DIVIDENDS**

The Board of Directors has declared a quarterly dividend of \$0.359375 on the Corporation's 5.75% Non-Cumulative First Preferred Shares, Series "A" payable on June 30, 2005 to shareholders of record on May 31, 2005 and has declared a quarterly dividend of 32.25 cents per share on the Corporation's common shares payable on July 29, 2005 to shareholders of record on June 27, 2005.

On behalf of the Board of Directors,



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

May 6, 2005

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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) as at and for the three months ended March 31, 2005, compared with the same period in 2004, and should be read in conjunction with the 2004 IGM Financial Inc. Annual Report filed on [www.sedar.com](http://www.sedar.com). Commentary in the MD&A as at and for the three months ended March 31, 2005 is as of May 5, 2005.*

### 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, changes in tax laws, 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 for the three months ended March 31, 2005 was \$160.7 million compared to \$147.9 million in 2004. Diluted earnings per share were 60 cents compared with 56 cents in 2004, an increase of 7.1%.

Shareholders' equity was \$3.22 billion as at March 31, 2005, up from \$3.15 billion at December 31, 2004.

Return on average common equity for the three months ended March 31, 2005 was 19.4% compared with 19.8% in 2004. The quarterly dividend per common share was 32.25 cents in the first quarter, up from 30 cents in the fourth quarter of 2004.

**TABLE I: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

THREE MONTHS ENDED MARCH 31 (\$ millions)	2005	2004
EBITDA – Non-GAAP Measure	\$ 327.2	\$ 303.1
Commission amortization	(62.6)	(54.0)
Amortization of capital assets and intangible assets	(5.7)	(5.3)
Interest expense on long-term debt and dividends on preferred shares	(26.6)	(27.9)
Income before income taxes and non-controlling interest	232.3	215.9
Income taxes	(71.1)	(68.0)
Non-controlling interest	(0.5)	–
Net income – GAAP	\$ 160.7	\$ 147.9

**NON-GAAP FINANCIAL MEASURES**

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are non-GAAP financial measures. EBIT 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 13 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 (EBITDA) to reported results in accordance with GAAP 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 7 to 12.

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 \$11.6 million for the three months ended March 31, 2005 compared to \$4.9 million in 2004, an increase of \$6.7 million. The inclusion of Investment Planning Counsel's earnings before interest and taxes in 2005 accounts for \$3.5 million of this increase. During the quarter the Company determined that certain provisions established as a result of previous acquisitions were no longer required. The elimination of these provisions resulted in an increase in income of \$4.2 million in 2005 compared with 2004.

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

- *Interest expense* - Represents both the interest cost on the remaining debt issued pursuant to the Mackenzie acquisition and dividends paid on the

**TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT**

THREE MONTHS ENDED MARCH 31 (\$ millions)	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004
Fee income	\$ 284.5	\$ 270.3	\$ 211.4	\$ 208.8	\$ 27.6	\$ (1.0)	\$ 523.5	\$ 478.1
Net investment income and other	36.4	33.6	4.2	3.8	9.0	4.9	49.6	42.3
	320.9	303.9	215.6	212.6	36.6	3.9	573.1	520.4
Operating expenses								
Commissions	75.8	64.7	82.7	79.1	17.1	–	175.6	143.8
Non-commission	67.0	66.9	67.9	70.9	7.9	(1.0)	142.8	136.8
	142.8	131.6	150.6	150.0	25.0	(1.0)	318.4	280.6
Earnings before interest and taxes	\$ 178.1	\$ 172.3	\$ 65.0	\$ 62.6	\$ 11.6	\$ 4.9	254.7	239.8
Interest expense							22.4	23.9
Income before income taxes and non-controlling interest							232.3	215.9
Income taxes							71.1	68.0
Income before non-controlling interest							161.2	147.9
Non-controlling interest							0.5	–
Net income							\$ 160.7	\$ 147.9

outstanding preferred shares, which have been reclassified from equity to liabilities (refer to Note 1 of the interim Consolidated Financial Statements, on page 22 of this report). Interest expense on long-term debt totalled \$17.2 million for the three months ended March 31, 2005 compared with \$18.7 million in 2004. The decrease in expense is due to the repayment of the remaining \$175 million balance of the Floating Bankers' Acceptance related to the Mackenzie acquisition in the fourth quarter of 2004. Dividends paid on preferred shares were \$5.2 million in both 2005 and 2004.

- *Income taxes* – The effective rate of tax declined to 30.6% for the three month period in 2005 from 31.5% in 2004 due to increases in other income which is taxed at lower rates as well as other tax benefits. Tax planning may allow the Company to record lower income taxes in the current period and, as well, income taxes recorded in prior periods may be adjusted in the current period to reflect management's best estimates of the overall adequacy of its provisions. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes.

## INVESTORS GROUP

### Assets Under Management

The level of assets under management is influenced by three factors: sales, redemption rates and capital markets, including relative investment performance. The changes in assets under management in 2005 compared with 2004 are summarized in Table 3.

For the three months ended March 31, 2005, sales of Investors Group mutual funds sold through its Consultant network were \$1.7 billion, an increase of 5.8% from 2004. Mutual fund redemptions totalled \$1.2 billion for the same period, an increase of 4.2% from 2004. Investors Group's redemption rate for long-

term funds decreased to 9.1% at March 31, 2005 from 10.2% at March 31, 2004 and remains well below the corresponding redemption rate of 16.0% for all other members of the Investment Funds Institute of Canada (IFIC). Net sales of Investors Group mutual funds were \$428 million compared with net sales of \$386 million in 2004, an increase of 10.9%.

