

Leadership



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• 42 Corporate directory • 43 Corporate information • The Annual and Special Meeting of Shareholders will be held on October 26, 2000
at 2:00 p.m. at the Toronto III Room of the Toronto Hilton, Toronto, Ontario.

advantage

C.I.'s leadership is shown in its impressive portfolio management expertise, an extensive lineup of funds and its ability to respond quickly to the changing needs of investors and financial advisers.

future

C.I.'s insight and expertise is helping more than 750,000 Canadians realize their financial goals and dreams.

growth

A consistent focus on shareholder value has fuelled industry-leading growth in C.I.'s assets, net sales and share price.

C.I.'s innovative products, investment performance and financial strength have left it well positioned for continued success.

time



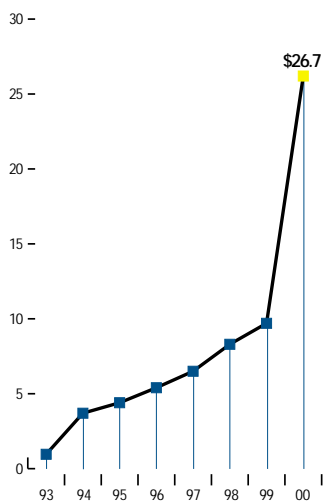
Historical Financial Highlights

Years ended May 31, [in millions of dollars except per share amounts]	2000	1999	1998
Total assets under administration, end of year	26,678	9,700	8,302
Net sales	5,798	1,369	1,189**
Revenue:			
Management fees and other income	353.4	158.0	143.8
Redemption fees	22.5	14.4	8.4
Performance fees	21.4	—	—
Expenses charged to mutual funds	57.2	32.0	28.9
Total revenues	454.5	204.4	181.1
Expenses:			
Selling, general and administrative	83.0	48.3	46.5
Investment adviser fees	29.2	18.1	16.3
Trailer fees	79.1	37.0	34.9
Distribution fees to limited partnerships	16.4	9.6	11.3
Amortization of deferred sales commissions	117.8	67.3	47.3
Other (including securitization and minority interest)	20.8	3.0	8.5
Total expenses	346.3	183.3	164.8
Income taxes	51.3	12.4	7.7
Income before amortization of goodwill	56.8	8.8	8.6
Net income	(2.1)	8.7	8.6
Operating cash flow	230.0	89.8	64.4
Earnings per share before amortization of goodwill	0.66	0.12	0.12
Operating cash flow per share	2.68	1.26	0.90
Shareholders' equity, end of year	292.1	126.6	140.2
Shares outstanding, end of year*	91,414,964	72,110,230	73,743,444

*adjusted for 2 for 1 stock dividends in April 1998 and January 2000 **does not include \$286 million in sales of the closed-end DDJ Canadian High Yield Fund

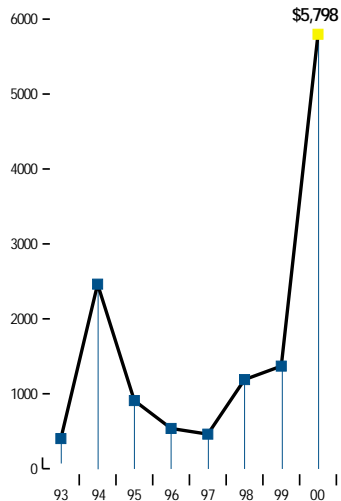
Assets Under Administration

[billions of dollars; years ended May 31]



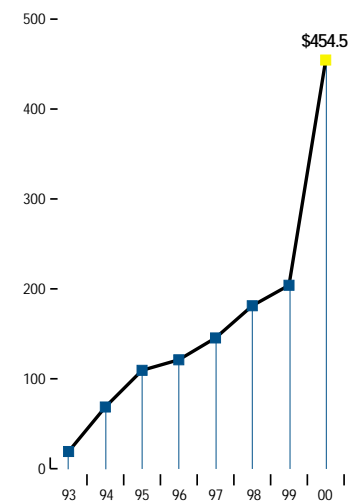
Net Sales

[millions of dollars; years ended May 31]



Total Revenues

[millions of dollars; years ended May 31]

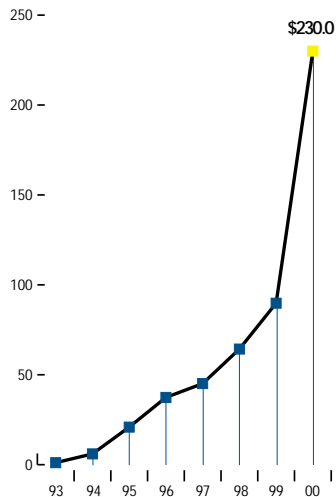


1997	1996	1995	1994	1993
6,516	5,469	4,394	3,733	960
461	537	909	2,463	402
114.5	96.6	86.9	56.5	14.7
4.1	1.4	0.1	—	—
—	—	—	—	—
26.8	22.1	21.6	12.1	4.4
145.4	120.1	108.6	68.6	19.1
40.7	34.3	34.9	29.4	9.6
13.1	11.4	11.2	7.8	2.9
28.9	24.0	19.9	10.0	2.7
11.4	11.9	11.9	8.7	2.8
26.4	11.8	1.2	—	—
7.4	7.7	10.2	4.8	—
127.9	101.1	89.3	60.7	18.0
8.0	8.5	8.8	3.9	0.5
9.5	10.5	10.5	4.0	0.6
9.5	10.5	10.5	4.0	0.6 [†]
45.1	37.4	20.9	6.0	1.1
0.15	0.16	0.16	0.07	0.01
0.69	0.57	0.32	0.11	0.02
55.8	50.8	43.1	6.0	1.3
65,569,580	65,919,052	65,941,052	53,540,000	53,220,000

[†] net income from continuing operations

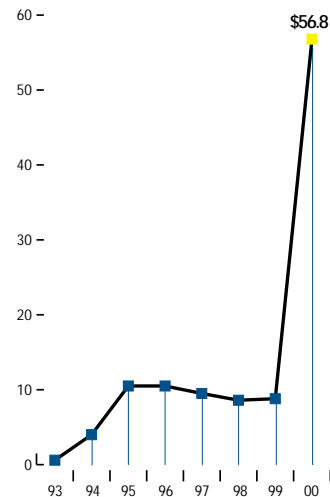
Operating Cash Flow

[millions of dollars; years ended May 31]



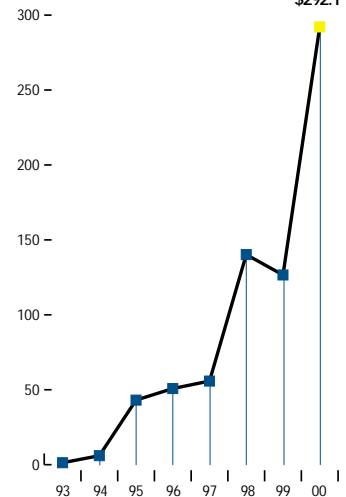
Income Before Amortization of Goodwill

[millions of dollars; years ended May 31]



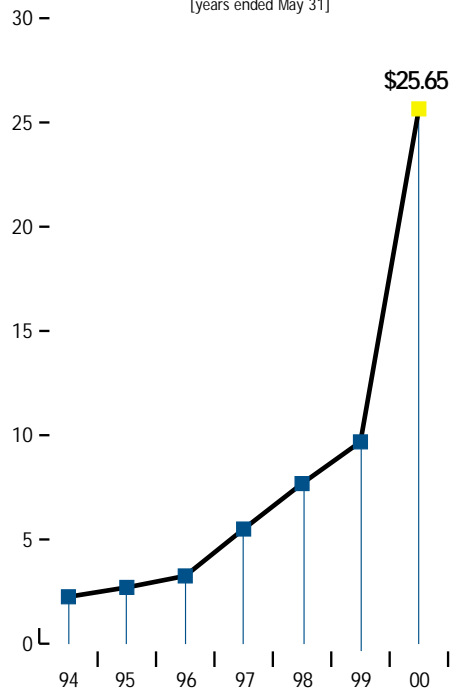
Total Shareholders' Equity

[millions of dollars; years ended May 31]



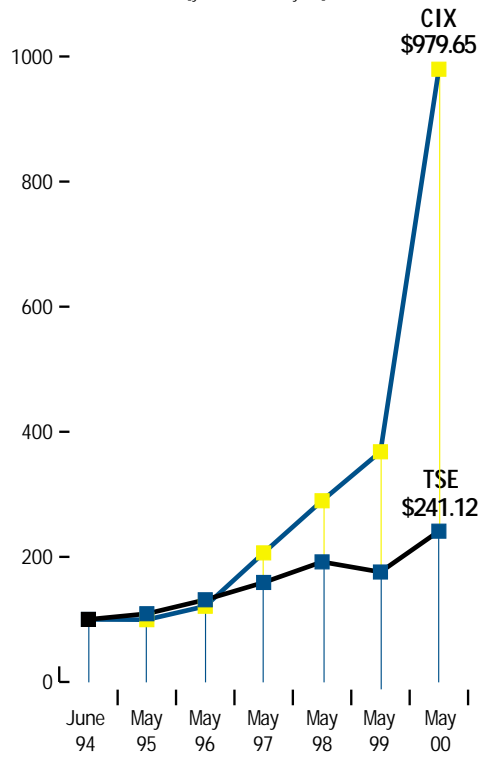
CIX Share Price

[years ended May 31]



CIX vs. TSE 300 Total Return

[years ended May 31]





Dear Shareholders,

In fiscal 2000, your company clearly established itself as a leader in the Canadian mutual fund industry.

This leadership was demonstrated in many ways. We were No. 1 in net sales and absolute asset growth, we added to our industry-leading lineup of funds, and we expanded the depth and breadth of our portfolio management expertise. Furthermore, we achieved triple-digit growth in key financial measures such as revenues, cash flow and earnings.



The Executive Committee: G. Raymond Chang Peter W. Anderson William T. Holland Stephen A. MacPhail

These accomplishments were reflected in the performance of C.I.'s stock. Following a two-for-one stock split in January, the company's share price reached \$25.65 at May 31, 2000, up 165% from a split-adjusted price of \$9.675 a year earlier. The market capitalization of the company appreciated substantially, growing to \$2.3 billion from \$700 million.

