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igm financial inc. second quarter report
for the six months ended june 30, 2007

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Caution Regarding Forward-Looking Statements

This report may contain forward-looking statements about the Company, 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”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”. 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, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. 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. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to “adjusted net income”, “adjusted earnings per share”, “adjusted return on average common equity”, “net income without adjustment” and other similar expressions used to provide management and investors with additional measures to assess earnings performance. As well, “earnings before interest and taxes (EBIT)” and “Earnings before interest, taxes, depreciation and amortization (EBITDA)” are non-GAAP financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. However, these non-GAAP financial measures do not have a standard meaning and are not directly comparable to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

Financial Highlights

	three months ended june 30			six months ended june 30		
	2007	2006	change	2007	2006	change
Net income (\$ millions)						
Adjusted ⁽¹⁾	\$ 215.9	\$ 186.7	15.6%	\$ 426.4	\$ 372.0	14.6%
GAAP	215.9	200.4	7.7	426.4	385.7	10.6
Diluted earnings per share						
Adjusted ⁽¹⁾	0.81	0.70	15.7	1.59	1.39	14.4
GAAP	0.81	0.75	8.0	1.59	1.44	10.4
Return on equity						
Adjusted ⁽¹⁾				21.5%	21.1%	
GAAP				21.5%	21.9%	
Dividends per share	0.4275	0.3700	15.5	0.8550	0.7400	15.5

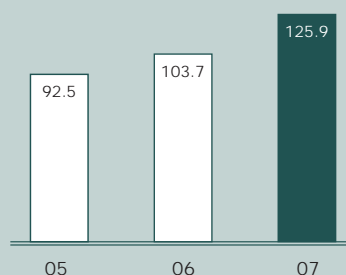
Total assets under management⁽²⁾ (\$ millions)	\$ 125,862	\$ 103,732	21.3%
Investors Group			
Mutual funds	61,334	51,831	18.3
Mackenzie			
Mutual funds	48,502	42,401	
Sub-advisory accounts	14,303	9,128	
Institutional and other accounts	2,179	676	
Total	64,984	52,205	24.5
Counsel Group of Funds			
Mutual funds	2,316	1,959	18.2

Mutual Funds and Institutional Sales (\$ millions)

	investors group	mackenzie	counsel group of funds	total ⁽³⁾
For the three months ended June 30, 2007				
Gross sales	\$ 1,719	\$ 3,290	\$ 84	\$ 5,003
Net sales	401	709	31	1,092
For the six months ended June 30, 2007				
Gross sales	\$ 3,999	\$ 6,952	\$ 218	\$ 10,960
Net sales	1,402	1,314	106	2,706

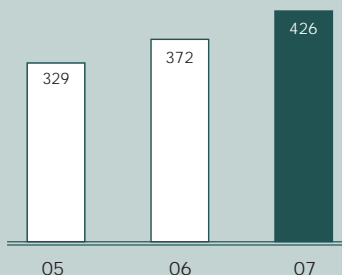
Total Assets under Management

As at June 30 (\$ billions)



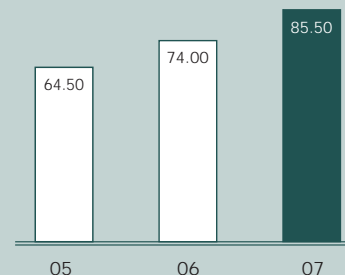
Net Income⁽¹⁾

For the six months ended June 30 (\$ millions)



Dividends per Share

For the six months ended June 30 (cents)



(1) Non-GAAP Financial Measures:

Results for the three- and six-month periods ended June 30, 2006 exclude a non-cash income tax benefit recorded in the second quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets from the acquisition of Mackenzie Financial Corporation in 2001.

(2) Total assets under management excludes \$2.7 billion of assets sub-advised by Mackenzie on behalf of Investors Group (\$2.2 billion at June 30, 2006) and is adjusted for \$34 million in inter-segment assets (\$33 million at June 30, 2006).