Sales of long-term funds were \$1.4 billion for the three months ended March 31, 2005, compared with \$1.2 billion in 2004. Net sales of long-term funds, as reported to IFIC, were \$368 million compared to net

**TABLE 3: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP**

THREE MONTHS ENDED MARCH 31 (\$ millions)	2005	2004	CHANGE
Sales	\$ 1,652.3	\$ 1,561.2	5.8%
Redemptions	1,224.0	1,175.1	4.2
Net sales	428.3	386.1	10.9
Market and income	570.0	1,385.0	(58.8)
Net change in assets	998.3	1,771.1	(43.6)
Beginning assets	44,509.8	40,904.2	8.8
Ending assets	\$ 45,508.1	\$ 42,675.3	6.6%
Consists of:			
Investors Masterseries™	\$ 39,283.5	\$ 36,622.3	7.3%
IG Mackenzie	1,858.4	1,392.9	33.4
Partner funds	3,923.2	4,250.3	(7.7)
iProfile™ funds	443.0	409.8	8.1
	\$ 45,508.1	\$ 42,675.3	6.6%
Average daily assets	\$ 45,098.1	\$ 42,318.5	6.6%

sales of \$210 million in 2004. Certain sales of long-term funds in the first quarter of 2004, sourced through Investors Group's Solutions Banking<sup>†</sup> loan programs, were deposited and held in Investors Group's Money Market Fund on a one-day basis and then transferred into long-term mutual funds. Including these sales, the sales and net sales of long-term funds for the three months ended March 31, 2004 would have been \$1.3 billion and \$335 million, respectively.

At March 31, 2005, 43% of Masterseries<sup>™</sup> funds measured by the Morningstar<sup>†</sup> fund ranking service had four or five star ratings and 75% had a rating of three stars or better, compared to 41% and 72%, respectively at December 31, 2004. These results are higher than the Morningstar<sup>†</sup> universe of 33% for four and five star and 69% for three, four and five star. Morningstar

## Consultant Network

Investors Group is focused on growing its distribution network through the retention of existing Consultants and the attraction of new industry professionals as discussed more fully in the Investors Group Review of the Business beginning on page 29 of the MD&A

## Segmented Operating Results

Investors Group's earnings from operations before interest and taxes for the three month period ended March 31, 2005 compared with 2004 are presented in Table 4.

Ratings<sup>†</sup> are an objective, quantitative measure of a fund's historical risk-adjusted long-term performance relative to other funds in its category within the mutual fund industry.

Investors Group's mutual fund assets under management were \$45.5 billion at March 31, 2005, an increase of \$2.8 billion or 6.6% from March 31, 2004. The twelve month increase in assets from March 31, 2004 reflects positive market action of \$2.6 billion and net sales of mutual funds totalling \$260 million. During the three month period ended March 31, 2005, Investors Group's mutual fund assets increased \$998 million reflecting positive market action and net sales. The increase in assets in the industry for the three and twelve months ended March 31, 2005 were 3.2% and 10.5%, respectively.

contained in the 2004 Annual Report. As at March 31, 2005, the number of Consultants totalled 3,503. This compares with 3,496 at December 31, 2004 and 3,219 one year ago and represents a year over year increase of 8.8% in the Consultant Network.

### FEE AND NET INVESTMENT INCOME

For the three months ended March 31, 2005, management fee income increased by \$11.7 million to \$217.3 million. The increase reflects the growth of

TABLE 4: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED MARCH 31 (\$ millions)	2005	2004	CHANGE
<b>Fee and net investment income</b>			
Management	\$ 217.3	\$ 205.6	5.7%
Administration	42.8	39.9	7.3
Distribution	24.4	24.8	(1.6)
Net investment income and other	36.4	33.6	8.3
	320.9	303.9	5.6
<b>Operating expenses</b>			
Commissions	33.3	27.3	22.0
Asset retention bonus and premium	42.5	37.4	13.6
Non-commission	67.0	66.9	0.1
	142.8	131.6	8.5
<b>Earnings before interest and taxes</b>	\$ 178.1	\$ 172.3	3.4%

6.6% in average daily mutual fund assets in the first quarter compared with 2004 offset in part by a reduction in management fees due to one less calendar day in the current quarter compared with 2004. Management fee income represents 195 basis points of average mutual fund assets, unchanged from 2004.

Investors Group earns administration fees for providing administrative services to its mutual funds through certain of its subsidiaries and trusteeship services to its mutual funds through Investors Group Trust Co. Ltd. Administration fees totalled \$42.8 million for the three months ended March 31, 2005, up 7.3% from \$39.9 million in 2004. During the three month period, fees charged to the mutual funds for administrative services increased \$1.7 million due to increases in related non-commission expenses. Increases in trustee fees and other service fees in the three month period resulted from growth in average mutual fund assets in 2005 compared to 2004.

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. Previously, redemption fee rates ranged from 3.0% in the first year, reducing to nil after 6 years.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Provision of securities services through Investors Group Securities Inc.
- Provision of banking services through Solutions Banking<sup>†</sup>, an arrangement with the National Bank of Canada.