Since C.I. went public in 1994, our stock has gained over 830%, making it the 10th best-performing stock on the TSE 300 in that period and the best-performing publicly traded mutual fund company.

*Our entrepreneurial culture
continues to thrive.*

We believe this leadership has been the result of our unrelenting focus on delivering value to shareholders through aggressive asset growth and fiscal efficiency.

During fiscal 2000, C.I.'s assets grew by 175% to \$26.7 billion – a result of strong net sales, excellent investment performance, and the acquisition of BPI Financial Corporation. Our market share doubled, making C.I. the eighth-largest mutual fund company in Canada.

C.I.'s net sales increased 324% to \$5.8 billion, setting an industry record. In contrast, the overall industry recorded a sharp decline in net sales. We attribute the strength in C.I.'s net sales to the calibre of our portfolio management team, our wide product selection – especially our popular lineup of “core” global funds, industry funds and 100% RSP-eligible global funds – and a sales force known for its ability to add value to the businesses of financial advisers.

The growth in assets helped to boost revenues by 122% to \$454.5 million, while operating cash flow grew 156% to \$230 million. Income before amortization of goodwill was \$56.8 million, an increase of 545%.

The year's growth was accomplished without a corresponding increase in expenses. We improved our operating profit margin – already the best in the business – by 14%. As always, we strive to make C.I. as efficient as possible, to the benefit of both our shareholders and the investors in our funds.

The acquisition of BPI was a success. It not only added substantial assets to our firm, but we have dramatically boosted the sales of the BPI funds. Furthermore, the integration of BPI's operations was completed in just eight months, and we have realized significant economies of scale.

Our legacy of innovation continued with the introduction of several well-received funds, reflecting our strategy of providing one of the broadest selections of funds in the industry. Our approach is to be responsive to the changing needs of Canadian investors and to give our clients the power to choose the specific investment funds that will meet their individual needs.

We strive to make C.I. as efficient as possible, to the benefit of both our shareholders and the investors in our funds.

We also enhanced C.I.'s portfolio management expertise by establishing C.I. Global Advisors, acquiring BPI Global Asset Management, and expanding our Signature Funds group. These moves increased the proportion of assets managed in-house to more than 75% by May 31, 2000.

In July 2000, C.I. made another important addition to its portfolio management group with the establishment of Webb Capital Management in partnership with Derek Webb, an experienced portfolio manager with a record of top-quartile performance and an enthusiastic following among financial advisers.

C.I.'s portfolio managers have the track record and the profile to support further stellar growth in our Canadian retail business as well as our thriving institutional money management business – an area in which we see immense potential. These institutional assets, managed by our U.S. subsidiaries, currently exceed \$3 billion.

C.I. is even better positioned today than it was a year ago. It has significant scale and increasing diversity in products, portfolio management and sources of revenue. Our net sales in the first quarter of fiscal 2001 were \$1.2 billion, 200% ahead of the first quarter of the prior year. Fee-generating assets have now surpassed \$30 billion.

However, our vision and strategy have not changed. We remain committed to fostering growth and financial responsibility. Our entrepreneurial culture continues to thrive. C.I.'s management team holds a meaningful equity stake in the company, ensuring that the interests of managers and shareholders are aligned. Every action is judged according to its potential for creating shareholder value.

G. RAYMOND CHANG

WILLIAM T. HOLLAND

G. Raymond Chang
Chairman

William T. Holland
*President and
Chief Executive Officer*

September 1, 2000

Operating Review

Fiscal 2000 was the most successful period in the history of the company. The year was marked by the following key accomplishments:

- A substantial increase in profitability and shareholder value;
- The establishment of several investment management subsidiaries in partnership with the money managers – a unique structure with significant benefits for C.I.;
- The expansion of C.I.'s institutional money management activities through its U.S. subsidiaries;
- Net sales of \$5.8 billion, a record for the Canadian fund industry;
- The acquisition and integration of BPI Financial Corporation;
- Greatly expanded portfolio management expertise, along with a notable increase in the proportion of assets managed in-house;
- Continued innovation through the launch of new funds that attracted \$1.5 billion in assets.

Spectacular Growth

During the fiscal year, C.I. dramatically outperformed the industry in all respects. C.I.'s mutual fund assets under management grew 144% to \$22.5 billion, compared with an increase of 17.3% for the Canadian mutual fund industry as a whole. As a result, C.I.'s market share increased by 107% to 5.53% – making C.I. the eighth-largest mutual fund company in Canada, up from 13th place in May 1999.

Once institutional accounts, closed-end funds and labour-sponsored funds are counted, C.I.'s total fee-generating assets reached \$26.7 billion, an increase of 175% from \$9.7 billion at May 31, 1999.

This spectacular growth can be attributed to impressive investment performance and strong net sales, as well as the acquisition of BPI Financial Corporation in August 1999. It's worth noting that at the time of the acquisition, BPI had assets of \$6.3 billion and C.I. had \$10.3 billion. Total assets grew by \$10 billion in the following nine months.

C.I.'s sales momentum accelerated after the merger. For the fiscal year as a whole, C.I. was the top-selling Canadian fund company with net sales of \$5.8 billion, an amount that represented a third of total industry net sales. This capped a decade in which C.I. was the only major mutual fund company never to experience a single month of net redemptions.

Overall, C.I. continued to benefit from several trends that have affected industry sales.

First, sales became even more concentrated, with C.I. and a few other mutual fund companies accounting for more than 100% of the industry's net sales. In fact, 32 of the 72 members of IFIC experienced net redemptions in the first five months of calendar 2000.

While fund performance played a part in these results, it also shows that size does matter in the mutual fund industry. Larger firms can offer and support more diverse product lineups, allowing financial advisers to meet the needs of their clients through just a few fund companies. In addition, large companies have the resources to extensively market



Senior Sales Staff: Robert J. Costigan Derek J. Green K. Michael Kelly David R. McBain Alain Ruel

their products to both advisers and investors, and to provide them superior support. C.I., for example, has one of the largest and most effective sales and client services teams in the industry.

Second, investors continued to put much of their new money into global equity fund products. In the first five months of calendar 2000 alone, 82% of net new mutual fund sales went to global equity funds.

C.I., with its wide selection of top-performing global funds, dominated this segment. Our best-selling funds included broadly diversified “core” funds such as C.I. Global Fund and BPI Global Equity Fund, as well as industry-specific funds such as C.I. Global Telecommunications Fund and C.I. Global Biotechnology Fund.

In addition, C.I. has the industry’s largest selection of 100% RSP-eligible global funds,

including RSP versions of both the core and industry funds. C.I. was a pioneer in developing these funds for the Canadian market and the company maintained its leadership in this segment in fiscal 2000. As of July 2000, C.I. offered 25 global funds that are 100% RSP-eligible, compared with five in May 1999.

C.I.'s sales also benefited from the depth and diversity of the company's funds. While global funds as a group led the sales tally, no single fund dominated. In fact, a long list of global and Canadian funds contributed to net sales over the year.

Extensive Fund Lineup

During the fiscal year, C.I. continued to launch new funds, cementing its reputation for innovation and adaptability. These products proved to be popular, amassing about \$1.5 billion in assets by May 31, 2000. The new funds (with their launch dates) included:

- C.I. Global Biotechnology Fund, the only fund offered in Canada to focus exclusively on that industry (August 1999);
- BPI Global Opportunities III Fund and BPI American Opportunities Fund, two hedge funds that pay performance fees to C.I. and the managers according to their returns (December 1999);
- C.I. Global Managers™ Fund, which combines the best ideas of four of C.I.'s leading global portfolio managers (February 2000);
- C.I. Global Business-to-Business (B2B) Fund, which focuses on companies involved in the Internet and related industries (February 2000).

In July 2000, C.I. launched the Landmark Funds™, a family of equity funds under the direction of lead manager Derek Webb. These include the Landmark Canadian Fund and Landmark Global Fund. Also in July, C.I. introduced another multi-manager fund, the C.I. American Managers™ Fund.

After the acquisition of BPI, C.I. began efforts to streamline its lineup of mutual funds. Following the approval of securityholders, 17 funds were merged into other C.I. funds in

July 2000, while three other funds were closed to new investments. This move reduced the overlap and duplication in the company's fund family, while making the continuing funds stronger and more efficient.

A key part of C.I.'s marketing efforts is its various advertising and sponsorship activities, aimed at both financial advisers and the public. The most prominent events sponsored by the company are the Bell Canadian Open and the National Ballet of Canada's production of *The Nutcracker*. These sponsorships help to raise the profile of C.I. in the eyes of the public and support the financial advisers who distribute C.I. funds.

Central to the company's marketing campaigns in fiscal 2001 will be an emphasis on continuing to build C.I.'s brand. The campaigns will emphasize how C.I.'s experience, expertise and broad selection of investment funds meet all of the needs of today's investors.

