



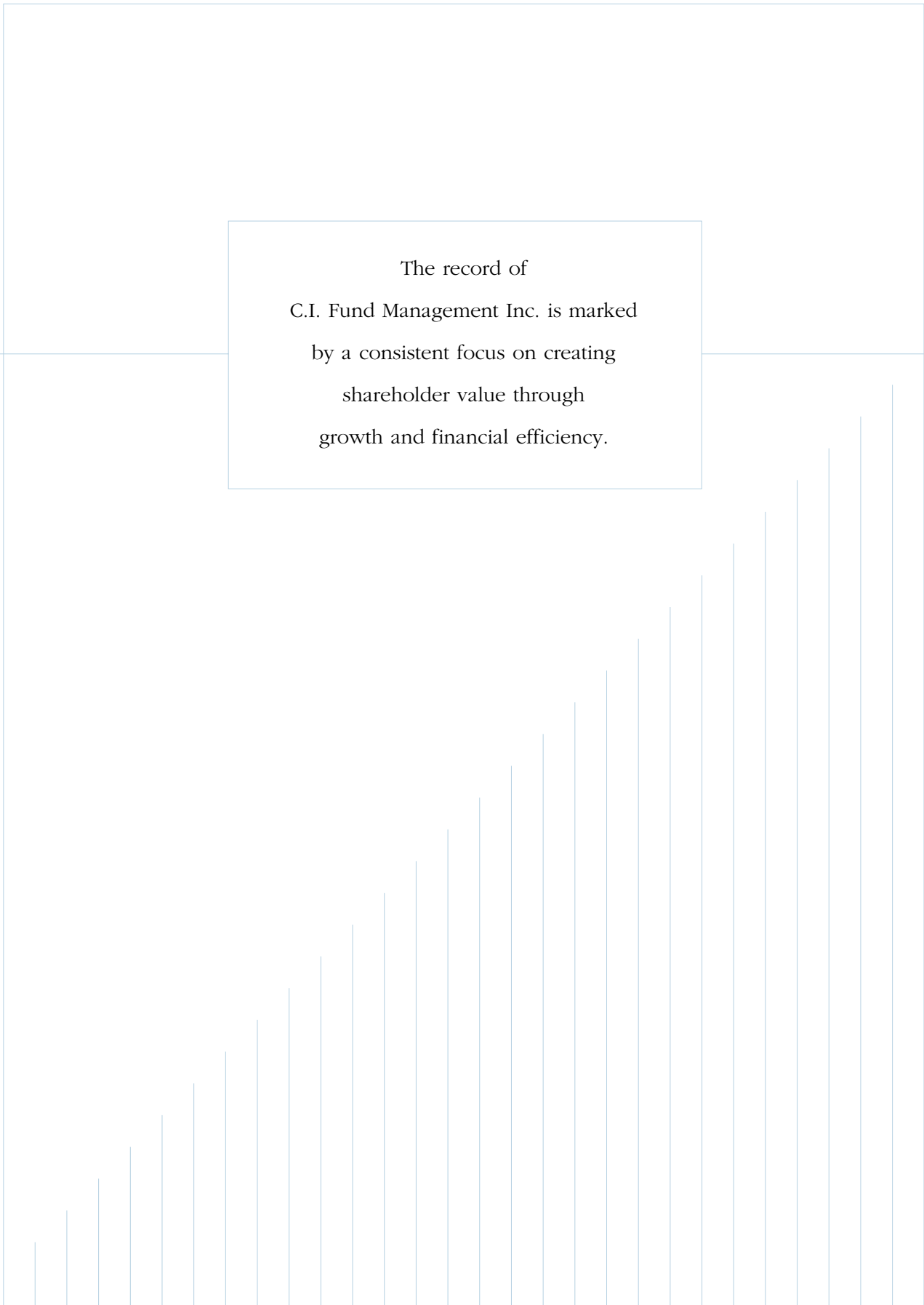
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|----------------------------------|---------------------------|
| C.I. Fund Management Inc. | 2001 Annual Report |
|----------------------------------|---------------------------|

May 31, 2001

| | | | | | | | |
|----|--|----|---------------------|----|--------------------------------------|----|-----------------------------------|
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The Annual Meeting of Shareholders will be held on October 16, 2001, at 2:00 pm at the Toronto Hilton, Toronto, Ontario.