Distribution fee income of \$24.4 million for the three months ended March 31, 2005 decreased marginally by \$0.4 million or 1.6% from \$24.8 million in 2004. Combined distribution fee revenue from insurance, securities and banking operations was unchanged from 2004. Redemption fee income of \$7.8 million declined by \$0.3 million primarily due to lower redemptions subject to deferred sales charges in 2005 compared to 2004.

Net investment income represents the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt, but excludes interest expense on debt incurred to finance its acquisition of Mackenzie and dividends paid on preferred shares. Net investment income and other totalled \$36.4 million for the three months ended March 31, 2005, an increase of \$2.8 million

from \$33.6 million in 2004 due to increases in gains on the sale of securities and a reduction in provisions established for the exit of certain activities. These increases were offset in part by a decrease in revenues related to mortgage banking activities.

#### OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense for the three months ended March 31, 2005 increased by \$6.0 million to \$33.3 million compared with \$27.3 million in 2004. The increase in commission expense was due to:

- Increase in amortization of commissions totalling \$6.3 million 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 \$0.2 million related to higher commission payments in 2005 compared with 2004. The increase in commission payments results from higher mutual fund sales.
- Decrease of \$0.5 million in other compensation related to mutual fund operations, insurance, mortgage and banking products.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of assets under management, are comprised of the following:

- ARB which is paid monthly and is based on the value of assets under management. ARB expense increased by \$3.7 million to \$37.1 million for the three month period as a result of the increase in assets under management as well as increases in the rate paid to Consultants.
- ARP which is a deferred component of compensation designed to promote Consultant retention. The ARP, which is related to assets under management at each year-end, increased by \$1.4 million in 2005 to \$5.4 million.

Non-commission expense totalled \$67.0 million for the three months ended March 31, 2005 compared with \$66.9 million in 2004. Increases in expenses for the period were primarily due to:

- Increases in expenses related to the administration of Investors Group's mutual funds due in part to increased transactional volumes.
- Increases in Consultant network support costs as a result of increased activity levels.

- The amortization of capital expenditures related to the single shareholder system. Investors Group and Mackenzie merged their shareholder systems in November 2003, preserving the integrity and privacy of their respective client bases.

These increases were offset by reductions in expenses arising from:

- Decreases in sub-advisory fees as a result of the renegotiation of fees related to certain mandates which offset the impact of increases in these assets under management.
- Expense reduction of \$1.7 million arising from a change in estimate related to credit losses on Consultant financing programs.

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

## MACKENZIE

### Assets Under Management

Mackenzie's mutual fund assets under management were \$38.2 billion at March 31, 2005, an increase of \$0.9 billion from \$37.3 billion as at December 31, 2004, and an increase of \$2.8 billion from \$35.4 billion as at March 31, 2004.

Total Mackenzie assets under management and administration at March 31, 2005 were \$45.6 billion, an increase of \$2.3 billion from \$43.3 billion at December

31, 2004, and an increase of \$5.4 billion from \$40.2 billion as at March 31, 2004.

During the three month period ended March 31, 2005, sales of Mackenzie's mutual funds were \$2.3 billion, an increase of 12.6% from \$2.0 billion in the comparative period last year. This compares to an overall industry increase in mutual fund sales of 8.2%. Redemptions of mutual funds during these same

TABLE 5: CHANGES IN ASSETS UNDER MANAGEMENT AND ADMINISTRATION – MACKENZIE

THREE MONTHS ENDED MARCH 31 (\$ millions)	2005	2004	CHANGE
<b>Mutual Funds</b>			
Sales	\$ 2,276.6	\$ 2,021.1	12.6%
Redemptions	1,931.0	1,677.4	15.1
Net sales	345.6	343.7	0.6
Market and income	545.1	1,269.9	(57.1)
Net change in assets	890.7	1,613.6	(44.8)
Beginning assets	37,298.2	33,769.9	10.4
Ending assets	38,188.9	35,383.5	7.9
<b>Private and Institutional Clients</b>			
Investors Group	1,858.4	1,392.9	33.4
Great-West Life/London Life	1,793.2	1,543.7	16.2
Other	2,578.0	801.7	221.6
	6,229.6	3,738.3	66.6
Structured Products	167.0	–	N/A
Labour Sponsored Funds under Administration	1,053.9	1,070.4	(1.5)
<b>Total</b>	\$ 45,639.4	\$ 40,192.2	13.6%
Average daily mutual fund assets	\$ 37,884.6	\$ 35,010.3	8.2%

periods were \$1.9 billion and \$1.7 billion respectively, resulting in net sales of mutual funds of \$346 million during the three month period ended March 31, 2005 as compared to net sales of mutual funds of \$344 million in the three month period ended March 31, 2004. Net sales of long-term funds were \$368 million in the three month period ended March 31, 2005, as compared to net sales of long-term funds of \$406 million in the corresponding period last year.

As at March 31, 2005, Mackenzie's twelve month trailing redemption rate for long-term funds was 14.3% as compared to 13.2% in the corresponding period last year. 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 twelve month trailing redemption rate for long-term funds for all other members of IFIC increased to 15.4% at March 31, 2005 from 14.1% in the corresponding period last year.