(3) Total Gross Sales and Net Sales for the three months ended June 30, 2007 exclude \$90 million and \$49 million, respectively, in accounts sub-advised by Mackenzie on behalf of Investors Group. Total Gross Sales and Net Sales for the six months ended June 30, 2007 exclude \$209 million and \$116 million, respectively, in accounts sub-advised by Mackenzie on behalf of Investors Group.

Report to Shareholders

FINANCIAL RESULTS

Net income for the three months ended June 30, 2007 was \$215.9 million compared to adjusted net income of \$186.7 million in 2006, an increase of 15.6%. Earnings per share were 81 cents in 2007 compared to adjusted earnings per share of 70 cents in 2006, an increase of 15.7%. Adjusted net income and earnings per share for the three months ended June 30, 2006 excluded a non-cash income tax benefit. Net income for the three months ended June 30, 2006 without adjustment totalled \$200.4 million and earnings per share on this basis were 75 cents.

Net income for the six months ended June 30, 2007 was \$426.4 million compared to adjusted net income of \$372.0 million in 2006, an increase of 14.6%. Earnings per share were \$1.59 in 2007 compared to adjusted earnings per share of \$1.39 in 2006, an increase of 14.4%. Net income for the six months ended June 30, 2006 without adjustment totalled \$385.7 million and earnings per share on this basis were \$1.44.

Total assets under management at June 30, 2007 were \$125.9 billion. This compares with total assets under management of \$103.7 billion at June 30, 2006, an increase of 21.3%.

Gross revenues for the three months ended June 30, 2007 were \$721.9 million, compared to \$636.6 million in the prior year. Gross revenues for the six months ended June 30, 2007 were \$1.44 billion, compared to \$1.28 billion in the prior year. Operating expenses were \$412.4 million for the quarter and \$822.9 million for the six months, compared to \$369.7 million and \$743.5 million, respectively, in 2006.

INVESTORS GROUP OPERATIONS

Investors Group's mutual fund assets under management at June 30, 2007 were \$61.3 billion compared to \$51.8 billion at June 30, 2006, an increase of 18.3%. The number of Investors Group Consultants was 4,093 at June 30, 2007 up from 3,917 at December 31, 2006. Investors Group has experienced twelve consecutive quarters of growth resulting in an increase of more than 27% in the Consultant network since June 30, 2004.

Mutual fund sales for the second quarter of 2007 were \$1.7 billion compared to \$1.5 billion in the prior year and mutual fund net sales for the second quarter were \$401 million compared to \$165 million a year ago. Year-to-date mutual fund sales for 2007 were \$4.0 billion compared to \$3.4 billion in the prior year and mutual fund net sales were \$1.4 billion compared to \$883 million a year ago.

Investors Group's twelve month trailing redemption rate (excluding money market funds) was at a record low level of 7.4% at June 30, 2007, down from 7.9% at December 31, 2006 and down from 8.4% at June 30, 2006.

MACKENZIE OPERATIONS

Mackenzie's total assets under management at June 30, 2007 totalled \$65.0 billion. This compares with assets under management of \$52.2 billion at June 30, 2006, an increase of 24.5%. The prior period figure does not include assets from Mackenzie's acquisition of the Cundill Group. That transaction closed September 22, 2006 and the institutional assets were valued at

\$3.3 billion at that time. Mutual fund assets under management at June 30, 2007 were \$48.5 billion, an increase of 14.4%, compared to \$42.4 billion one year ago.

Total sales for the second quarter of 2007 were \$3.3 billion compared to \$2.7 billion in the prior year. Total net sales for the second quarter were \$709 million compared to net sales of \$339 million in the prior year. Total year-to-date sales for 2007 were \$7.0 billion compared to \$6.6 billion in the prior year. Total net sales were \$1.3 billion compared to \$1.6 billion in the prior year.