The record of
C.I. Fund Management Inc. is marked
by a consistent focus on creating
shareholder value through
growth and financial efficiency.



historical financial highlights

Fee-earning assets

| years ended may 31 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 |
|--------------------|-----|-----|-----|-----|-----|-----|-----|------|------|
| \$ [billions] | 1.0 | 3.7 | 4.4 | 5.5 | 6.5 | 8.3 | 9.7 | 26.7 | 26.8 |

Net sales

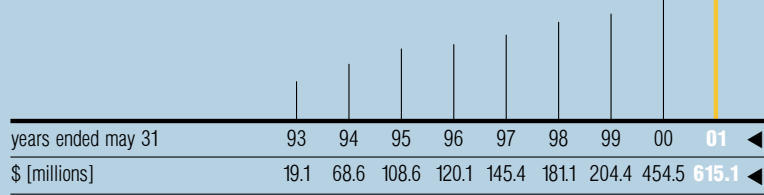
| years ended may 31 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 |
|--------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| \$ [billions] | 0.4 | 2.4 | 0.9 | 0.5 | 0.5 | 1.2 | 1.4 | 5.8 | 3.5 |

Operating cash flow

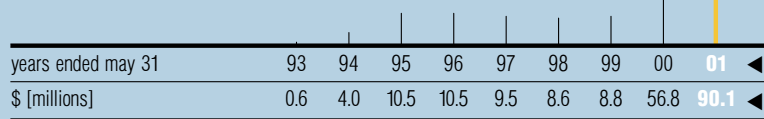
| years ended may 31 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 |
|--------------------|-----|-----|------|------|------|------|------|-------|-------|
| \$ [millions] | 1.1 | 6.0 | 20.9 | 37.4 | 45.1 | 64.4 | 89.8 | 230.0 | 291.9 |



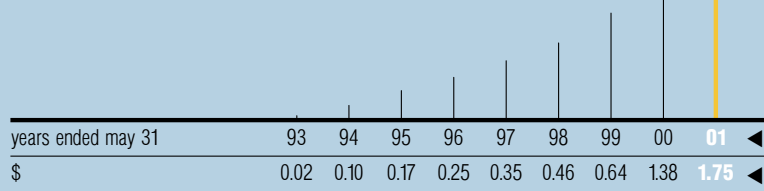
► **Total revenues**



► **Income before amortization of goodwill**



► **EBITDA per share**



“CI remains strong. Our solid balance sheet and robust cash flow give us the ability to finance growth and pursue new opportunities.”

| Years ended May 31, [in millions of dollars except per share amounts] | 2001 | 2000 | 1999 |
|---|--------------------|-------------|-------------|
| Total fee-earning assets, end of year | 26,834 | 26,678 | 9,700 |
| Net sales | 3,468 | 5,843 | 1,369 |
| Revenue: | | | |
| Management fees and other income | 510.3 | 353.4 | 158.0 |
| Redemption fees | 28.7 | 22.5 | 14.4 |
| Performance fees | 2.6 | 21.4 | — |
| Expenses charged to mutual funds | 73.5 | 57.2 | 32.0 |
| Total revenues | 615.1 | 454.5 | 204.4 |
| Expenses: | | | |
| Selling, general and administrative | 99.7 | 83.0 | 48.3 |
| Investment adviser fees | 41.5 | 29.2 | 18.1 |
| Trailer fees | 115.6 | 79.1 | 37.0 |
| Distribution fees to limited partnerships | 16.2 | 16.4 | 9.6 |
| Amortization of deferred sales commissions | 183.9 | 117.8 | 67.3 |
| Other (including securitization and minority interest) | 33.8 | 20.8 | 3.0 |
| Total expenses | 490.7 | 346.3 | 183.3 |
| Income taxes | 34.3 | 51.3 | 12.4 |
| Income before amortization of goodwill | 90.1 | 56.8 | 8.8 |
| Net income | 11.5 | (2.1) | 8.7 |
| Operating cash flow | 291.9 | 230.0 | 89.8 |
| Earnings per share before amortization of goodwill | 0.49 | 0.33 | 0.06 |
| Operating cash flow per share | 1.60 | 1.34 | 0.63 |
| EBITDA** per share | 1.75 | 1.38 | 0.64 |
| Shareholders' equity, end of year | 260.8 | 292.1 | 126.6 |
| Shares outstanding, end of year*** | 180,684,728 | 182,829,928 | 144,220,460 |