New Directions in Portfolio Management

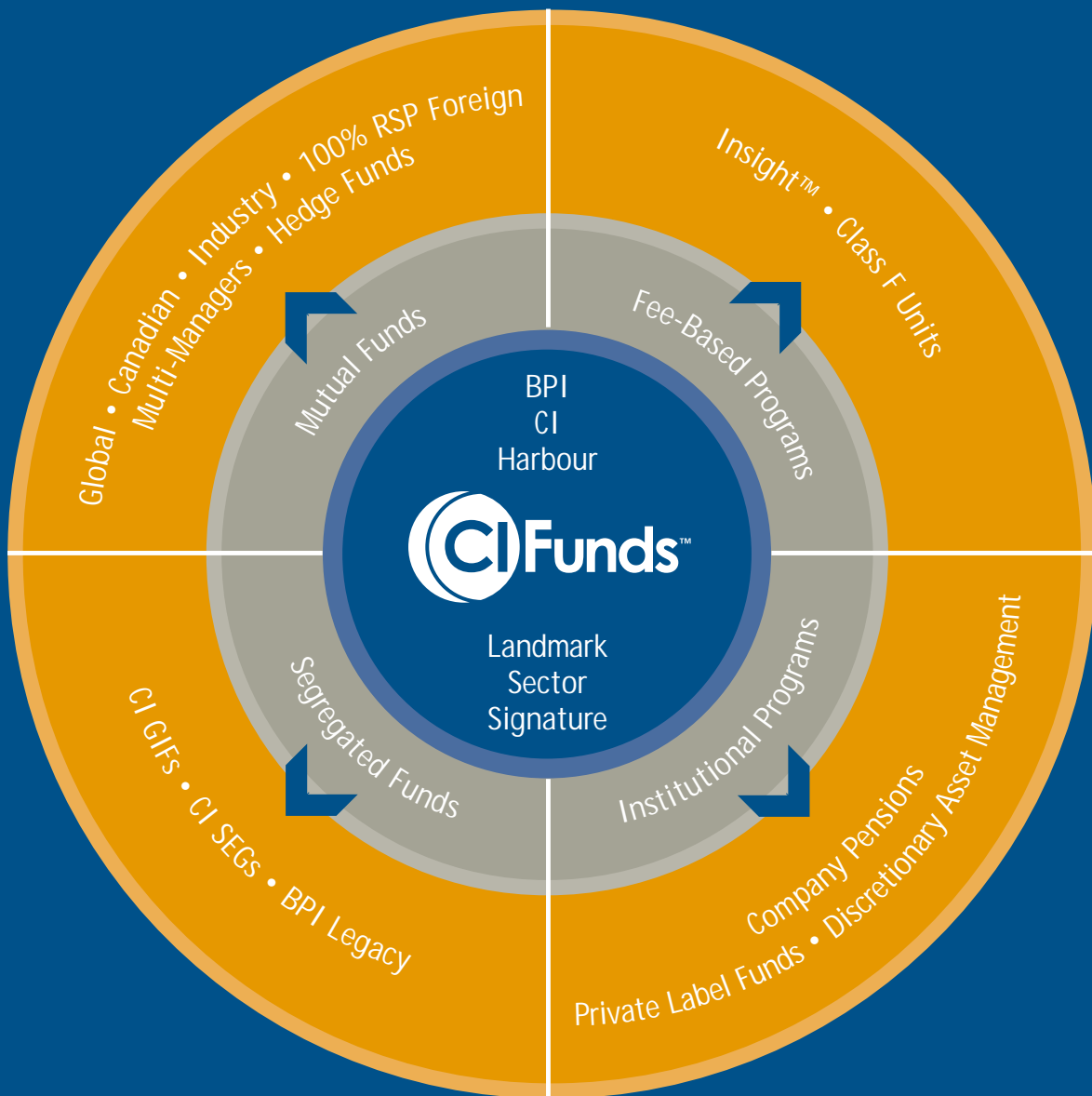
C.I. has assembled teams of portfolio managers who are among the best in the world. The company believes that quality investment management is a clear competitive advantage. C.I. continued to expand and develop its portfolio management throughout fiscal 2000.

There are two important aspects to C.I.'s portfolio management organization. First, C.I.'s portfolio managers operate in distinct teams working independently of one another. This arrangement offers financial advisers and investors a wide choice of leading managers representing different investment approaches. It also fosters entrepreneurial attitudes and innovative thinking on the part of the managers – with superior performance being the ultimate result.

Second, several teams are organized as partnerships between C.I. and the portfolio managers. For example, C.I. owns majority stakes in both C.I. Global Advisors LLP ("CIGA") and BPI Global Asset Management LLP ("BGAM"), while the managers hold minority stakes. CIGA was established in November 1999, while BGAM was acquired as part of BPI Financial Corporation in August 1999.

This unique shared ownership structure has already proven itself. In less than one year, CIGA's assets grew to \$8.4 billion (at May 31, 2000). Overall, more than \$14 billion in assets were managed through these partnerships by the end of the fiscal year.

Extensive Fund Lineup



Canadian All-Star Team



Top Row: Derek Webb, Webb Capital Management; Eric Bushell, Signature Funds; Steve Misener, Signature Funds.

Bottom Row: Robert Lyon, Signature Funds; John Zechner, J. Zechner Associates; Gerald Coleman, Harbour Funds; Wally Kusters, Signature Funds.

New Directions in Portfolio Management

Global All-Star Team



Top Row: Stephen Waite, C.I. Global Advisors; Derek Webb, Webb Capital Management; William Sterling, C.I. Global Advisors; Daniel Jaworski, BPI Global Asset Management.

Bottom Row: Andrew Waight, Signature Funds; John Hock, Altrinsic Global Advisors; Scott Morrison, Signature Funds; Paul Holland, BPI Global Asset Management; Nandu Narayanan, Trident Investment Management.

C.I. believes the partnership structure is a powerful platform for further growth. It provides an incentive for the managers to stay with the company and to maximize performance. In addition, it allows the managers to pursue other investment advisory opportunities that do not conflict with C.I. mutual funds – generating additional sources of revenue for C.I. and the managers. BGAM, for example, has gathered \$2.3 billion in institutional assets in just three years – illustrating the potential of this business.

In May 2000, C.I. set up Altrinsic Global Advisors LLP, a partnership with John Hock. A month later, Webb Capital Management LLP was established in partnership with Derek Webb to manage the new Landmark Funds and other C.I. funds. Mr. Webb has an impressive track record of achieving top-quartile returns in Canadian and global portfolios.

The success of CIGA and BGAM has led to a sharp increase in the proportion of C.I.'s assets managed in-house, to about 75% at May 31, 2000. It also led to a dramatic reduction in the cost of managing money. Following the end of the fiscal year, the remaining funds managed by Credit Suisse Asset Management and Hansberger Global Investors were transferred to other teams, increasing the portion of assets managed in-house to about 90%.

C.I.'s in-house management teams are:

- The Harbour Funds team (Canadian equities and fixed income);
- The Signature Funds team (Canadian and global equities and fixed income);
- Altrinsic Global Advisors LLP (global equities);
- C.I. Global Advisors LLP (global equities and fixed income);
- BPI Global Asset Management LLP (global equities);
- Webb Capital Management LLP (Canadian and global equities).

C.I.'s external management teams are:

- J. Zechner Associates Inc. (Canadian equities and fixed-income);
- Trident Investment Management, LLC (global equities).

C.I. offers leading funds across various categories and asset classes, especially in the crucial Canadian and global equity groups that form the “core” of many investors’ portfolios. For example, C.I. Global Fund and BPI Global Equity Fund were ranked No. 1 and No. 5, respectively, in their class over 10 years (for the period ended April 30, 2000).

C.I.'s leadership has been recognized by Morningstar, a respected U.S. investment fund research firm that now analyses Canadian funds. As of July 2000, C.I. had 11 funds with Morningstar's top five-star rating, more than twice as many as any other Canadian fund company.

Integration of BPI Financial Corporation

Once the takeover of BPI was completed in August 1999, C.I. moved quickly to merge the operations of the two companies. The process was completed in just eight months, with the integration of the companies' back-office functions and the transfer of BPI unitholder accounts to the C.I. system in April 2000.

The acquisition has proven to be an outstanding success in terms of bringing new assets and new portfolio management expertise to C.I. Furthermore, it has allowed C.I. – and its shareholders and fund investors – to enjoy the benefits of economies of scale.

Proof of this is shown in the fact that C.I. was able to reduce the expenses on its funds by an average of 26% or 10 basis points effective July 1, 2000. The reductions were greatest on the former BPI funds. This achievement reflects C.I.'s commitment to being one of the most efficient mutual fund companies in Canada.

Outlook

Fiscal 2000 was an exceptional year, with C.I. achieving impressive heights in sales, asset growth and performance. However, the year was also marked by a series of initiatives designed to make the company even stronger. All of the elements are in place – financial efficiency, a large asset base, extraordinary choice in funds, and portfolio management expertise that is second to none. The result is a solid foundation for continuing growth and momentum.

Management's discussion and analysis



Management's Discussion and Analysis

SUMMARY OF FINANCIAL HIGHLIGHTS

Years ended May 31, [millions of dollars except per share amounts]	2000	1999	% change
INCOME STATEMENT DATA			
Revenue			
Management fees	326.9	154.1	+112
Administration fees and other income	26.5	3.9	+579
Redemption fees	22.5	14.4	+56
Performance fees	21.4	—	n/a
Expenses charged to mutual funds	57.2	32.0	+79
Total revenues	454.5	204.4	+122
Operating Expenses			
Selling, general and administrative	83.0	48.3	+72
Investment adviser fees	29.2	18.1	+61
Trailer fees	79.1	37.0	+114
Commission Related Expenses			
Net fees paid to securitization	3.0	0.6	+400
Distribution fees to limited partnerships	16.4	9.6	+71
Amortization of deferred sales commissions	117.8	67.3	+75
Other items	10.5	2.5	+320
Minority interest	7.3	—	n/a
Income taxes	51.3	12.4	+314
Income before amortization of goodwill	56.8	8.8	+545
Net income (loss)	(2.1)	8.7	n/a
Earnings per share before amortization of goodwill	0.66	0.12	+450
Operating cash flow	230.0	89.8	+156
Operating cash flow per share	2.68	1.26	+113
Shareholders' equity, end of year	292.1	126.6	+131
ASSET MANAGEMENT DATA			
Average mutual fund assets under management	16,618	8,086	+106
Total assets under administration, end of year	26,678	9,700	+175
Total gross sales	8,846	2,611	+239
Total redemptions	3,048	1,242	+145
Total net sales	5,798	1,369	+324

OVERVIEW OF C.I.'s BUSINESS

The principal business of C.I. Fund Management Inc. is the management, marketing, distribution, and administration of mutual funds and other investment products for Canadian investors through its wholly-owned subsidiary C.I. Mutual Funds Inc. ("C.I."). At May 31, 2000, assets under administration totalled \$26.7 billion, represented by \$22.5 billion in mutual funds, \$1.1 billion in labour-sponsored funds, \$0.4 billion in closed-end and other funds and \$2.7 billion in institutional assets (through majority-owned BPI Global Asset Management LLP and Trilogy Advisors, LLC). C.I. markets its funds to Canadian retail investors through over 40,000 financial advisers representing over one million retail investment accounts owning C.I. mutual funds. C.I.'s share of total Canadian mutual fund assets as reported by The Investment Funds Institute of Canada was 5.53% at May 31, 2000, an increase of 107% from 2.67% at May 31, 1999.