INVESTMENT PLANNING COUNSEL OPERATIONS

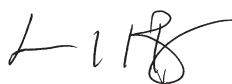
Assets under administration were \$12.6 billion as at June 30, 2007 compared to \$9.3 billion at June 30, 2006. Counsel Group of Funds mutual fund assets under management at June 30, 2007 were \$2.3 billion compared to \$2.0 billion at June 30, 2006.

Mutual fund sales of the Counsel Group of Funds for the second quarter of 2007 were \$84 million compared to \$85 million in 2006 and mutual fund net sales were \$31 million compared to \$38 million in the prior year. Year-to-date mutual fund sales for 2007 were \$218 million compared to \$206 million in the prior year and mutual fund net sales were \$106 million compared to \$102 million a year ago.

DIVIDENDS

The Board of Directors has declared a quarterly dividend of \$0.359375 per share on the Company's 5.75% Non-Cumulative First Preferred Shares, Series "A" payable on September 30, 2007 to shareholders of record on August 30, 2007 and has declared an increase of 3.25 cents per share in the quarterly dividend from 42.75 cents to 46.0 cents per share on the Company's common shares payable on October 26, 2007 to shareholders of record on September 24, 2007.

On behalf of the Board of Directors,



Murray J. Taylor
*Co-President and
Chief Executive Officer
IGM Financial Inc.*



Charles R. Sims
*Co-President and
Chief Executive Officer
IGM Financial Inc.*

August 1, 2007

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 and six months ended June 30, 2007, compared with the same periods in 2006, and should be read in conjunction with the 2006 IGM Financial Inc. Annual Report and the 2007 IGM Financial Inc. First Quarter Report to Shareholders filed on www.sedar.com. Commentary in the MD&A as at and for the three and six months ended June 30, 2007 is as of July 31, 2007.

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", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". 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, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. 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. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

IGM Financial Inc.

Summary of Consolidated Operating Results

Net income for the three months ended June 30, 2007 was \$215.9 million compared to adjusted net income of \$186.7 million in 2006, an increase of 15.6%.

Diluted earnings per share were 81 cents in 2007 compared to adjusted diluted earnings per share of 70 cents in 2006, an increase of 15.7%. Adjusted net income and earnings per share for the three months ended June 30, 2006 excluded a non-cash income tax benefit resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. Net income for the three months ended June 30, 2006 without adjustment totalled \$200.4 million and diluted earnings per share on this basis were 75 cents.

Net income for the six months ended June 30, 2007 was \$426.4 million compared to adjusted net income of \$372.0 million in 2006, an increase of 14.6%. Diluted earnings per share were \$1.59 in 2007 compared to adjusted diluted earnings per share of

\$1.39 in 2006, an increase of 14.4%. Net income for the six months ended June 30, 2006 without adjustment totalled \$385.7 million and diluted earnings per share on this basis were \$1.44.

Shareholders' equity was \$4.0 billion as at June 30, 2007, up from \$3.8 billion at December 31, 2006. Return on average common equity for the six months ended June 30, 2007 was 21.5% compared with adjusted return on average common equity of 21.1% for the same period in 2006. The quarterly dividend per common share of 42.75 cents in the second quarter was unchanged from the first quarter, however it represented an increase of 3.00 cents or 7.5% from 39.75 cents in the fourth quarter of 2006.

NON-GAAP FINANCIAL MEASURES

For the three and six months ended June 30, 2006, adjusted net income, adjusted diluted earnings per share (EPS) and adjusted return on common equity (ROE) excluded a non-cash income tax benefit of