*Does not include \$286 million in sales of the closed-end DDJ Canadian High Yield Fund

**Earnings before interest, taxes, depreciation and amortization

***Adjusted for two-for-one stock dividends in April 1998, January 2000 and November 2000

†Net income from continuing operations

| 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 8,302 | 6,516 | 5,469 | 4,394 | 3,733 | 960 |
| 1,189* | 461 | 537 | 909 | 2,463 | 402 |
| 143.8 | 114.5 | 96.6 | 86.9 | 56.5 | 14.7 |
| 8.4 | 4.1 | 1.4 | 0.1 | — | — |
| — | — | — | — | — | — |
| 28.9 | 26.8 | 22.1 | 21.6 | 12.1 | 4.4 |
| 181.1 | 145.4 | 120.1 | 108.6 | 68.6 | 19.1 |
| 46.5 | 40.7 | 34.3 | 34.9 | 29.4 | 9.6 |
| 16.3 | 13.1 | 11.4 | 11.2 | 7.8 | 2.9 |
| 34.9 | 28.9 | 24.0 | 19.9 | 10.0 | 2.7 |
| 11.3 | 11.4 | 11.9 | 11.9 | 8.7 | 2.8 |
| 47.3 | 26.4 | 11.8 | 1.2 | — | — |
| 8.5 | 7.4 | 7.7 | 10.2 | 4.8 | — |
| 164.8 | 127.9 | 101.1 | 89.3 | 60.7 | 18.0 |
| 7.7 | 8.0 | 8.5 | 8.8 | 3.9 | 0.5 |
| 8.6 | 9.5 | 10.5 | 10.5 | 4.0 | 0.6 |
| 8.6 | 9.5 | 10.5 | 10.5 | 4.0 | 0.6† |
| 64.4 | 45.1 | 37.4 | 20.9 | 6.0 | 1.1 |
| 0.06 | 0.07 | 0.08 | 0.08 | 0.04 | 0.01 |
| 0.45 | 0.34 | 0.28 | 0.16 | 0.06 | 0.02 |
| 0.46 | 0.35 | 0.25 | 0.17 | 0.10 | 0.02 |
| 140.2 | 55.8 | 50.8 | 43.1 | 6.0 | 1.3 |
| 147,486,888 | 131,139,160 | 131,838,104 | 131,882,104 | 107,080,000 | 106,440,000 |