There are four critical components to C.I.'s business:

- (1) Investment products
- (2) Investment management
- (3) Marketing
- (4) Administration

INVESTMENT PRODUCTS

C.I. believes that in order to attract and maintain investor interest in its products, it is essential to offer a wide range of investment products and continually develop new

products. C.I.'s product line encompasses a broad range of global and domestic funds offering a variety of investment styles. In addition, over the years C.I. has consistently developed new products for investors such as sector-specific funds, labour-sponsored funds, closed-end funds, segregated funds, 100% RSP-eligible foreign funds, and hedge funds.

In August 1999, C.I. launched the C.I. Global Biotechnology Fund to meet growing investor interest in this industry. This fund had assets of \$579 million at May 31, 2000.

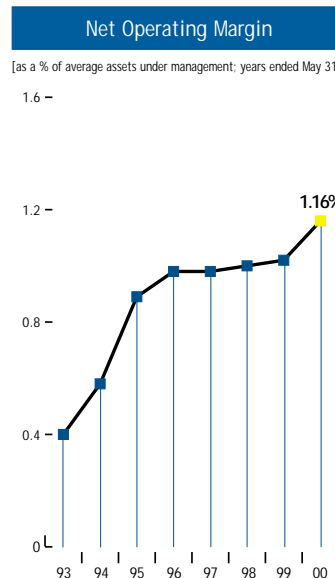
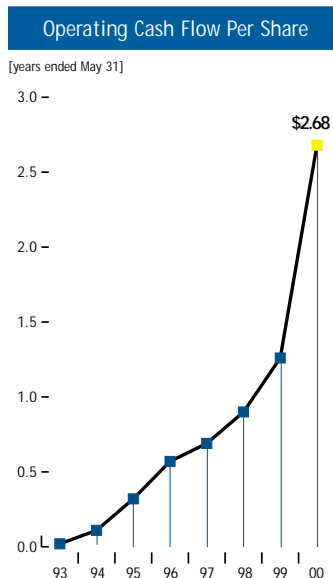
In December 1999, C.I. launched the BPI Global Opportunities III Fund and the BPI American Opportunities Fund. These hedge funds, designed for sophisticated investors, had assets of \$269 million and \$127 million, respectively, at May 31, 2000.

In February 2000, C.I. launched the C.I. Global Business-to-Business (B2B) Fund, which focuses on investments in the Internet economy. This fund had assets totalling \$150 million at May 31, 2000.

In March 2000, C.I. launched the C.I. Global Managers™ Fund, a global equity fund that combines the best ideas of four of C.I.'s global managers. This fund had assets of \$352 million at May 31, 2000.

INVESTMENT MANAGEMENT

In order to offer a broad range of investment products,



C.I. retains the services of a number of investment advisers. There are three structures that C.I. uses to ensure it can attract and maintain the investment management expertise C.I. believes is necessary to meet investors' needs:

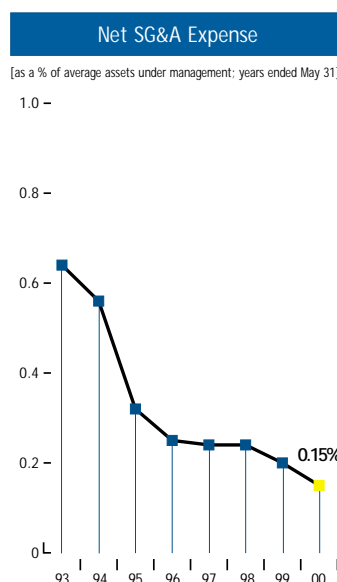
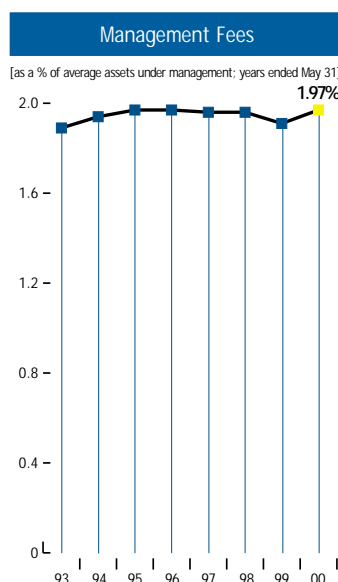
1. C.I. maintains sub-advisory agreements with independent investment managers whereby they are compensated on the basis of assets under management. At May 31, 2000, C.I. had sub-advisory agreements with J. Zechner Associates of Toronto (which managed \$1.731 billion of C.I.'s growth-oriented domestic funds), Hansberger Global Investors of Ft. Lauderdale (which managed \$457 million of value-based global funds), Credit Suisse Asset Management of New York (which managed \$2.690 billion of industry-oriented sector and other funds), and Trident Asset Management of New York (which managed \$152 million in emerging markets funds and a hedge fund).
2. C.I. employs money managers directly. At May 31, 2000, C.I. Mutual Funds managed \$4.779 billion in a variety of funds using value and growth-based investment approaches.
3. C.I. has partnership agreements with investment advisers whereby C.I. owns a majority of the partnership. With this structure, the investment adviser, through a direct equity participation, has incentive to grow the assets under management and attract money from sources other than C.I. An equity stake in the partnership also provides for the advisers to stay with C.I. over the long term. C.I. has two investment advisory partnerships of

this type. C.I. Global Advisors LLP ("C.I. Global Advisors") of New York, which is 55% owned by C.I. and 45% owned by Trilogy Advisors, LLC ("Trilogy Advisors"). C.I. Global Advisors had assets under management of \$8.430 billion in a number of growth-oriented funds and industry-specific funds. BPI Global Asset Management LLP ("BPI Global Asset Management") of Orlando, which is 66% owned by C.I. and 34% owned by JBS Advisors, Inc., had growth-oriented mutual fund assets under management of \$4.140 billion (including \$1.267 billion of hedge funds) and institutional assets of \$2.312 billion.

MARKETING

C.I. distributes its investment products through investment dealers, mutual fund dealers and insurance agents. In order to support this distribution channel, C.I. ensures it has an extensive marketing staff comprised of marketing wholesalers and in-house marketing sales representatives. In turn, the marketing staff is supported by the use of advertising, marketing materials, Internet-based information, and appearances and presentations by the funds' investment advisers.

A key element of C.I.'s marketing strategy has been to be adaptive and responsive to changes in investor demand for new financial products. C.I. has the broadest range of funds available in Canada - encompassing numerous styles and fund mandates. C.I. believes this strategy is critical, as the mutual fund distributors have reduced the number of fund families they are willing to promote.



This has resulted in the concentration of sales of mutual funds among fewer fund families.

During C.I.'s most recent fiscal year, its net sales of mutual funds (gross sales less redemptions) were the highest of all mutual fund companies in Canada. Furthermore, C.I. has not had any one-month period since 1990 wherein it experienced net redemptions.

ADMINISTRATION

Providing investors and distributors of C.I. funds with accurate and timely information on purchases, redemptions and holdings requires a highly efficient administrative operation. C.I. has made extensive investments in technology to ensure its clients receive information quickly. For example, the company allows clients to get information such as account statements via the Internet and maintains an image-based record keeping system for use by its customer service representatives. Furthermore, C.I. also believes that it is important to provide these services in a cost-efficient manner. In recent years, C.I. has taken advantage of economies of scale and productivity improvements to reduce the percentage cost of administration to levels that are among the lowest in the industry.

A key strength has been C.I.'s ability to quickly provide administrative capacity for new products. In the last three years, C.I. has successfully launched numerous new products, including segregated funds, 100% RSP-eligible foreign funds, labour-sponsored funds, hedge funds, closed-end funds, and a wrap program. All of these new

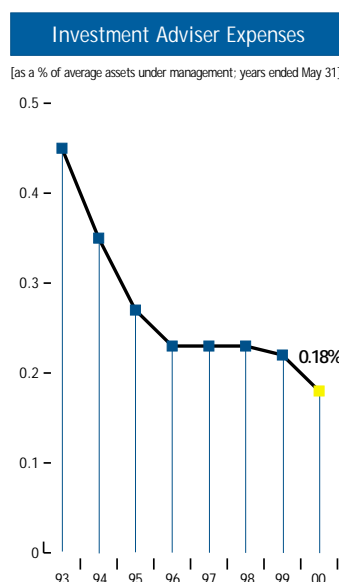
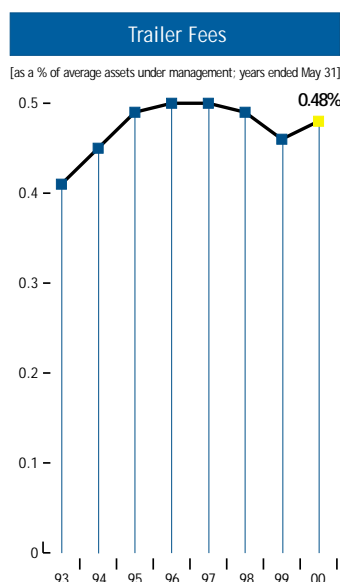
products have had the appropriate administrative support to achieve market penetration and have contributed significantly to C.I.'s assets under management.

OVERVIEW OF C.I.'S REVENUES AND EXPENSES

The majority of C.I.'s revenues are earned from the management services it provides as fund manager. The key determinant of C.I.'s revenue is the level of assets under management, which is determined by both market returns and net sales of the funds. Management fees charged by C.I. to the funds range up to 2.25% of the average net asset value of the funds. C.I. focuses on offering equity funds, which earn management fees ranging from 2.00% to 2.25%. Approximately 89% of C.I.'s mutual fund assets are equity funds.

Income from sources other than management fees has also become significant. As a result of the acquisition of BPI Financial Corporation in August 1999, C.I. manages a number of hedge funds that provide performance fees. At May 31, 2000, C.I. managed \$1.267 billion of hedge fund assets. In general, these funds provide performance fees of 20% of returns in excess of certain thresholds. Of the total performance fees earned, approximately 45% is paid to C.I., 45% is paid to the investment advisers and the remaining 10% to the distributors.