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>(\$ millions)</i>	three months ended june 30		six months ended june 30	
	2007	2006	2007	2006
Adjusted net income – Non-GAAP measure	\$ 215.9	\$ 186.7	\$ 426.4	\$ 372.0
Non-cash income tax benefit	–	13.7	–	13.7
Net income – GAAP	\$ 215.9	\$ 200.4	\$ 426.4	\$ 385.7
Adjusted earnings per share – Non-GAAP measure	\$ 0.81	\$ 0.70	\$ 1.59	\$ 1.39
Non-cash income tax benefit	–	0.05	–	0.05
Earnings per share – GAAP	\$ 0.81	\$ 0.75	\$ 1.59	\$ 1.44
EBITDA – Non-GAAP measure	\$ 423.3	\$ 373.0	\$ 845.9	\$ 749.0
Commission amortization	(81.9)	(74.6)	(162.6)	(146.7)
Amortization of capital and intangible assets	(5.7)	(5.3)	(11.4)	(10.7)
Interest expense on long-term debt and dividends on preferred shares	(26.2)	(26.2)	(52.1)	(52.2)
Income before income taxes and non-controlling interest	309.5	266.9	619.8	539.4
Income taxes	(92.8)	(65.7)	(191.9)	(152.5)
Non-controlling interest	(0.8)	(0.8)	(1.5)	(1.2)
Net income – GAAP	\$ 215.9	\$ 200.4	\$ 426.4	\$ 385.7

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

Three months ended June 30 (<i>\$ millions</i>)	investors group		mackenzie		corporate & other		total	
	2007	2006	2007	2006	2007	2006	2007	2006
Fee income	\$ 379.7	\$ 330.9	\$ 262.5	\$ 229.0	\$ 34.9	\$ 27.4	\$ 677.1	\$ 587.3
Net investment income and other	27.0	31.2	6.3	8.2	11.5	9.9	44.8	49.3
	406.7	362.1	268.8	237.2	46.4	37.3	721.9	636.6
Operating expenses								
Commissions	115.6	96.1	99.2	93.3	21.4	16.8	236.2	206.2
Non-commission	71.6	69.6	73.5	63.7	9.1	8.2	154.2	141.5
	187.2	165.7	172.7	157.0	30.5	25.0	390.4	347.7
Earnings before interest and taxes	\$ 219.5	\$ 196.4	\$ 96.1	\$ 80.2	\$ 15.9	\$ 12.3	331.5	288.9
Interest expense							22.0	22.0
Income before income taxes and non-controlling interest							309.5	266.9
Income taxes							92.8	65.7
Income before non-controlling interest							216.7	201.2
Non-controlling interest							0.8	0.8
Net income								
In accordance with GAAP							\$ 215.9	\$ 200.4
Excluding a non-cash income tax benefit ⁽¹⁾							\$ 215.9	\$ 186.7
Six months ended June 30 (<i>\$ millions</i>)								
Fee income	\$ 742.3	\$ 657.3	\$ 522.2	\$ 463.5	\$ 70.4	\$ 55.6	\$ 1,334.9	\$ 1,176.4
Net investment income and other	72.8	74.9	12.9	13.8	22.1	17.8	107.8	106.5
	815.1	732.2	535.1	477.3	92.5	73.4	1,442.7	1,282.9
Operating expenses								
Commissions	226.9	189.7	196.9	184.8	43.9	34.1	467.7	408.6
Non-commission	144.4	140.7	149.6	134.3	17.3	15.9	311.3	290.9
	371.3	330.4	346.5	319.1	61.2	50.0	779.0	699.5
Earnings before interest and taxes	\$ 443.8	\$ 401.8	\$ 188.6	\$ 158.2	\$ 31.3	\$ 23.4	663.7	583.4
Interest expense							43.9	44.0
Income before income taxes and non-controlling interest							619.8	539.4
Income taxes							191.9	152.5
Income before non-controlling interest							427.9	386.9
Non-controlling interest							1.5	1.2
Net income								
In accordance with GAAP							\$ 426.4	\$ 385.7
Excluding a non-cash income tax benefit ⁽¹⁾							\$ 426.4	\$ 372.0

⁽¹⁾ Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

\$13.7 million recorded in the second quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets. 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 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 in the Consolidated Liquidity section later in this 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 of non-GAAP results to reported results in accordance with GAAP 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 EBIT as shown in Table 2.

Discussion of Investors Group and Mackenzie Segment Operating Results is contained in their respective sections of this MD&A.