During the three month period ended March 31, 2005, net market appreciation caused mutual fund assets to increase by \$0.5 billion as compared to an increase of \$1.3 billion during the corresponding period last year.

At March 31, 2005, 32% of Mackenzie's funds had a four or five star Morningstar<sup>†</sup> rating and 66% had a rating of three stars or better. This compares to 36% and 66% respectively at December 31, 2004, and to the Morningstar<sup>†</sup> universe of 69% for three stars or better.

In addition to its core mutual fund business, Mackenzie provides investment management, administration and distribution services to institutional accounts and other investment products. As at March 31, 2005, Mackenzie provided investment management services to private and institutional accounts with assets of \$6.2 billion, a 66.6% increase from the corresponding period last year, and provided administration and distribution services to venture capital funds with \$1.1 billion in net assets. Also at March 31, 2005, Mackenzie's structured products totalled \$167 million.

## Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the three month period ended March 31, 2005 compared with 2004 are presented in Table 6.

### FEE AND NET INVESTMENT INCOME

Management fees were \$165.9 million for the three month period ended March 31, 2005, an increase of \$5.4 million or 3.4% from \$160.5 million in the

TABLE 6: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED MARCH 31 (\$ millions)	2005	2004	CHANGE
<b>Fee and net investment income</b>			
Management	\$ 165.9	\$ 160.5	3.4%
Administration	35.7	38.2	(6.5)
Distribution	9.8	10.1	(3.0)
Net investment income and other	4.2	3.8	10.5
	215.6	212.6	1.4
<b>Operating expenses</b>			
Commissions	38.0	37.7	0.8
Trailer fees	44.7	41.4	8.0
Non-commission	67.9	70.9	(4.2)
	150.6	150.0	0.4
<b>Earnings before interest and taxes</b>	\$ 65.0	\$ 62.6	3.8%

comparative period last year. This increase was attributed to the 8.2% increase in Mackenzie's average mutual fund assets under management and the growth in its private and institutional accounts partially offset by a decline in the average management fee rate and two fewer business days in the current quarter versus the prior year.

Administration fees include the following main components: operating expenses charged to funds; fees earned from administering the labour sponsored venture capital funds; asset allocation fees; clone fund counter party revenue; and trustee and other administration fees generated from the MRS Group account administration business. Administration fees declined by \$2.5 million from \$38.2 million in the comparative period to \$35.7 million in the three month period ended March 31, 2005. The decrease in administration fees is attributed to a \$1.3 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 \$1.2 million in administration fees and clone fund counter party revenue 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 \$0.3 million to \$9.8 million in the three month period ended March 31, 2005 from \$10.1 million in the comparative period last year. This decrease is a result of the change in mix of the age of the units being redeemed and the absolute level of redemptions on non-matured units.

Net investment income and other represents the net interest margin from M.R.S. Trust Company's lending and deposit operations. Net investment income in the three month period ended March 31, 2005 was \$4.2 million, an increase of \$0.4 million as compared to \$3.8 million in the corresponding period last year.

#### OPERATING EXPENSES

Mackenzie's operating expenses were \$150.6 million in the quarter ended March 31, 2005 as compared to \$150.0 million in the same period last year.

Commission expense, which represents the amortization of deferred selling commissions, was \$38.0 million in the three month period ended March 31, 2005 as compared to \$37.7 million in the previous year. Mackenzie amortizes deferred selling commissions over a maximum period of seven years from the date of original purchase of the applicable units.

Trailer fees paid to dealers were \$44.7 million in the quarter ended March 31, 2005, an increase of \$3.3 million or 8.0% from \$41.4 million in the corresponding period last year. Trailer fees as a percentage of average mutual fund assets under management increased to 48.1 basis points in the current period as compared to 46.9 basis points in the corresponding period last year. The increase in trailer fees was consistent with the period over period growth in average mutual fund assets under management and an increase in the proportion of Mackenzie's mutual fund assets that were sold on a front-end versus a back-end commission basis.

Non-commission expenses decreased \$3.0 million to \$67.9 million in the three month period ended March 31, 2005 from \$70.9 million in the comparative period last year. A component of the non-commission expenses incurred by Mackenzie is related to the administration of its mutual funds. These expenses, which are recovered from Mackenzie's mutual funds, declined in the current period as compared to the corresponding period last year. This decrease largely resulted from continued cost synergies being realized from the transition work with Investors Group. In addition, Mackenzie incurred lower marketing and sales program related expenditures in the current period as compared to the corresponding period last year.

## IGM FINANCIAL INC. Consolidated Financial Position

IGM Financial's on-balance sheet assets totalled \$6.55 billion at March 31, 2005 compared to \$6.47 billion at December 31, 2004.

The Company's holdings of securities were \$112.6 million at March 31, 2005, a decrease of \$13.7 million or 10.9% from December 31, 2004. The fair value of the Company's portfolio exceeded cost by \$112.4 million at March 31, 2005 compared with \$127.8 million at December 31, 2004.

Loans, including mortgages and personal loans, increased by \$85.2 million to \$581.9 million at March 31, 2005 and represent 8.9% of total assets, compared to 7.7% at December 31, 2004. The increase is comprised of \$45.6 million in residential loans related to the Company's mortgage banking operations and which are designated for sale to third parties on a fully serviced basis and \$39.6 million in personal loans related to the Company's intermediary activities.