C.I.'s 45% ownership stake in Trilogy Advisors and 66% ownership in BPI Global Asset Management allows C.I. to benefit from the growth in revenues and profits on assets these firms manage for organizations other than C.I.



At May 31, 2000, BPI Global Asset Management had \$2.312 billion in institutional assets (\$0.9 billion at May 31, 1999) and Trilogy Advisors had \$416 million in assets under management (nil at May 31, 1999).

C.I. also earns revenues from redemption fees. Investors pay redemption fees when mutual funds are purchased on a deferred sales charge basis and the investment is redeemed within seven years. Redemption fees, which are calculated as a percentage of the initial value of the funds sold, start at 5.5%, and decline to zero after seven years.

C.I. is responsible for the administration of the funds and incurs expenses on behalf of the funds. C.I. recovers most operating expenses by charging an administration fee to the funds, which is recognized as revenue. As these revenues represent a recovery of expenses only, they do not affect the overall profitability of C.I.

EXPENSES

C.I. incurs certain key expenses in conjunction with the management, marketing and distribution of the funds. These expenses constitute the majority of its expenses outside those operational expenses incurred on behalf of and recovered from the funds. These expenses include investment management expenses, marketing expenses, trailer fees, and selling commissions paid to financial advisers.

Advisory fees paid to investment advisers are generally paid on the basis of a percentage of assets under man-

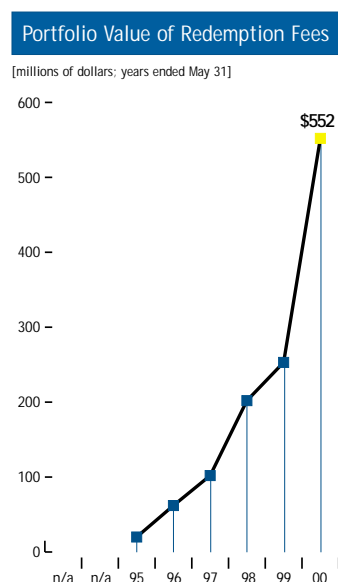
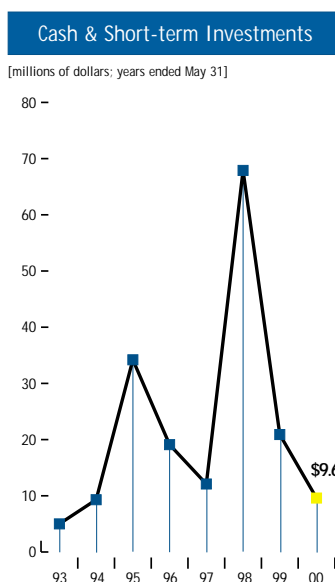
agement. C.I.'s advisers have different fee agreements, and therefore, the mix of funds will affect the overall expense level.

In addition, C.I.'s equity interest in BPI Global Asset Management and C.I. Global Advisors means that as assets under management increase with these firms, they become more profitable. C.I., through its equity ownership, participates in the profitability of these subsidiaries, effectively reducing its investment advisory expenses as a percentage of assets under management.

Operating expenses, net of those recovered from the funds (referred to as net selling, general and administrative expenses), are primarily marketing expenses. In general, marketing expenses are managed in proportion to C.I.'s assets under management and increase as assets under management increase.

Trailer fees are paid out to investment and mutual fund dealers and life insurance agents to assist them in providing ongoing support to investors in C.I. funds. Trailer fees are calculated as a percentage of assets and will vary with overall assets under management.

C.I. monitors its operating profitability by measuring the operating margin calculated as a percentage of assets under management. C.I.'s operating margin is defined as management fees from C.I.'s funds less investment adviser fees, trailer fees, and selling, general and administrative expenses net of expenses recovered from the funds, calculated as a percentage of mutual funds under management. This allows C.I. to manage profitability when changes in



the market value of assets under management affect revenue flows and permits adjustments to discretionary expenditures in order for C.I. to maintain its margins.

Commissions paid from C.I.'s cash resources on the sale of funds on a deferred sales charge basis are, for financial reporting purposes, amortized evenly over the 36 months immediately following the sale of the funds.

Commissions incurred on certain of C.I.'s assets were financed by limited partnerships or securitization vehicles. The expenses for commissions financed by limited partnerships are reported as distribution fees paid to limited partnerships and are calculated as a percentage of the assets. The effective amortization period for commissions financed by limited partnerships is the life of the limited partnership of 15 to 20 years.

The expense for commissions financed by securitization are reported as net fees paid to securitization and reflect an effective amortization period equal to the life of the securitization vehicle. In June 1998, C.I. repurchased all the outstanding notes issued by one of C.I.'s securitization vehicles. The remaining effective unamortized commission from this securitization vehicle is being amortized over the period ending February 28, 2001, and is included in the amortization of C.I.'s deferred sales commissions.

ACQUISITION OF BPI FINANCIAL CORPORATION

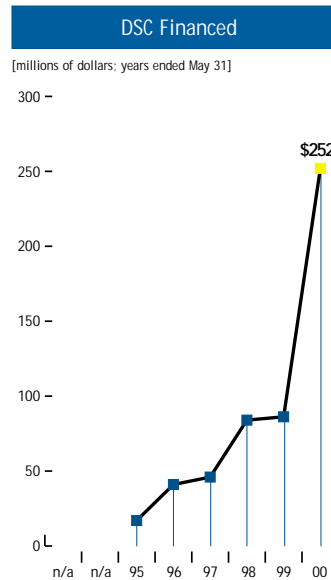
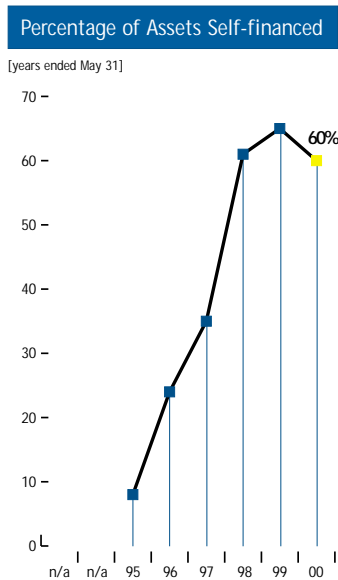
In August 1999, C.I. Fund Management Inc. acquired BPI Financial Corporation ("BPI") and its 100% stake in

BPI Capital Management Corporation. At the time of acquisition, BPI Capital Management Corporation had approximately \$6.3 billion in assets under management; represented by mutual funds (\$4,400 million), labour-sponsored funds (\$485 million), closed-end funds (\$133 million) and institutional assets (\$1,250 million). At May 31, 2000, the total BPI assets had grown to \$9.8 billion, an increase of 56% since C.I. acquired BPI.

C.I. paid \$60 million and issued 17 million common shares (post-split) of C.I. Fund Management Inc. to acquire BPI. At the time of the acquisition, BPI had \$51 million of debt and \$20 million outstanding in two securitization vehicles. The acquisition gave rise to \$236 million of goodwill, which is being amortized over 36 months, consistent with C.I.'s policy on amortization of deferred sales charge commissions.

YEAR ENDED MAY 31, 2000, COMPARED WITH YEAR ENDED MAY 31, 1999

Total assets under administration (which includes C.I. Covington Funds, DDJ Canadian High Yield Fund, Insight Program, Keystone Fund, BPI Global Asset Management and Trilogy Advisors institutional accounts, VenGrowth Investment Fund Inc., and ENSIS Growth Fund Inc.) grew from \$9.7 billion at May 31, 1999, to \$26.7 billion at May 31, 2000 - an increase of \$17 billion or 175%. Of the increase, \$6.3 billion arose from the acquisition of BPI in August 1999. Average mutual fund assets under management were \$16.6 billion in fiscal 2000, an increase of 105% from \$8.1 billion for the same period in



fiscal 1999. As most of C.I.'s revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of C.I.'s financial results.

Gross sales of the funds were \$8,846 million for the year ended May 31, 2000, compared with \$2,611 million for the same period in 1999. Net sales (gross sales less redemptions) were \$5,798 million for the year ended May 31, 2000, compared with \$1,369 million for the same period in 1999 – an increase of 324%. The increase in C.I.'s net sales from 1999 reflected the increased popularity of C.I.'s global, 100% RSP-eligible global and industry sector funds. Redemptions of C.I.'s funds were \$3,048 million in fiscal 2000, compared with \$1,242 million in fiscal 1999. All sales and redemption data include the BPI funds from September 1, 1999, inclusive.

Total revenues increased to \$454.5 million for the year ended May 31, 2000, from \$204.4 million for the same period in 1999. Revenues from management fees rose by 112% to \$326.9 million for the year ended May 31, 2000, from \$154.1 million in 1999. As a percentage of average mutual fund assets under management, management fees were 1.97% for fiscal 2000, up from 1.91% in fiscal 1999, due to changes in C.I.'s asset mix. Performance fees totalled \$21.4 million for the year ended May 31, 2000 (nil in 1999 due to C.I. not having any performance fee-based funds at that time). Administration fees and other income (which includes investment income, revenues from investment management subsidiaries, administrative fees and interest) increased from \$3.9 million to \$26.5 million. The primary contribution to the increase was \$11.2 million in gains on marketable securities (\$2.2 million in 1999) and \$7.1 million in revenues from BPI Global Asset Management's institutional business (nil in 1999). Redemption fees rose from \$14.4 million in fiscal 1999 to \$22.5 million in fiscal 2000, reflecting the increased level of assets from the BPI acquisition and the increased assets under management financed from C.I.'s cash resources.

Revenues represented by expenses charged to the mutual funds rose to \$57.2 million for the year ended May 31, 2000, from \$32.0 million in 1999. The increase in revenues reflected general increases in operating costs resulting from higher assets under management. As a percentage of assets under management, expenses charged to mutual funds declined 15% from 0.40% to 0.34% for fiscal 1999 and 2000, respectively.

Net fees paid to securitization vehicles were \$3.0 million for the year ended May 31, 2000, compared with \$0.6 million for the year ended May 31, 1999. The increase reflects the obligations for BPI's securitizations.