The Corporate and Other segment includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations. Earnings before interest and taxes for

Corporate and Other were \$15.9 million for the three months ended June 30, 2007 compared to \$12.3 million in 2006. Earnings before interest and taxes related to Investment Planning Counsel were \$1.9 million higher than 2006 levels. Net investment income on unallocated investments increased by \$1.5 million in 2007 compared with 2006 as a result of higher balances and increases in interest rates.

Earnings before interest and taxes for Corporate and Other were \$31.3 million for the six months ended June 30, 2007 compared to \$23.4 million in 2006. Earnings before interest and taxes related to Investment Planning Counsel were \$3.6 million higher than 2006 levels. Net investment income on unallocated investments increased by \$4.1 million in 2007 compared with 2006 as a result of higher balances and increases in interest rates.

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

- *Interest expense* – Represents the interest expense on the remaining debt issued pursuant to the Mackenzie acquisition as well as dividends paid on the outstanding preferred shares. Interest expense on long-term debt totalled \$16.8 million and \$33.6 million for the three- and six-month periods ended June 30, 2007 compared with \$16.8 million and \$33.7 million, respectively, in 2006. Dividends paid on preferred shares were \$5.2 million and \$10.3 million for the three- and six-month periods in 2007, unchanged from 2006.
- *Income taxes* – The effective income tax rate was 30.0% and 31.0% for the three- and six-month periods ended June 30, 2007 compared with 24.6% and 28.3%, respectively, in 2006, as shown in Table 3. The 2006 effective income tax rate was lower as a result of decreases in federal corporate income tax rates and the resulting reduction in the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. In 2006, the Company recorded a \$13.7 million (\$0.05 per share) non-cash income tax benefit in the second quarter. This resulted in a 5.11% reduction in the effective income tax rate for the quarter ended June 30, 2006 and a 2.53% reduction for the six

TABLE 3: EFFECTIVE INCOME TAX RATE

	three months ended june 30		six months ended june 30	
	2007	2006	2007	2006
Income taxes at Canadian federal and provincial statutory rates	35.00%	35.17%	35.10%	35.48%
Effect of:				
Dividend income	(0.29)	(0.16)	(0.21)	(0.16)
Net capital gains and losses	(0.53)	(0.78)	(0.77)	(0.92)
Share of earnings of affiliate	(2.51)	(2.71)	(2.49)	(2.65)
Preferred dividends paid	0.60	0.70	0.60	0.70
Other items	(2.29)	(2.49)	(1.26)	(1.63)
Effective income tax rate, excluding item noted below	29.98	29.73	30.97	30.82
Impact of rate changes on future income taxes related to indefinite life intangible assets in 2006	-	(5.11)	-	(2.53)
Effective income tax rate	29.98%	24.62%	30.97%	28.29%

months ended June 30, 2006. The benefit of the reduction in federal and provincial corporate income tax rates on other operating future income tax assets and liabilities is reflected in the Other items line.

Continuous tax planning may cause the Company to record lower or higher 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 at that time. Any related tax benefit/cost or changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective tax rates on income not subject to tax in Canada. 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, redemptions and investment returns. The changes in assets under management in 2007 compared with 2006 are reflected in Table 4.

Investors Group's mutual fund assets under management were \$61.3 billion at June 30, 2007 as shown in Table 4. This level of assets represented an increase of \$1.2 billion or 1.9% from March 31, 2007 and reflected \$400 million in net sales and market appreciation of \$754 million for the quarter. During the six-month period ended June 30, 2007, assets increased by \$3.1 billion or 5.3% and reflected \$1.4 billion in net sales and market appreciation of \$1.7 billion.