William T. Holland, President and Chief Executive Officer

Dear Shareholders,

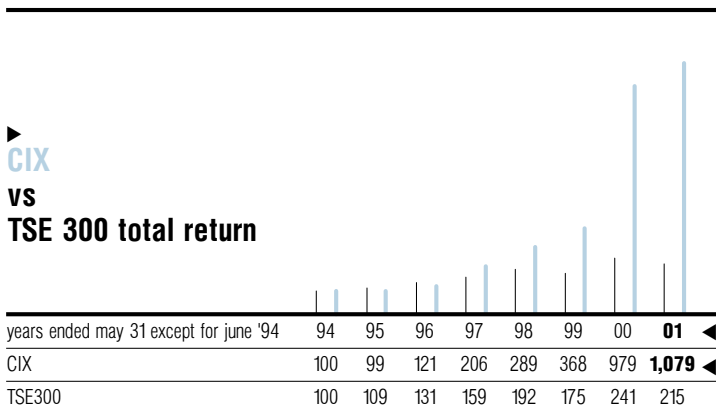
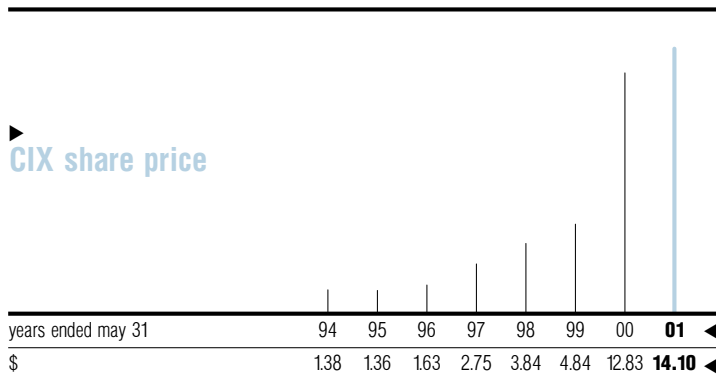
In this age of rapid change, our focus on creating value for shareholders has not wavered. We have created value by fostering strong asset growth and by maintaining constant attention to the company's financial efficiency.

This approach continued to produce excellent results in fiscal 2001. Despite sharply weaker global equity markets, CI reached record levels of assets, revenues, cash flow and earnings. While our fee-earning assets increased 1% over the fiscal year to \$26.8 billion, revenues grew 35% to \$615.1 million. Operating cash flow increased 27% to \$291.9 million and net income before amortization of goodwill was up 59% to \$90.1 million. CI posted net sales for the fiscal year of \$3.5 billion and while this was down from our industry-leading record of the previous year, we still ranked No. 2 among all Canadian fund companies.

Our share price rose 10% during the fiscal year to \$14.10. From the date that CI went public in June 1994 to May 31, 2001, our stock has returned 979% – making CI the TSE 300’s seventh best-performing company during that period and its best-performing financial services stock. Supporting the increase in our share price has been growth in EBITDA per share of over 30% per year coupled with asset growth of 25% per year.

A key factor in CI’s success in fiscal 2001 was our long-established strategy of offering fund investors and their advisers a wide choice of funds distinguished by asset class, geographical mandate and investment style. Our diverse lineup was able to accommodate fund investors as their preferences switched to more conservative equity and fixed-income funds.

Our concern for financial efficiency continues to be a priority. As the markets declined, we moved quickly to reduce expenses, protecting the interests of both our shareholders and the investors in our funds. In fact, we increased CI’s operating margin during the fiscal year – without compromising the quality of our products, distribution and service. CI remains one of the most efficient and low-cost fund companies.



During the year, we continued to seek opportunities to create additional value for shareholders. In that spirit, we made a takeover bid for Mackenzie Financial Corporation in November 2000. Had our bid been successful, we are confident we could have achieved considerable cost savings in merging the two operations – to the benefit of shareholders and fund unitholders of both companies. In the end, the bid produced a net gain of \$12 million for CI on the sale of our shares in Mackenzie.

And, as we announced at our Annual Meeting in October 2000, we continued our share repurchase program, buying back over 3.6 million shares in fiscal

2001 at an average price equal to 7.4 times fiscal 2001 EBITDA (earnings before interest, taxes, depreciation and amortization). CI is now generating significant excess cash flow and our view is that repurchasing stock opportunistically is the best way to return cash to CI shareholders.

Despite the uncertainties of today's markets, CI remains strong. Our solid balance sheet and robust cash flow give us the ability to finance growth and pursue new opportunities. In addition, the decline in corporate tax rates to approxi-

mately 30% within the next few years will benefit CI considerably as CI becomes taxable, after having sheltered income during the recent period of high taxation.