No expense was incurred in respect of C.I.'s securitization in fiscal 2000, as C.I. repurchased its securitization vehicle in June 1998.

Selling, general and administrative expenses (net of expenses recovered from the funds for activities carried out in support of the funds) were \$25.8 million, up 59% from \$16.2 million in the prior fiscal year. This increase in costs was a result of C.I.'s 105% increase in average assets and an industry record level of sales. As a percentage of assets under management, the net selling, general and administrative expenses declined 25% to 0.15% in fiscal 2000, down from 0.20% in fiscal 1999. The decline was a direct result of economies of scale available from asset growth.

Investment adviser fees increased from \$18.1 million in fiscal 1999 to \$29.2 million in fiscal 2000 due to increased assets under management. However, as a percentage of average assets under management, investment adviser fees were 0.18% versus 0.22% in fiscal 1999 – a reflection of the benefit of C.I.'s ownership in BPI Global Asset Management and C.I. Global Advisors.

Trailer fees increased from \$37.0 million to \$79.1 million in fiscal 2000 due to increased assets under management. As a percentage of average assets, trailer fees were 0.48% of assets under management at May 31, 2000, compared with 0.46% in the prior fiscal year. The increase resulted from an increase in the percentage of C.I.'s mutual fund assets purchased on a front-end load basis.

C.I.'s operating margin as a percentage of mutual funds under management was 1.16%, up from 1.02% in the prior fiscal year. This 14% improvement in C.I.'s operating profitability resulted from higher management fees, combined with lower investment adviser expenses and lower net selling, general and administrative expenses.

Distribution fees to limited partnerships totalled \$16.4 million, up from \$9.6 million in fiscal 1999. This increase is directly due to the addition of the BPI limited partnerships. As a percentage of average assets, distribution fees to limited partnerships declined from 0.12% to 0.10%, reflecting a lower percentage of C.I.'s overall assets under management having been financed by limited partnerships. The marginal cost of the distribution fees to limited partnerships at May 31, 2000, was approximately 0.08% of assets under management as these assets continue to decline on a percentage basis relative to C.I.'s self-financed assets.

Amortization of deferred sales commissions represented C.I.'s largest expense increase, rising from \$67.3 million in fiscal 1999 to \$117.8 million in fiscal 2000. The

increase was a direct result of the significant increase in C.I.'s sales in fiscal 2000 compared with fiscal 1999 and the amortization of the deferred sales commissions on the BPI funds. Amortization of goodwill from the acquisition of BPI totalled \$58.9 million in fiscal 2000 (nil in 1999), reflecting C.I.'s policy to amortize goodwill over 36 months.

Minority interest in C.I.'s earnings was \$7.3 million for the year ended May 31, 2000 (nil in 1999). This reflects the 45% interest of Trilogy Advisors in C.I. Global Advisors and the 34% interest of JBS Advisors, Inc. in BPI Global Asset Management.

Income before amortization of goodwill for the year ended May 31, 2000, was \$56.8 million, compared with \$8.8 million in the same period in 1999. This reflects C.I.'s significant growth in assets and operating profitability. After amortization of goodwill, C.I. incurred a net loss of \$2.1 million for the year ended May 31, 2000.

FINANCING AND LIQUIDITY

C.I.'s capital requirements are primarily to fund commissions arising from the sale of funds on a deferred sales charge basis. In fiscal 2000, C.I. financed \$251.6 million in cash in sales commissions, up from \$86.2 million in fiscal 1999. In addition, during fiscal 2000, C.I. used \$6.5 million to repurchase 0.7 million common shares at an average price of \$9.17 per share. This compares with \$25.1 million used to repurchase 3.7 million common shares at an average price of \$6.81 per share in fiscal 1999. On May 31, 2000, the closing price per share for C.I. common shares was \$25.65.

C.I. also paid \$60.0 million in cash in conjunction with the acquisition of BPI Financial Corporation in fiscal 2000 (nil in fiscal 1999) and assumed responsibility for BPI's \$51 million indebtedness, which was repaid during the year.

These funding requirements were met by cash, short-term investments and marketable securities of \$20.9 million at May 31, 1999, operating cash flow in fiscal 2000 of \$230.0 million (up from \$89.8 million in 1999), the issuance of 2.7 million common shares from the exercise of stock options at an average price of \$3.90 per share for total gross proceeds of \$10.6 million, and the use of C.I.'s \$175 million line of credit with a Canadian chartered bank.

At May 31, 2000, C.I. had cash, short-term investments and marketable securities totalling \$9.6 million (\$20.9 million at May 31, 1999), and \$57 million available under the \$175 million line of credit.

At May 31, 2000, 60% of C.I.'s mutual fund assets had been financed by cash resources. These assets had a current redemption value of \$552 million (\$6.04 per share) at May 31, 2000, compared with \$253 million (\$3.51 per share) at May 31, 1999. At May 31, 2000, 14% of C.I.'s assets were financed by limited partnerships, down from 18% at May 31, 1999. At May 31, 2000, 3% of C.I.'s assets were financed from securitization, up from nil at May 31, 1999, due to C.I. assuming BPI's securitizations. The front-end load sales assets at May 31, 2000, were 23% of mutual fund assets under management, up from 15% the prior year.

Capital expenditures incurred during the year ended May 31, 2000, totalling \$3.3 million were primarily for additional space requirements and computer hardware and software related to the improvement of systems technology. Depreciation charges on these assets are generally recoverable from the funds.

OUTLOOK

At July 12, 2000, C.I.'s mutual fund assets under management totalled \$24.3 billion, up 46% from the average level of mutual fund assets in fiscal 1999 and up 8% since May 31, 2000. C.I.'s mutual fund assets with its majority-owned subsidiaries, C.I. Global Advisors and BPI Global Asset Management totalled \$14.2 billion, up 13% from May 31, 2000. Non-mutual fund assets associated with these subsidiaries were approximately \$3.0 billion. The growth in combined assets should improve earnings of these subsidiaries accordingly. In June 2000, net sales of C.I.'s funds were \$398 million, up 232% from June 1999. C.I. continues to be a leader in net sales in the Canadian mutual fund industry. Mutual fund assets that generate performance fees total \$1.332 billion, providing a significantly larger earnings base than in fiscal 1999. In June, C.I. was able to reduce the operating expenses on its mutual funds by 20%, thereby increasing their attractiveness. As a result, C.I. expects total revenues, operating cash flow and underlying profitability to increase significantly from fiscal 2000.

the 1990s, the incidence of dengue fever has increased in many tropical and subtropical regions, including Hong Kong [1].

There are four species of dengue virus, *D. mosquito*, *D. sgtii*, *D. sgtens* and *D. sgti*, which are transmitted by the mosquito *Aedes albopictus* [2]. The clinical manifestations of dengue fever are non-specific and include fever, headache, muscle and joint pain, skin rash, and haemorrhagic complications. The disease is self-limiting and usually resolves within 10 days. However, severe dengue fever can be fatal, with a mortality rate of up to 20% [3].

There is a high degree of genetic diversity among dengue viruses, and the genetic diversity of dengue viruses in Hong Kong has been studied in detail [4]. The genetic diversity of dengue viruses in Hong Kong is high, and the genetic diversity of dengue viruses in Hong Kong is similar to that of dengue viruses in other parts of the world [4]. The genetic diversity of dengue viruses in Hong Kong is similar to that of dengue viruses in other parts of the world [4].

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Consolidated Financial Statements

Management's Report to Shareholders

Management of C.I. Fund Management Inc. is responsible for the integrity and objectivity of the consolidated financial statements and all other information contained in the Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and are based on management's best information and judgement.

In fulfilling its responsibilities, management has developed internal control systems and procedures designed to provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with appropriate authorization, and that accounting records may be relied upon to properly reflect the Corporation's business transactions.

The Audit Committee of the Board of Directors is composed of outside directors who meet periodically and independently with management and the auditors to discuss the Corporation's financial reporting and internal control. The Audit Committee reviews the results of the audit by the auditors and their audit report prior to submitting the consolidated financial statements to the Board of Directors for approval. The external auditors have unrestricted access to the Audit Committee.

Management recognizes its responsibility to conduct the Corporation's affairs in the best interests of its shareholders.

WILLIAM T. HOLLAND

William T. Holland
President and Chief Executive Officer

STEPHEN A. MACPHAIL

Stephen A. MacPhail
Executive Vice-President and Chief Operating Officer

July 6, 2000

Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholders of **C.I. Fund Management Inc.**

We have audited the consolidated balance sheets of **C.I. Fund Management Inc.** as at May 31, 2000 and 1999 and the consolidated statements of income (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at May 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Toronto, Canada,
July 6, 2000

ERNST & YOUNG LLP
Chartered Accountants

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

As at May 31	2000 \$	1999 \$
ASSETS		
Current		
Cash	3,712,258	9,285,190
Marketable securities, at cost which approximates market value	5,900,488	11,647,511
Accounts receivable and prepaid expenses	16,440,665	5,883,685
Income taxes recoverable	—	1,537,266
Total current assets	26,053,411	28,353,652
Capital assets <i>[note 5]</i>	8,468,279	6,514,821
Deferred sales commissions, net of accumulated amortization of \$166,391,529 [1999 - \$99,559,772]	310,539,058	134,271,371
Goodwill, net of accumulated amortization of \$58,985,282 [1999 - \$70,407] <i>[note 6]</i>	176,834,142	129,493
Other assets <i>[note 7]</i>	10,451,476	7,743,022
	532,346,366	177,012,359
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	36,112,156	16,974,753
Income taxes payable	3,618,970	—
Total current liabilities	39,731,126	16,974,753
Deferred lease inducement	2,276,008	1,922,927
Deferred income taxes	77,292,828	31,487,723
Long-term debt <i>[note 8]</i>	118,000,000	—
Total liabilities	237,299,962	50,385,403
Minority interest	2,961,367	—
Shareholders' equity		
Share capital <i>[note 9]</i>	307,096,278	130,350,843
Deficit	(15,011,241)	(3,723,887)
Total shareholders' equity	292,085,037	126,626,956
	532,346,366	177,012,359