For the three months ended June 30, 2007, sales of Investors Group mutual funds through its Consultant network were \$1.7 billion, an increase of 18.4% from 2006. Mutual fund redemptions, which totalled \$1.3 billion for the same period, increased 2.4% from 2006 levels. Investors Group's twelve month trailing redemption rate for long-term funds decreased to a record low of 7.4% at June 30, 2007 from 8.4% at June 30, 2006 and remains well below the

corresponding average redemption rate of approximately 14.5% for all other members of the Investment Funds Institute of Canada (IFIC) at June 30, 2007. Net sales of Investors Group mutual funds for the three-month period ended June 30, 2007 were \$401 million compared with net sales of \$165 million in 2006, an increase of 143.0%. Sales of long-term funds were \$1.5 billion for the three months ended June 30, 2007, compared with \$1.2 billion in 2006, an increase of 20.1%. Net sales of long-term funds were \$333 million compared to net sales of \$106 million in 2006, an increase of 214.2%.

For the six months ended June 30, 2007, sales of Investors Group mutual funds through its Consultant network were \$4.0 billion, an increase of 16.0% from 2006. Mutual fund redemptions, which totalled \$2.6 billion for the same period, increased 1.3% from 2006 levels. Net sales of Investors Group mutual funds for the six-month period were \$1.4 billion in 2007 compared with net sales of \$883 million in 2006, an increase of 58.8%. Sales of long-term funds were \$3.4 billion for the six months ended June 30, 2007, compared with \$3.0 billion in 2006, an increase of

TABLE 4: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

(\$ millions)	three months ended june 30			six months ended june 30		
	2007	2006	change	2007	2006	change
Sales	\$ 1,719.5	\$ 1,452.7	18.4%	\$ 3,999.3	\$ 3,448.1	16.0%
Redemptions	1,319.1	1,287.9	2.4	2,597.8	2,565.3	1.3
Net sales	400.4	164.8	143.0	1,401.5	882.8	58.8
Market and income	754.0	(2,180.1)	134.6	1,716.4	247.3	594.1
Net change in assets	1,154.4	(2,015.3)	157.3	3,117.9	1,130.1	175.9
Beginning assets	60,179.3	53,846.4	11.8	58,215.8	50,701.0	14.8
Ending assets	\$ 61,333.7	\$ 51,831.1	18.3%	\$ 61,333.7	\$ 51,831.1	18.3%
Consists of:						
Investors Masterseries™ funds				\$ 52,480.7	\$ 44,497.2	17.9%
IG Mackenzie partner funds				2,737.8	2,230.5	22.7
Partner funds				5,535.0	4,583.5	20.8
iProfile™ funds				580.2	519.9	11.6
				\$ 61,333.7	\$ 51,831.1	18.3%
Average daily assets	\$ 61,382.2	\$ 52,680.8	16.5%	\$ 60,195.1	\$ 52,495.4	14.7%

16.0%. Net sales of long-term funds were \$1.2 billion compared to net sales of \$727 million in 2006, an increase of 63.4%.

At June 30, 2007, 45% of Investors Masterseries™ mutual funds had four or five star ratings from the Morningstar[†] fund ranking service and 78% had a rating of three stars or better, compared to 43% and 73% respectively at December 31, 2006. In comparison, the Morningstar[†] universe is 32% for four and five star funds and 67% for three stars or better at June 30, 2007. Morningstar Ratings[†] are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

On July 20, 2007, six fund mergers were completed involving funds with identical or substantially similar investment mandates. The mergers will help facilitate more efficient management of the funds, provide better investment diversification opportunities and, in some instances, result in lower fees.

On July 23, 2007, Investors Group launched the IG Mackenzie Cundill Global Value Fund and the IG Mackenzie Cundill Global Value Class. The investment portfolios of these two new funds will be

managed by the portfolio management team at Mackenzie Cundill Investment Management Ltd. Using Cundill's value management style, the funds will pursue long-term capital growth by investing primarily in global equity securities.

PROPOSED FIXED ADMINISTRATION FEE ON INVESTORS GROUP MUTUAL FUNDS

On June 28, 2007, Investors Group announced that Fund securityholders will be asked to vote on a proposal to establish a fixed administration fee for most Investors Group mutual funds. As a result of this change, the management expense ratios (the "MERs") for each series of units or shares of most Investors Group Funds will become more fixed and predictable going forward. If the proposal is approved, the fixed administration fee is expected to be in effect on October 1, 2007.