## 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 entities.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$327.2 million for the three months ended March 31, 2005 compared to \$303.1 million in 2004, and represents an increase of 8.0%.

Other potential sources of liquidity include the Company's portfolio of securities and lines of credit. As at March 31, 2005, the market value of the marketable securities in its portfolios and those of its unregulated subsidiaries was \$212.4 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 domestic debt and equity markets.

### CASH FLOWS

Table 7 - Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the interim Consolidated Financial Statements for the three months ended March 31, 2005 and is on page 21 of this report.

TABLE 7: CASH FLOWS

THREE MONTHS ENDED MARCH 31 (\$ millions)	2005	2004	CHANGE
Operating activities			
Before payment of commissions	\$ 156.9	\$ 149.1	5.2%
Commissions paid	(112.9)	(100.1)	(12.8)
Net of commissions paid	44.0	49.0	(10.2)
Financing activities	(52.8)	(71.4)	26.1
Investing activities	(58.2)	(66.4)	12.3
Decrease in cash and cash equivalents	(67.0)	(88.8)	24.5
Cash and cash equivalents, beginning of period	865.0	969.3	(10.8)
Cash and cash equivalents, end of period	\$ 798.0	\$ 880.5	(9.4)%

Operating activities, before payment of commissions, generated \$156.9 million during the three month period ended March 31, 2005, as compared to \$149.1 million in 2004. Cash commissions paid of \$112.9 million in the period ended March 31, 2005 increased from \$100.1 million in 2004 and reflects the increase in mutual fund sales over 2004 levels.

Financing activities during the quarter ended March 31, 2005 compared to the same period in 2004 related primarily to:

- An increase of \$30.0 million in deposits and certificates in 2005 compared to an increase of \$12.8 million in 2004 related to changes in the demand deposit levels.
- The payment of regular common share dividends which increased to \$79.4 million in 2005 from \$67.3 million in 2004 as a result of increases in the Company's common share dividends.
- The repurchase of 114,700 common shares in 2005 under IGM Financial's normal course issuer bid at a cost of \$4.3 million. This compared to the repurchase of 642,000 common shares in 2004 at a cost of \$23.0 million.

Investing activities during the quarter ended March 31, 2005 compared to the same period in 2004 related primarily to:

- The purchase of \$0.3 million in securities and securities sales with proceeds of \$29.4 million in 2005 compared with \$29.9 million and \$25.3 million respectively in 2004.
- Increases in residential mortgages related to the Company's mortgage banking operations and personal loans of \$133.6 million compared to an increase of \$70.5 million in 2004, offset by securitizations of \$48.7 million in the first quarter of 2005 compared to \$10.2 million in 2004.

#### Contractual Obligations

There have been no material changes in the contractual obligations of the Company from those reported at December 31, 2004.

#### 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 March 31, 2005, liquidity for both companies was in excess of regulatory requirements.

#### Off-Balance Sheet Arrangements

- *Securitizations* – There were no changes to the Company's liquidity management practices related to securitizations during the three month period ended March 31, 2005. During the three months ended March 31, 2005, the Company entered into securitization transactions through its mortgage banking operation with proceeds of \$48.7 million as discussed in Note 2 to the interim Consolidated Financial Statements. Securitized loans serviced at March 31, 2005 totalled \$592.7 million and the fair value of the Company's retained interest was \$17.1 million. This compares with \$593.2 million and \$19.7 million, respectively at December 31, 2004.
- *Derivative Contracts* – There have been no changes in the Company's policies and procedures with respect to the use of derivative instruments during the quarter ended March 31, 2005. In addition, there has not been a significant change in either the notional amount outstanding or in the exposure to credit risk, which is limited to the current fair value of those instruments which are in a gain position.

#### CAPITAL RESOURCES

Shareholders' equity increased to \$3.22 billion as at March 31, 2005 from \$3.15 billion at December 31, 2004. Changes in common share capital are reflected in Note 3 to the interim Consolidated Financial Statements. Preferred shares of \$360 million and long-term debt of \$1.23 billion remained at year end 2004 levels.

To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS (TABLE 8)**

Changes in both the carrying values and fair values of financial instruments did not have a significant impact on the financial condition of the Company for the

quarter ended March 31, 2005. In addition, there were no significant changes in the risks related to these financial instruments and in the policies and procedures designed to manage these risks during the period.

**Outlook****MUTUAL FUND INDUSTRY ASSETS**

As at March 31, 2005, mutual fund industry assets in Canada totalled \$513.3 billion, an increase of 3.2% from \$497.3 billion at December 31, 2004. The \$16.0 billion increase in industry assets from December 31, 2004 reflected an estimated \$6.6 billion increase from market action, which represented 1.3% of year-end 2004 industry assets and net sales of \$9.4 billion.

**ACQUISITION OF INVESTMENT PLANNING COUNSEL**

On May 10, 2004, the Company 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 has expanded the Company's presence in the independent financial planning channel. Investment Planning Counsel is the fifth largest financial planning firm in Canada with close to 600

financial planners, and had mutual fund assets under management of \$1.6 billion (Counsel Group of Funds Inc.) and total assets under management and administration of \$8.2 billion at March 31, 2005. 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.

**RISK FACTORS****Market Risk**

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 under management and sales. In addition, these factors can result in increased redemptions of mutual funds.