See accompanying notes

On behalf of the Board:

G. RAYMOND CHANG

Director

WILLIAM T. HOLLAND

Director

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND DEFICIT

Years ended May 31	2000 \$	1999 \$
REVENUE		
Management fees	326,870,683	154,085,314
Administration fees and other income	26,537,402	3,935,330
Redemption fees	22,526,402	14,405,728
Performance fees	21,407,329	—
Expenses charged to mutual funds	57,169,841	32,039,431
	454,511,657	204,465,803
Net fees paid to securitization vehicles <i>[note 4]</i>	(2,951,873)	(556,000)
	451,559,784	203,909,803
EXPENSES		
Selling, general and administrative	82,970,207	48,280,548
Investment adviser fees	29,189,426	18,089,245
Trailer fees	79,147,228	36,970,991
Distribution fees to limited partnerships <i>[note 3]</i>	16,437,743	9,637,888
Amortization of deferred sales commissions	117,830,507	67,325,751
Interest <i>[note 8]</i>	4,829,185	486,484
Other	5,696,407	1,999,451
	336,100,703	182,790,358
Minority interest	7,308,298	—
Income before income taxes and amortization of goodwill	108,150,783	21,119,445
Provision for income taxes		
Current	9,384,587	956,086
Deferred	41,940,863	11,411,953
	51,325,450	12,368,039
Income before amortization of goodwill	56,825,333	8,751,406
Amortization of goodwill	58,914,875	4,997
Net income (loss) for the year	(2,089,542)	8,746,409
Retained earnings (deficit), beginning of year	(3,723,887)	9,731,713
Cost of shares repurchased in excess of stated value <i>[note 9]</i>	(4,910,525)	(18,588,597)
Dividends declared	(4,287,287)	(3,613,412)
Deficit, end of year	(15,011,241)	(3,723,887)
Earnings per share before amortization of goodwill	0.66	0.12
Fully diluted earnings per share before amortization of goodwill	0.63	0.12
Earnings (loss) per share	(0.02)	0.12
Fully diluted earnings (loss) per share	(0.02)	0.12

See accompanying notes

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31	2000 \$	1999 \$
OPERATING ACTIVITIES		
Net income (loss) for the year	(2,089,542)	8,746,409
Add items not involving cash		
Depreciation and amortization	64,789,482	1,911,048
Deferred income taxes	41,940,863	11,411,953
Amortization of deferred sales commissions	117,830,507	67,325,751
Minority interest	7,308,298	—
Other	240,000	380,000
Operating cash flow	230,019,608	89,775,161
Net change in non-cash working capital balances related to operations	11,211,665	(988,107)
Cash provided by operating activities	241,231,273	88,787,054
INVESTING ACTIVITIES		
Additions to capital assets	(3,260,551)	(2,121,985)
Purchase of marketable securities	(32,464,762)	(33,288,728)
Sale of marketable securities	47,381,133	28,126,434
Sales commissions	(251,620,458)	(86,177,238)
Purchase of C.I. FEES Trust notes, net of cash <i>[note 4]</i>	—	(24,288,365)
Acquisition of BPI Financial Corporation, net of cash <i>[note 6]</i>	(63,118,631)	—
Other assets	(5,678,065)	(859,559)
Cash used in investing activities	(308,761,334)	(118,609,441)
FINANCING ACTIVITIES		
Long-term debt <i>[note 8]</i>	118,000,000	—
Repayment of long-term debt assumed <i>[note 6]</i>	(51,058,395)	—
Repurchase of share capital <i>[note 9]</i>	(6,515,542)	(25,120,658)
Issuance of share capital <i>[note 9]</i>	10,624,512	6,459,525
Distributions to minority interest	(4,806,159)	—
Dividends paid to shareholders	(4,287,287)	(3,613,412)
Cash provided by (used in) financing activities	61,957,129	(22,274,545)
Net decrease in cash during the year	(5,572,932)	(52,096,932)
Cash, beginning of year	9,285,190	61,382,122
Cash, end of year	3,712,258	9,285,190
Operating cash flow per share	2.68	1.26
Fully diluted operating cash flow per share	2.50	1.16
Supplemental cash flow information		
Interest paid	4,252,732	486,484
Income taxes paid	1,612,070	818,005

See accompanying notes

Notes to Consolidated Financial Statements

MAY 31, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized as follows:

Basis of presentation

The consolidated financial statements include the accounts of C.I. Fund Management Inc. [the "Corporation"], C.I. Mutual Funds Inc. ["CIMF"] and its wholly-owned subsidiaries, InfoWise Inc., Canadian International GP Limited, C.I. Fund Services Inc., C.I. Capital Management Inc., C.I. FEES Trust [the "Trust"], C.I. Global Holdings Inc. and C.I. Global Holdings USA Inc. The accounts of partially-owned subsidiaries, BPI Global Asset Management LLP ["BGAM"] and C.I. Global Advisors LLP, are also included in the consolidated financial statements.

Hereinafter, the Corporation and its subsidiaries are referred to as the Corporation.

The Corporation's investment in Trilogy Advisors, LLC is accounted for using the equity method. Accordingly, the Corporation's proportionate share of earnings is included in income.

Revenue recognition

Management fees are based upon the net asset value of the respective funds and are recognized on an accrual basis. Administration fees are recognized as earned. Performance fees are recognized when management is assured of their realization. Redemption fees payable by unitholders of deferred sales charge mutual funds, the sales commission of which was financed by the Corporation, are recognized as revenue on the trade date of the redemption of the applicable mutual fund securities.

Deferred sales commissions

Commissions paid on sales of deferred sales charge mutual funds represent commissions paid by the Corporation to brokers and dealers, and are recorded on the trade date of the sale of the applicable mutual fund securities. These commissions are deferred and amortized over 36 months from the date recorded.

Goodwill

Goodwill is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over 3 years. The Corporation evaluates the carrying value of goodwill for potential impairment based on estimated future cash flows. Any impairment would be written off to income.

Capital assets

Capital assets are recorded at cost less accumulated depreciation and amortization. These assets are depreciated or amortized over their estimated useful lives as follows:

Computer hardware	30% diminishing balance or straight-line over four years
Computer software	straight-line over two to four years
Office equipment	20% diminishing balance
Leasehold improvements	straight-line over the term of the lease
Property	straight-line over twenty-five years

Investment in limited partnership

The investment in limited partnership is being amortized over its estimated life using a 10% annual diminishing balance basis. Amortization of the investment in limited partnership is included in other expenses in the consolidated statements of income (loss) and deficit. The carrying value of the investment approximates market value based on the net present value of estimated future cash flows.

Foreign currency translation

Foreign currency denominated items are translated into Canadian dollars as follows:

Integrated foreign subsidiaries are financially or operationally dependent on the Corporation. Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars using historical rates. Revenues and expenses are translated at average rates prevailing during the year. Translation exchange gains and losses of integrated foreign subsidiaries are included in income.

Other foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date. At the balance sheet date, monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at that date and the resulting translation exchange gains and losses are included in income.

Earnings and operating cash flow per share

Earnings and operating cash flow per share have been computed using the weighted average number of common shares outstanding. Fully diluted earnings and operating cash flow per share have been computed using the weighted average number of common shares outstanding assuming exercise of stock options.

Deferred lease inducement

Lease inducements are deferred and amortized over the term of the lease.

Income taxes

The Corporation follows the deferral method of accounting for income taxes.

Incentive stock option plan

The Corporation has a stock-based compensation plan, which is described in note 9. No compensation expense is recognized for the plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

Fair value of financial instruments

The estimated fair values of all financial instruments approximate their carrying amounts in the consolidated balance sheets.

Statement of cash flows

The Corporation has retroactively adopted the new accounting standards relating to the presentation of a statement of cash flows in the consolidated financial statements.

2. OPERATIONS

The Corporation is incorporated under the laws of Ontario. The primary business of the Corporation is the marketing, management and administration of the C.I. Mutual Funds, the C.I. Segregated Funds and the C.I. Guaranteed Investment Funds [collectively, the "Funds"].

In addition to management fees derived from the Funds, the Corporation recovers administrative expenses incurred on behalf of the Funds relating to their operation.

The Corporation employs the services of various investment advisers to act as advisers with respect to the investment portfolios of the Funds.

In certain cases, the Corporation has granted the rights to arrange for the distribution of the securities of the Funds sold on a deferred sales charge basis to limited partnerships and securitization vehicles [notes 3 and 4].

In addition to commissions paid to dealers on the sale of securities of the Funds by the Corporation, certain limited partnerships and securitization vehicles, the Corporation pays fees ["trailer fees"] to dealers to provide ongoing services to investors in the Funds. These trailer fees range up to 1% per annum based on the net asset value of the underlying securities of the Funds and are payable monthly or quarterly.

3. LIMITED PARTNERSHIPS

During various periods for certain funds prior to July 31, 1997, selling commissions on sales of securities of the Funds under the deferred sales charge method were financed by various limited partnerships. In return, the limited partnerships receive any redemption fees paid with respect to the related securities and the Corporation is obligated to pay the limited partnerships an annual fee based on the net asset value of the securities sold so long as such securities remain outstanding and the applicable partnership has not been wound up. As at May 31, 2000, the net asset value of securities of the Funds financed by the limited partnerships was \$3,264 million [1999 - \$1,757 million].

4. SECURITIZATION VEHICLES

During the period from January 21, 1994 to June 9, 1994, selling commissions on sales of securities of the Funds under the deferred sales charge method were paid by the Trust which the Trust financed by the issuance of notes repayable with interest over a period of 7 years. The notes mature on February 1, 2001 and the interest rate on the notes is 6.65%.

On June 29, 1998, the Corporation purchased all of the outstanding notes of the Trust for a purchase price of \$28,685,146. This transaction, which conferred a beneficial interest in the Trust to the Corporation, has been accounted for as a purchase as follows:

	\$
Net assets acquired, at fair value [including cash of \$4,396,781]	2,503,150
Tax benefit of unrecognized losses	11,519,774
Excess of the purchase price over fair value of net assets acquired	14,662,222
Purchase price	28,685,146

The excess of the purchase price over fair value of net assets acquired has been included in deferred sales commissions and is being amortized on a straight-line basis over the remaining term of the notes purchased.