With this change, if approved by a vote of fund investors, Investors Group will bear the applicable operating expenses of its Funds, in return for a fixed administration fee.

Other Products and Services

INSURANCE

Investors Group distributes insurance products through I.G. Insurance Services Inc. For the three months ended June 30, 2007, sales of insurance products as measured by new annualized premiums were \$10.0 million compared with \$7.8 million in 2006. For the six months ended June 30, 2007, sales of insurance products were \$18.1 million compared with \$16.7 million in 2006. Total face amount of insurance in force at June 30, 2007 was \$42.1 billion, an increase of \$3.3 billion from June 30, 2006.

SECURITIES OPERATIONS

Investors Group provides securities services to clients through Investors Group Securities Inc. At June 30, 2007, assets under administration in Investors Group Securities Inc. were \$1.3 billion.

MORTGAGE OPERATIONS

Investors Group Consultants refer clients who are seeking residential mortgages to Investors Group mortgage planning specialists who originate mortgages in key residential markets.

For the three months ended June 30, 2007, mortgage originations were \$364 million compared with \$296 million in 2006. For the six months ended June 30, 2007, mortgage originations were \$633 million compared with \$549 million in 2006.

Through its mortgage banking operations, mortgages are sold to third parties, including securitization trusts, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. Investors Group also provides the ongoing servicing of these mortgages.

SOLUTIONS BANKING†

Investors Group provides banking services to its clients through Solutions Banking†. The offering consists of a wide range of products and services provided by the 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.

SEGREGATED FUNDS

At June 30, 2007, Investors Group offered its clients 22 segregated funds distributed solely by Investors Group

Consultants. These segregated funds are underwritten by The Great-West Life Assurance Company and the investment components are managed by Investors Group. At June 30, 2007, total segregated fund assets were \$225.2 million compared to \$95.0 million at June 30, 2006.

ADDITIONAL PRODUCTS AND SERVICES

Investors Group also offers to its clients guaranteed investment certificates issued by Investors Group Trust Co. Ltd. and by a number of other financial institutions.

Consultant Network

Investors Group is focused on growing its distribution network by attracting and training new Consultants as well as retaining existing Consultants. This is discussed more fully in the Investors Group Review of the Business contained in the 2006 IGM Financial Inc. Annual Report. As at June 30, 2007, the number of Consultants totalled 4,093 compared to 3,917 at December 31, 2006 and 3,766 one year ago. The number of Consultants with more than four years experience was 2,278 compared to 2,205 at December 31, 2006 and 2,147 one year ago. The Consultant network has grown in each of the last twelve

consecutive quarters and now stands at its highest level on record.

In 2006, Investors Group added five new regional offices concurrent with the growth of its field management and the number of new Consultants. In 2007, Investors Group is embarking on a further phase of regional office expansion with at least seven new regional offices announced for North Vancouver Island, St. Catharines, Pickering, Brantford/Cambridge, North Bay and two offices in Quebec City.

Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the three- and six-month periods ended June 30, 2007 compared with 2006 are presented in Table 5.

FEE AND NET INVESTMENT INCOME

For the three months ended June 30, 2007, management fee income increased by \$42.0 million or 16.3% to \$299.0 million compared to the increase of 16.5% in average daily mutual fund assets during the quarter compared with 2006. For the six-month period, management fee income increased by \$73.6 million or 14.4% compared to the increase of 14.7% in average daily mutual fund assets. Management fee income represented 195 basis points of average daily mutual fund assets in both the three- and six-month periods ended June 30, 2007 compared to 196 basis points in both comparative periods in 2006.

Investors Group receives administration fees for providing administrative services to its mutual funds through certain of its subsidiaries and trusteeship services to its unit trust mutual funds. Administration fees totalled \$48.8 million for the three months ended June 30, 2007, up from \$44.9 million in 2006. Fees for the six months ended June 30, 2007 were \$97.2 million compared to \$90.1 million in 2006. The increase in

fee income for both the three- and six-month periods relates primarily to increases in trustee fees and other service fees resulting from the growth in average mutual fund assets.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a back-end load feature.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking[†], an arrangement with the National Bank of Canada.