**TABLE 8: FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – CARRYING VALUE**

<i>(\$ millions)</i>	MARCH 31 2005	DECEMBER 31 2004
<b>Assets</b>		
Cash and cash equivalents	\$ 798.0	\$ 865.0
Securities	112.6	126.3
Loans	581.9	496.7
Account and other receivables	192.1	172.6
	<b>\$ 1,684.6</b>	<b>\$ 1,660.6</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 741.0	\$ 711.0
Other financial liabilities	469.4	494.6
Long-term debt	1,225.0	1,226.8
Preferred shares	360.0	360.0
	<b>\$ 2,795.4</b>	<b>\$ 2,792.4</b>

TABLE 9: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

AS AT MARCH 31	2005	2004
<b>IGM Financial Inc.</b>		
Investors Group	9.1%	10.2%
Mackenzie	14.3%	13.2%
Investment Planning Counsel	10.6%	–
<b>Mutual Fund Industry<sup>(1)</sup></b>	<b>16.2%</b>	<b>14.6%</b>

<sup>(1)</sup> Excludes Investors Group, Mackenzie and Investment Planning Counsel from date of acquisition.

#### Redemption Rates

Redemption rates for long-term funds are summarized in Table 9.

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.

#### 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, as previously discussed on page 8 of this report.

- *Mackenzie* – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's portfolio of financial products is recognized as one of the most innovative and unique in the industry. This, combined with strong performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors.

## Accounting Estimates and Policies

### CHANGES IN ACCOUNTING POLICIES

As disclosed in Note 1 of the interim Consolidated Financial Statements, IGM Financial adopted the following changes in accounting policies effective January 1, 2005:

- **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 adopted the amended standard retroactively with restatement of prior periods. The Company's preferred shares were reclassified from shareholders' equity to liabilities and the preferred dividends were reclassified to Interest expense in the Consolidated Statements of Income. The change does not have any impact on earnings per share or net income available to common shareholders since preferred dividends were previously deducted from net income in determining net income available to common shareholders.

- **CICA Accounting Guideline 15 - Consolidation of Variable Interest Entities (VIEs)**, effective for annual and interim periods beginning on or after November 1, 2004, requires consolidation of VIEs by the primary beneficiary. The Company completed a review of all of the VIEs in which it has a variable interest and has determined that there are no VIEs requiring consolidation under this guideline except with respect to the Company's Employee Share Purchase Plan compensation interest. The Company is considered the primary beneficiary of the Employee Share Purchase Plan compensation trust. However, the consolidation of this trust does not have a significant impact as both the assets (IGM Financial Inc shares) and the liabilities (the obligation to deliver IGM Financial Inc. shares to the participants) of the trust offset each other in the Share Capital section of the Consolidated Balance Sheets.

### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

There were no changes in the nature of the Company's critical accounting estimates in the first quarter of 2005.

## Other Information

### RELATED PARTY TRANSACTIONS

There were no changes to the types of related party transactions entered into by the Company during the quarter ended March 31, 2005. For further information on transactions involving related parties, see Notes 5 and 19 of the Consolidated Financial Statements in the 2004 IGM Financial Inc. Annual Report.

Capital in the notes to the interim Consolidated Financial Statements. Outstanding shares of the Company as at May 5, 2005 totalled 264,743,260.

### OUTSTANDING SHARE DATA

Outstanding shares of the Company as at March 31, 2005 of 264,628,260 are disclosed in Note 3 – Share

### SEDAR

Additional information relating to IGM Financial Inc., including the Company's most recent financial statements and Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

<i>(unaudited)</i> <i>(in thousands of dollars, except shares and per share amounts)</i>	THREE MONTHS ENDED MARCH 31	
	2005	2004
<b>Fee and net investment income</b>		
Management	\$ 390,650	\$ 365,080
Administration	79,485	78,028
Distribution	53,336	34,935
Net investment income and other	49,625	42,361
<b>Total fee and net investment income</b>	<b>573,096</b>	<b>520,404</b>
<b>Operating expenses</b>		
Commission expense	175,616	143,822
Non-commission expense	142,786	136,801
Interest expense <i>(Note 1)</i>	22,373	23,897
<b>Total operating expenses</b>	<b>340,775</b>	<b>304,520</b>
Income before income taxes and non-controlling interest	232,321	215,884
Income taxes	71,170	67,995
Income before non-controlling interest	161,151	147,889
Non-controlling interest	456	–
<b>Net income</b>	<b>\$ 160,695</b>	<b>\$ 147,889</b>
Average number of common shares <i>(in thousands)</i> <i>(Note 6)</i>		
– Basic	264,647	264,167
– Diluted	266,415	265,743
Earnings per share <i>(in dollars)</i> <i>(Note 6)</i>		
– Basic	\$ 0.61	\$ 0.56
– Diluted	\$ 0.60	\$ 0.56

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

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	THREE MONTHS ENDED MARCH 31	
	2005	2004
<b>Balance, beginning of period</b>		
As previously reported	\$ 1,668,006	\$ 1,414,705
Change in accounting policy	–	(1,093)
As restated	1,668,006	1,413,612
Net income	160,695	147,889
Common dividends	(85,365)	(72,577)
Common share cancellation excess <i>(Note 3)</i>	(3,659)	(19,449)
Other	(5,148)	(3,930)
<b>Balance, end of period</b>	<b>\$ 1,734,529</b>	<b>\$ 1,465,545</b>