Our lineup of investment funds is the most complete in the industry, and is noted for quality as well as choice. At May 31, 2001, we had eight funds with the coveted five-star rating from Morningstar

Canada – more than any other fund company. In keeping with our tradition for innovation and responsiveness to investors' changing needs, we continue to expand and diversify our lineup. For example, we have launched three new hedge funds since February 2001, increasing our presence in this key growth area.

CI's funds are backed by extraordinary breadth and depth in portfolio management expertise. We offer investors a choice of six in-house portfolio management teams and three outside firms representing a range of investment styles.

Our strategy of developing diversity in both funds and portfolio management has been critical to our development, as the competition for shelf space with financial



The Executive Committee:

G. Raymond Chang

William T. Holland

Peter W. Anderson

Stephen A. MacPhail

advisers intensifies. As advisers increasingly reduce the number of fund companies they offer to their clients, CI strives to remain one of their top choices.

As a result, the financial adviser or what is known as the advice channel remains the focus of our marketing and distribution, another distinct strength for CI. Our sales force and client services team is among the industry's most effective and we have invested extensively in new technology and services to bolster our support for advisers.

At the same time, we are actively developing alternative distribution channels for our funds, including banks and insurance companies. Our funds are now included in other financial firms' segregated fund or asset allocation products, for example. These programs, which accounted for \$1.2 billion of CI's assets at May 31, 2001, have exceeded our expectations.

These strengths mean that CI is well positioned as the global asset management industry consolidates. We have a successful track record of integrating new businesses and of quickly launching new products. We are expanding our focus and will be pursuing strategic options within Canada and globally – as we believe that size, global investment management breadth, marketing expertise and financial strength will be key competitive advantages to continued success.

Currently, the fund business has been affected by the downturn in global equity markets. Nevertheless, CI's commitment to increasing shareholder value has never been stronger. CI's management team holds a meaningful equity stake in the company and compensation is tied directly to the value of CI shares – ensuring that the interests of management and shareholders are aligned. This commitment, in conjunction with our entrepreneurial culture and financial prudence, strongly positions CI to benefit from the inevitable market turnaround.

[signed]

William T. Holland
President and Chief Executive Officer

September 5, 2001



operating review

Fiscal 2001 can be characterized as a year in which CI achieved exceptional results in the face of an increasingly challenging environment. CI continued to consolidate its

position as one of the leaders in the Canadian investment fund industry by broadening its lineup of funds, increasing its depth of portfolio management expertise and enhancing its marketing and distribution.

The major influence on the industry during the fiscal year was the sharp decline in global equity markets. Over the 12 months ended May 31, 2001, the TSE 300 Composite Index dropped 11% and the MSCI World Index was down 13%. While overall industry net sales continued to be strong, investors began putting more of their money into conservative funds and cash equivalents. In the first five months of 2001, money market funds accounted for 44% of industry net sales.

CI's net sales of \$3.5 billion in fiscal 2001 accounted for 15% of the industry's total and ranked CI a close second among all Canadian fund companies. This followed a year in which CI established an industry record with net sales of \$5.8 billion. CI's fee-earning assets – which include institutional accounts, closed-end funds and other assets as well as mutual funds – increased slightly to \$26.8 billion. CI's market share of mutual fund assets at the end of the period was 5.33%, in line with last year's share of 5.53%.

Unparalleled choice of funds

The shift in sales trends once again validated CI's strategy of providing a broad selection of funds that vary by investment style, asset class, and regional and industry focus. As investors' preferences changed, their needs could still be met within CI's family of funds. While core global funds such as CI Global Boomeronomics® Fund continued to be top sellers, funds such as the value-oriented Harbour Fund or Signature Select Canadian Fund – the industry's top-performing Canadian equity fund over the three years ending May 31, 2001 – posted strong sales gains.

This diversity also means that CI is not dependent on one or two products, as a majority of CI's funds continued to register positive net sales during the year.

The success of this strategy can also be seen in the consistently high ratings of CI's funds by Morningstar Canada. At May 31, 2001, CI had eight funds with the top five-star rating – more than any other fund company. These five-star funds reflected a variety of mandates,



including two Canadian equity funds, a resource fund, two income funds, a global small companies fund and two emerging markets funds.