During the period from July 1, 1994 to December 31, 1994, selling commissions on sales of securities of certain of the Funds under the deferred sales charge method were paid by BPI (1994) Fees Partnership, and the periods from October 1, 1995 to December 31, 1995 and from June 1, 1998 to December 31, 1998 were paid by BPI (1995) Fees Partnership [collectively, the "Fees Partnerships"]. The Fees Partnerships have assumed responsibility for providing transfer agency functions and investor reporting services for the securities financed pursuant to Distribution and Administration Agreements. In return, the Fees Partnerships receive any redemption fees paid with respect to the financial securities and receive annual distribution and administration fees totaling a maximum of 1.70% of the net asset value of the outstanding financial securities.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2000		1999	
	Cost \$	Accumulated depreciation and amortization \$	Cost \$	Accumulated depreciation and amortization \$
Computer hardware and software	14,502,030	8,886,938	11,060,939	7,705,864
Office equipment	4,053,390	1,779,365	2,440,696	1,249,051
Leasehold improvements	3,047,091	2,802,940	3,036,369	1,068,268
Property	345,372	10,361	—	—
	21,947,883	13,479,604	16,538,004	10,023,183
Less accumulated depreciation and amortization	13,479,604		10,023,183	
Net book value	8,468,279		6,514,821	

Reflected in the accounts of the Corporation are write-downs of leasehold improvements and computer hardware and software of approximately \$2,539,000 [1999 - nil].

6. ACQUISITION OF BPI FINANCIAL CORPORATION

On August 19, 1999, the Corporation acquired 95% of the outstanding shares of BPI Financial Corporation ["BPI"], a mutual fund management company. In September 1999, the Corporation acquired the remaining 5%. Significant subsidiaries of BPI included BPI Capital Management Corporation, BPI Global Holdings Inc., BPI Global Holdings USA Inc. and BPI Global Asset Management LLP. The acquisition was accounted for using the purchase method and the results of operations have been consolidated from the date of acquisition. Goodwill arising from the acquisition of BPI is being amortized on a straight-line basis over 3 years.

Details of the net assets acquired, at fair value, are as follows:

	\$
Total assets [including cash of \$992,127]	69,991,031
Total liabilities [including long-term debt of \$51,058,395]	(73,314,629)
Minority interest	(459,228)
Goodwill on acquisition	235,619,524
Net assets acquired, at fair value	231,836,698

Details of the consideration given, at fair value, are as follows:

	\$
Shares [17,291,334 common shares]	167,725,940
Cash	60,002,385
Transaction costs	4,108,373
Consideration given, at fair value	231,836,698

Subsequent to the acquisition date, BPI and BPI Capital Management Corporation were amalgamated into CIMF, and BPI Global Holdings Inc. and BPI Global Holdings USA Inc. changed their names to C.I. Global Holdings Inc. and C.I. Global Holdings USA Inc., respectively.

7. OTHER ASSETS

Other assets consist of the following:

	2000 \$	1999 \$
Investment in limited partnership	2,041,473	2,281,463
Investment in securitization vehicles	1,511,340	—
Investment in BGAM-managed funds	5,414,009	—
Contingency fund deposits	30,000	20,000
Long-term portfolio investment, at cost	—	4,422,000
Other	1,454,654	1,019,559
	10,451,476	7,743,022

8. LONG-TERM DEBT

During fiscal 2000, the Corporation arranged a revolving credit facility with a Canadian chartered bank for general corporate purposes for \$175 million which expires on September 22, 2004. Amounts may be borrowed under this facility through prime rate loans, U.S. base rate loans or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.35% to 0.50% depending on the status of a particular financial ratio. The agreement requires the Corporation to meet certain financial ratios on a quarterly basis.

The facility is collateralized by a registered general security agreement from the Corporation, hypothecation of the shares of CIMF, and assignment of the management agreements between CIMF and the Funds.

As at May 31, 2000, \$118 million has been drawn on this facility in the form of bankers' acceptances at an effective interest rate of 5.94%. Interest expense attributable to the long-term debt in fiscal 2000 was \$3,816,704.

9. SHARE CAPITAL

Details with respect to share capital are as follows:

	Common shares	
	Number of shares #	Stated value \$
Authorized		
Unlimited preference shares		
Unlimited common shares		
Issued		
[reflects 2 for 1 stock split in January 2000]		
May 31, 1998	73,743,444	130,423,379
Share repurchase	(3,689,966)	(6,532,061)
Exercise of stock options	2,056,752	6,459,525
May 31, 1999	72,110,230	130,350,843
Issuance of share capital [note 6]	17,291,334	167,725,940
Share repurchase	(710,600)	(1,605,017)
Exercise of stock options	2,724,000	10,624,512
May 31, 2000	91,414,964	307,096,278

On January 12, 2000, the Board of Directors approved a 2 for 1 stock split of the common shares of the Corporation. Accordingly, share and per share figures have been restated to reflect this stock split. The stock split was effected by declaring a stock dividend of one additional common share for each common share of the Corporation issued and outstanding on the dividend record date of January 25, 2000.

During fiscal 2000, 710,600 common shares [1999 - 3,689,966] were repurchased under a normal course issuer bid at an average cost of \$9.17 per share [1999 - \$6.81] for a total consideration of \$6,515,542 [1999 - \$25,120,658]. Retained earnings was reduced by \$4,910,525 [1999 - \$18,588,597] for the cost of the shares in excess of their stated value.

The Corporation has established an incentive stock option plan [the "Plan"] for the executives, key employees and directors of the Corporation. The maximum number of common shares that may be issued under the Plan is 15,027,180. As at May 31, 2000, there are 6,800,800 [1999 - 6,986,404] common shares reserved for issuance on exercise of stock options. These options vest over periods of up to 5 years and may be exercised at prices ranging from \$2.69 to \$21.99 per common share with a total exercisable value of \$64,926,761 and expire at dates up to 2006.

Details of the Plan activity and status for the years ended May 31, 2000 and 1999 are as follows:

	2000		1999	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of year	6,986,404	6.14	6,997,428	4.51
Options granted	2,788,400	12.53	2,334,400	8.43
Options exercised	(2,724,000)	3.90	(2,056,752)	3.14
Options cancelled	(250,004)	9.38	(288,672)	6.34
Options outstanding, end of year	6,800,800	9.55	6,986,404	6.14
Options exercisable, end of year	1,615,225	6.49	3,282,254	4.01

Details of the Plan options outstanding and exercisable as at May 31, 2000 are as follows:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life [years]	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
\$2.69 to \$6.00	662,000	2.3	4.56	582,000	4.38
\$6.01 to \$8.00	2,580,400	4.2	7.60	948,225	7.50
\$8.01 to \$10.00	2,817,200	5.1	9.32	85,000	9.66
\$10.01 to \$21.99	741,200	5.8	21.68	—	—
\$2.69 to \$21.99	6,800,800	4.6	9.55	1,615,225	6.49

The Corporation has an employee share purchase loan program. These loans are renewable yearly and bear interest at prescribed rates. As at May 31, 2000, the carrying amount of employee share purchase loans is \$4,467,793 [1999 - nil] and is included in accounts receivable and prepaid expenses. These loans become due immediately upon termination of employment or sale of the shares that are held as collateral. As at May 31, 2000, the shares held as collateral have a market value of approximately \$13,736,000 [1999 - nil].

10. INCOME TAXES

The components of the Corporation's effective income tax provision rates are as follows:

	2000 %	1999 %
Combined Canadian federal and provincial income tax rate	44.6	44.6
Increase in taxes resulting from:		
Non-deductible amortization	2.2	10.4
Large Corporations Tax	0.6	2.4
Other	0.1	1.2
Effective income tax rate	47.5	58.6

The non-deductible amortization relates to the excess of the purchase price over fair value of the net assets acquired of the Trust [note 4].

11. LEASE COMMITMENTS

The Corporation has entered into leases relating to the rental of office premises and computer equipment. The approximate future minimum annual rental payments under such leases are as follows:

Year ending May 31	\$
2001	3,328,000
2002	3,520,000
2003	3,321,000
2004	3,337,000
2005	3,205,000
2006 and thereafter	15,943,000

12. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2000 consolidated financial statements.

Corporate Directory

C.I. FUND MANAGEMENT INC. DIRECTORS AND OFFICERS

G. Raymond Chang
Chairman and Director

William T. Holland
*President, Chief Executive Officer
and Director*

Ronald D. Besse
Director

George W. Oughtred
Director

Stephen A. MacPhail
*Executive Vice-President
and Chief Operating Officer*

Michael J. Killeen
*General Counsel and
Corporate Secretary*

A. Winn Oughtred
Director

David J. Riddle
Director

C.I. MUTUAL FUNDS INC. MANAGEMENT

Executive

G. Raymond Chang
Director

William T. Holland
*Chairman, Chief Executive Officer
and Director*

Stephen A. MacPhail
*Chief Financial Officer,
Chief Operating Officer
and Director*

Peter W. Anderson
President and Director

Marketing

Scott Pehleman
Senior Vice-President

Marcelo A. Donato
Vice-President

Michael Gramegna
Vice-President

Julie A. Warren
Vice-President

Sales

Ontario

Thomas V. Caswell
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Neal Kerr
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K. Michael Kelly
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Pierre Lalonde
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David R. McBain
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Andrew McBain
Vice-President

Carey W. McIntee
Senior Vice-President

Jeff Nairn
Vice-President

Kevin Bonello
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Michael Warus
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Ron Bowes
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Sean Hayes
Vice-President

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Senior Vice-President

Derek J. Green
Senior Vice-President

David M. Rupert
Senior Vice-President

Karl Palmen
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Roy Ratnavel
Vice-President

Tracy C. Wood
Vice-President

Quebec and Eastern Provinces

Alain Ruel
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Sylvain Rivard
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*General Counsel and
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TRADING SYMBOL

C.I. Fund Management Inc.
trades on The Toronto Stock
Exchange under the symbol
"CIX".

This Annual Report can be downloaded from C.I.'s website at www.cifunds.com under Corporate Information.



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