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

## CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	MARCH 31 2005	DECEMBER 31 2004
<b>Assets</b>		
Cash and cash equivalents	\$ 798,030	\$ 864,990
Securities	112,588	126,310
Loans	581,888	496,652
Investment in affiliate	495,535	490,716
Deferred selling commissions	901,108	850,791
Other assets	387,401	371,717
Intangible assets	900,123	900,444
Goodwill	2,371,328	2,371,591
	<b>\$ 6,548,001</b>	<b>\$ 6,473,211</b>
<b>Liabilities</b>		
Deposits and certificates	\$ 740,986	\$ 710,950
Other liabilities	551,570	605,017
Future income taxes	453,457	422,848
Long-term debt	1,225,010	1,226,795
Preferred shares <i>(Note 3)</i>	360,000	360,000
	<b>3,331,023</b>	<b>3,325,610</b>
<b>Shareholders' Equity</b>		
Common shares <i>(Note 3)</i>	1,477,444	1,475,405
Contributed surplus	5,005	4,190
Retained earnings	1,734,529	1,668,006
	<b>3,216,978</b>	<b>3,147,601</b>
	<b>\$ 6,548,001</b>	<b>\$ 6,473,211</b>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	THREE MONTHS ENDED MARCH 31	
	2005	2004
<b>Operating activities</b>		
Net income	\$ 160,695	\$ 147,889
Adjustments to determine net cash from operating activities		
Future income taxes	30,609	22,866
Commission amortization	62,607	54,056
Amortization	5,698	5,315
Changes in operating assets and liabilities and other	(102,693)	(81,014)
	156,916	149,112
Commissions paid	(112,924)	(100,123)
	43,992	48,989
<b>Financing activities</b>		
Net increase in deposits and certificates	30,036	12,829
Repayment of long-term debt	(1,785)	(1,785)
Issue of common shares	2,621	7,883
Common dividends paid	(79,385)	(67,343)
Common shares purchased for cancellation	(4,299)	(22,975)
	(52,812)	(71,391)
<b>Investing activities</b>		
Acquisition of additional interest in Investment Planning Counsel	(297)	-
Purchase of securities	(310)	(29,929)
Proceeds from the sale of securities	29,410	25,339
Net increase in loans	(133,609)	(70,462)
Proceeds from securitizations <i>(Note 2)</i>	48,703	10,190
Additions to office premises	(2,037)	(1,566)
	(58,140)	(66,428)
Decrease in cash and cash equivalents	(66,960)	(88,830)
Cash and cash equivalents, beginning of period	864,990	969,315
<b>Cash and cash equivalents, end of period</b>	<b>\$ 798,030</b>	<b>\$ 880,485</b>
Cash	\$ 65,081	\$ 64,000
Cash equivalents	732,949	816,485
	<b>\$ 798,030</b>	<b>\$ 880,485</b>

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

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2005 (Unaudited) (In thousands of dollars, except shares and per share amounts)

These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2004 as set out on pages 60 to 84 of the 2004 Annual Report. Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

### 1. Summary of significant accounting policies

These interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2004 except as noted below.

#### FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

Effective for fiscal years beginning on or after November 1, 2004, CICA 3860, Financial Instruments - Disclosure and Presentation 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 adopted the amended standard retroactively with restatement of prior periods. The Company's preferred shares were reclassified from shareholders' equity to liabilities and the preferred dividends were reclassified to Interest expense in the Consolidated Statements of Income. The change does not have any impact on earnings per share or net income available to common shareholders since preferred dividends were previously deducted from net income in determining net income available to common shareholders.

#### VARIABLE INTEREST ENTITIES (VIES)

Accounting Guideline 15 - Consolidation of Variable Interest Entities (VIEs), effective for annual and interim periods beginning on or after November 1, 2004, requires consolidation of VIEs by the primary beneficiary. The Company completed a review of all of the VIEs in which it has a variable interest and has determined that there are no VIEs requiring consolidation under this guideline except with respect to the Company's Employee Share Purchase Plan compensation trust. The Company is considered the primary beneficiary of the Employee Share Purchase Plan compensation trust. However, the consolidation of this trust does not have a significant impact as both the assets (IGM Financial Inc. shares) and the liabilities (the obligation to deliver IGM Financial Inc. shares to the participants) of the trust offset each other in the Share Capital section of the Consolidated Balance Sheets.

### 2. Securitizations

During the first quarter, the Company securitized \$49.0 million (2004 - \$10.3 million) of residential mortgages through sales to commercial paper conduits that in turn issued securities to investors and received net cash proceeds of \$48.7 million (2004 - \$10.2 million). The Company's retained interest in the securitized loans was valued at \$0.2 million (2004 - \$0.2 million). A pre-tax gain on sale of \$0.8 million (2004 - \$0.1 million) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

