



Charles R. Sims

President and Chief Executive Officer
Mackenzie Financial Corporation

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Founded in 1967, Mackenzie continues to build an investment advisory business primarily through proprietary investment research and experienced portfolio management. Our diversified distribution network continues to expand amongst independent financial advisors, and more recently has grown dramatically in the sub-advised, institutional and high net worth markets in North America.

HIGHLIGHTS

- As of December 31, 2006, total assets under management were \$61.5 billion, up 23.4% from the prior year end. Institutional, sub-advised and other assets under management increased to \$14.9 billion, up 80.9% from the prior year.
- During 2006, Mackenzie continued to build and develop relationships within the retail and institutional channels. Total sales into retail, sub-advised and institutional products were \$11.7 billion versus \$11.1 billion in 2005, an increase of 5.6%.
- Mackenzie acquired the assets of Cundill Investment Research Ltd., and related entities (the Cundill Group) on September 22, 2006, which added \$3.3 billion in institutional and high net worth assets and solidified the long-standing relationship between the two organizations, which began in 1998 in the retail channel in Canada.
- A number of innovative products were introduced in 2006, including the Mackenzie Charitable Giving Fund, which allows clients to leave a lasting legacy by creating their own charitable donor-advised account, and the Mackenzie Founders Fund, a fund of funds that combines four of our legacy funds.



REPORT ON OPERATIONS

In 2006, Mackenzie and its subsidiaries continued to focus on business growth, innovation, and effectiveness. Total assets under management, a key driver in our business model, increased by 23.4% over the prior year. Growth occurred in the traditional mutual fund business through asset appreciation and net sales. We expanded the institutional, sub-advised and high net worth portion of our business with the acquisition of the Cundill Group in September and through continued net sales and asset appreciation of existing assets under management.

Our product lineup evolved again this year with changes to increase portfolio manager flexibility to invest outside Canada within the Canadian balanced and equity portfolios, to expand our domestic and foreign income-oriented investment solutions and, to simplify the line up for advisors and investors.

We remained focused on the effectiveness of our service capabilities within the different lines of the business.

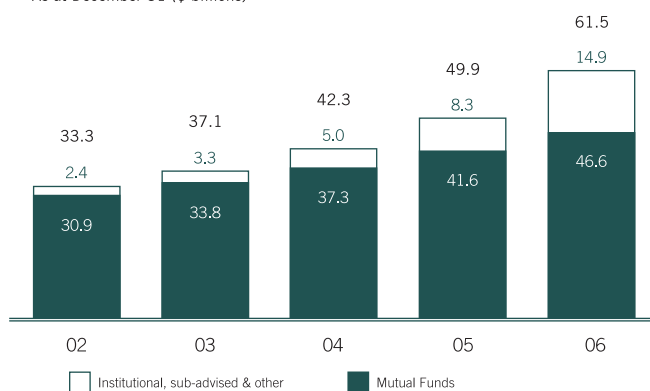
The quality and depth of research, and the talent of Mackenzie's fund managers, and sub-advisors have all contributed to the company's ability to provide clients with high-quality products.

INVESTMENT MANAGEMENT

Under the Mackenzie banner, we deploy a sub-branding strategy that includes Cundill, Ivy, Maxxum, Sentinel, and Universal to highlight the diverse investment styles and objectives offered within our broad product lineup. The quality and depth of research, and the talent of Mackenzie's fund managers and sub-advisors have all contributed to our ability to provide clients with consistent long-term investment performance results.

Total Assets under Management

As at December 31 (\$ billions)



The strength of Mackenzie's distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels.

DISTRIBUTION

The strength of Mackenzie's distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels. These relationships allow the company's products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, and financial institutions, giving the company one of the broadest retail distribution platforms of any investment company in Canada. More recently the company has expanded into the institutional, sub-advised, and high net worth businesses.

SERVICE

We are committed to consistently deliver high-quality service to our clients, while striving to improve both the level of service and cost efficiency.

Mackenzie products are distributed widely through the financial advice channel and the company is proud

of the relationship it has built up with financial advisors over the last 40 years. Through the dedicated efforts of our employees, these relationships continue to grow, as Mackenzie now reaches more than 30,000 advisors and 1.4 million investors across Canada. In addition to the timely and accurate reporting of fund performance and account activity, company representatives regularly meet with advisors to gain insight and assist advisors in delivering investment products that help clients reach their financial goals. Advisors also benefit from ongoing education programs through Mackenzie University, which delivers leading business management and product training programs.

PRODUCT FOCUS

Mackenzie's product capabilities continued to expand during the year with the introduction of innovative new offerings, designed to provide clients with even more effective investment solutions. This determination to stay at the forefront of the sector through innovation was highlighted by the company's decision to introduce the Mackenzie Charitable Giving Fund, which enables individuals to create their own donor-advised account.

Our new Guided Portfolio Service allows clients and their advisors to automatically rebalance portfolios and is now offered across a broad sector of mutual funds. As well, an increasing number of products offer hedges against currency risk, and the company successfully introduced another Resource Limited Partnership.

- Investors were given more choice in the growing fixed-income sector where Mackenzie launched three new funds: the Mackenzie Universal U.S. Dividend Income Fund, Mackenzie Sentinel Diversified Income Fund and Mackenzie Sentinel Income Trust Fund.
- Mackenzie also offered its clients expanded international exposure by increasing diversification across a number of its equity funds. The purchase of the Cundill Group also increased the company's flexibility in international markets. Mackenzie marked its 40th anniversary with the launch of the Founders Fund, bringing four of Mackenzie's most recognized funds into a single equity portfolio.
- Innovation and diversification also involved the property sector, and the Mackenzie Universal World Real Estate Class was positioned to offer investors more choice in the expanding international real estate securities sector.

INVESTING IN COMMUNITIES

Mackenzie's commitment to quality and excellence extends to community involvement and is focused in three areas: corporate philanthropy, employee volunteerism, and the Mackenzie Financial Charitable Foundation, a registered charity managed principally by Mackenzie employee volunteers.

The Mackenzie Financial Charitable Foundation acts as a centralized body for charitable giving, volunteering, and fundraising programs. The Foundation's

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main areas of focus are health services and research, social welfare, education and poverty-related causes, with a particular emphasis on support for children and young adults.

This year marks the 40th anniversary of Mackenzie Financial Corporation, and we are celebrating 25 years of service at MRS. The company is dedicated to providing clients with high quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. We are proud of our track record, our people and our business.