Distribution fee income of \$31.9 million for the three months ended June 30, 2007 increased by 10.0% from \$29.0 million in 2006. For the six-month period, distribution fee income of \$62.1 million increased by 7.4% from \$57.8 million in 2006. Distribution fee income for banking services and insurance products increased in both periods in 2007. Redemption fee income of \$8.8 million and \$17.3 million for the three- and six-month periods decreased by \$0.4 million and \$1.1 million, respectively, due to lower redemptions subject to deferred sales charges in 2007 compared to 2006.

TABLE 5: OPERATING RESULTS – INVESTORS GROUP

(\$ millions)	three months ended june 30			six months ended june 30		
	2007	2006	change	2007	2006	change
Fee and net investment income						
Management	\$ 299.0	\$ 257.0	16.3%	\$ 583.0	\$ 509.4	14.4%
Administration	48.8	44.9	8.7	97.2	90.1	7.9
Distribution	31.9	29.0	10.0	62.1	57.8	7.4
Net investment income and other	27.0	31.2	(13.5)	72.8	74.9	(2.8)
	406.7	362.1	12.3	815.1	732.2	11.3
Operating expenses						
Commissions	56.0	45.3	23.6	109.6	89.3	22.7
Asset retention bonus and premium	59.6	50.8	17.3	117.3	100.4	16.8
Non-commission	71.6	69.6	2.9	144.4	140.7	2.6
	187.2	165.7	13.0	371.3	330.4	12.4
Earnings before interest and taxes	\$ 219.5	\$ 196.4	11.8%	\$ 443.8	\$ 401.8	10.5%

Net investment income represents the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt incurred to finance Investors Group's investment in Great-West Lifeco Inc. (GWL).

Net investment income and other totalled \$27.0 million for the three months ended June 30, 2007, a decrease of \$4.2 million from \$31.2 million in 2006 primarily due to decreases in net revenues related to mortgage banking activities and the gain on the sale of securities, offset in part by increases in Investors Group's share of GWL's earnings and in other income.

For the six months ended June 30, 2007, net investment income and other totalled \$72.8 million, a decrease of \$2.1 million from \$74.9 million in 2006. Decreases in gains on the sale of securities and in other income were offset in part by increases in Investors Group's share of GWL's earnings.

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 June 30, 2007 increased by \$10.7 million to \$56.0 million compared with \$45.3 million in 2006. For the six months ended June 30, 2007, commission expense increased by \$20.3 million to \$109.6 million from \$89.3 million in 2006.

The increase in commission expense was due primarily to:

- Increase in amortization of commissions totalling \$7.3 million for the three months and \$15.6 million

for the six months related to prior years' sales. This increase reflects the impact from the change in estimate, effective April 1, 2001, which increased the term of amortization on mutual fund sales commissions to 72 months.

- Increase of \$2.8 million for the three months and \$4.0 million for the six months in other compensation related to mutual fund operations, insurance, mortgage and banking products due to higher sales.

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 \$6.8 million for the three-month period to \$50.6 million and increased by \$12.9 million for the six-month period to \$99.3 million as a result of the increase in assets under management.
- ARP which is a deferred component of compensation designed to promote Consultant retention and which is based on assets under management at each year-end. ARP expense increased by \$2.0 million and \$4.0 million in the three- and six-month periods ended June 30, 2007 compared to 2006.

Non-commission expenses increased \$2.0 million or 2.9% to \$71.6 million for the three months ended June 30, 2007. For the six-month period non-commission expense increased \$3.7 million or 2.6% to \$144.4 million. Non-commission expenses include costs incurred by Investors Group related to the administration of its mutual funds. Non-commission expenses also include Consultant network support costs and expenses related to the marketing and management of its mutual funds and other products as well as other operating expenses.



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