### 3. Share Capital

#### ISSUED AND OUTSTANDING

	MARCH 31, 2005		DECEMBER 31, 2004	
	SHARES	STATED VALUE	SHARES	STATED VALUE
First preferred shares, Series A <i>(Note 1)</i>	14,400,000	\$ 360,000	14,400,000	\$ 360,000
Common shares				
Balance, beginning of period	264,598,380	\$ 1,475,405	264,089,791	\$ 1,446,063
Issued on acquisition of Investment Planning Counsel	–	–	734,796	24,366
Issued under Stock Option Plan	144,580	2,679	529,893	9,138
Purchased for cancellation	(114,700)	(640)	(756,100)	(4,162)
Balance, end of period	264,628,260	\$ 1,477,444	264,598,380	\$ 1,475,405

#### NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid, effective for one year, on February 23, 2005. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding as at February 18, 2005. In the first quarter of 2005, 114,700 shares were purchased at a cost of \$4.3 million and the premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On February 22, 2004, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at January 31, 2004. As at March 31, 2004, 642,000 shares were purchased at a cost of \$23.0 million and the premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

### 4. Stock-based compensation

	MARCH 31 2005	DECEMBER 31 2004
Common share options		
- Outstanding	8,973,347	7,243,068
- Exercisable	3,010,287	2,752,397

In the first quarter of 2005, the Company issued 1,920,800 (2004 – 1,265,500) options to employees and nil (2004 – 88,750) options to non-employees. A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of options granted during the three months ended March 31, 2005 has been estimated at \$7.76 per option (2004 – \$7.02) using the Black-Scholes option pricing model, based on the following assumptions: (i) risk-free interest rate of 4.04% (2004 – 3.94%), (ii) expected option life of six years (2004 – six years), (iii) expected volatility of 25.00% (2004 – 25.00%) and (iv) expected dividend yield of 3.42% (2004 – 3.28%).

The Company recorded compensation expense related to its stock option program of \$0.9 million (2004 – \$0.5 million) for the three months ended March 31, 2005.

## 5. Employee future benefits

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

	THREE MONTHS ENDED MARCH 31	
	2005	2004
Pension expense	\$ 188	\$ 50
Other post-retirement benefits expense	972	903
Total	\$ 1,160	\$ 953

## 6. Earnings per common share

	THREE MONTHS ENDED MARCH 31	
	2005	2004
Earnings		
Net income	\$ 160,695	\$ 147,889
Number of common shares <i>(in thousands)</i>		
Average number of common shares outstanding	264,647	264,167
Add:		
– Potential exercise of outstanding stock options	1,768	1,576
Average number of common shares outstanding		
– Diluted basis	266,415	265,743
Earnings per common share <i>(in dollars)</i>		
Basic	\$ 0.61	\$ 0.56
Diluted	\$ 0.60	\$ 0.56

In certain circumstances, the preferred shares are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

## 7. Segmented information

THREE MONTHS ENDED MARCH 31 2005	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
<b>Fee and net investment income</b>				
Management	\$ 217,334	\$ 165,933	\$ 7,383	\$ 390,650
Administration	42,839	35,628	1,018	79,485
Distribution	24,360	9,780	19,196	53,336
Net investment income and other	36,412	4,213	9,000	49,625
	320,945	215,554	36,597	573,096
<b>Operating expenses</b>				
Commissions	75,737	82,702	17,177	175,616
Non-commission	67,058	67,894	7,834	142,786
	142,795	150,596	25,011	318,402
Earnings before undernoted	\$ 178,150	\$ 64,958	\$ 11,586	254,694
Interest expense				(22,373)
Income before income taxes and non-controlling interest				232,321
Income taxes				71,170
Income before non-controlling interest				161,151
Non-controlling interest				456
Net income				\$ 160,695
Total assets	\$ 2,759,073	\$ 3,148,803	\$ 640,125	\$ 6,548,001
<b>THREE MONTHS ENDED MARCH 31 2004</b>				
<b>Fee and net investment income</b>				
Management	\$ 205,633	\$ 160,488	\$ (1,041)	\$ 365,080
Administration	39,870	38,158	–	78,028
Distribution	24,800	10,135	–	34,935
Net investment income and other	33,617	3,843	4,901	42,361
	303,920	212,624	3,860	520,404
<b>Operating expenses</b>				
Commissions	64,731	79,091	–	143,822
Non-commission	66,919	70,923	(1,041)	136,801
	131,650	150,014	(1,041)	280,623
Earnings before undernoted	\$ 172,270	\$ 62,610	\$ 4,901	239,781
Interest expense				(23,897)
Income before income taxes				215,884
Income taxes				67,995
Net income				\$ 147,889
Total assets	\$ 2,685,569	\$ 3,131,276	\$ 521,097	\$ 6,337,942

## 8. Restructuring

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

	THREE MONTHS ENDED MARCH 31	
	2005	2004
Balance at beginning of period	\$ 13,833	\$ 38,337
Utilized during the period	(1,393)	(6,312)
Balance at end of period	\$ 12,440	\$ 32,025

Of the \$12.4 million balance (2004 – \$32.0 million), \$0.4 million (2004 – \$6.9 million) relates to termination benefits, nil (2004 – \$4.9 million) relates to contract termination costs and \$12.0 million (2004 – \$20.2 million) relates to the decommissioning of systems and other expenses. The balance as at March 31, 2005 consists of 2 remaining projects which are expected to be substantially completed by the fourth quarter of 2005.

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### STOCK EXCHANGE LISTING

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

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Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,  
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### WEBSITES

Visit our websites at  
[www.igmfinc.com](http://www.igmfinc.com)  
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