CI strongly believes that this broad product lineup continues to be a critical competitive advantage. In recent years, industry sales have become more and more concentrated as advisers choose to limit their business to the largest fund companies, which can offer a range of products and more extensive sales support.

CI's approach has always been to give advisers and investors a wide choice of funds, and to respond quickly by creating and introducing innovative products as investors' needs change and evolve. In fiscal 2001, CI's new products included:

- Landmark Canadian Fund and Landmark Global Fund managed by Derek Webb of Webb Capital Management LLP. The Landmark Funds, which use an earnings momentum approach, gave investors another choice of investment style within the CI lineup. At May 31, 2001, these two funds had total assets of \$185 million.
- CI American Managers Fund, a multi-manager fund. The fund, along with the CI Global Managers Fund, offers investors style diversification and the best ideas of several leading portfolio managers in one fund. Together, these funds had \$522 million in assets at May 31, 2001.
- Trident Global Opportunities Fund, a hedge fund launched in February 2001 and managed by Nandu Narayanan of Trident Investment Management, LLC of New York. Two more hedge funds were launched in August 2001 – the Trilogy Global Opportunities Fund managed by Trilogy Advisors, LLC (sister company to CI Global Advisors LLP), and the Landmark Global Opportunities Fund managed by Webb Capital. These additions – which join the existing hedge funds run by BPI Global Asset Management LLP – have created a formidable hedge fund lineup, diversified by manager and investment style. With \$1.1 billion in hedge fund assets at May 31, 2001, CI has significant experience in managing and marketing these funds and a considerable presence in this growing market segment.
- Class F units, which are units in existing CI funds that do not pay trailer fees and therefore carry a lower management expense ratio. They are designed for advisers who offer fee-based services or wrap accounts to their clients. With Class F units and Insight, a wrap program offering 15 investment pools, CI is well equipped to compete in the growing fee-based business. By May 31, 2001, CI had accumulated \$122 million in assets in this category.

- An expanded choice of 100% RSP-eligible funds. CI continues to build on its advantage in this area by launching RSP-eligible versions of both new funds and existing funds. As of August 2001, CI offered 31 RSP-eligible global funds representing over \$4.3 billion of CI's fee-earning assets.
- An expanded choice of share classes within CI Sector Fund, which allows for tax-deferred investing outside registered plans. In 1987, CI became the first company in Canada to introduce this type of fund structure and it now offers 39 separate share classes. At May 31, 2001, CI's clients had over \$6.2 billion invested in the Sector Fund.

Since the end of the fiscal year, CI has launched two new value funds: CI Global Focus Value Fund, managed by Altrinsic Global Advisors, LLC, and CI American Value Fund, managed by Steinberg Priest Capital Management, LLC. With these funds, CI offers a complete selection of value-oriented global funds.

Diverse portfolio management

CI's comprehensive fund lineup is complemented by a strategy of attracting and retaining high-quality portfolio managers. Over the past two years, CI has put in place a unique portfolio management structure with distinct advantages for investors and for CI.

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This structure has two key characteristics. First, CI's portfolio management teams operate independently of one another, which CI believes fosters flexibility and innovative thinking. This arrangement also gives investors a clear choice of portfolio management groups with different investment styles. Several teams also manage funds with a separate fund family name or brand – including Harbour, Signature, Landmark and BPI – which helps to highlight their particular investment approaches.

Second, four of CI's portfolio management teams are organized as partnerships between CI and the portfolio managers. By having an equity stake in their business, the portfolio managers are given an incentive to stay with CI over the long term and to increase the assets under management – both through long-term outperformance of their CI funds and by seeking investment advisory business from sources other than CI.

These partnerships are a powerful platform for future growth. Both BPI Global Asset Management and CI Global Advisors have growing institutional investment advisory businesses in which they manage money on behalf of U.S.-based mutual funds, pension funds, endowments and other organizations. As a testament to the potential of this business, BPI Global and CI Global managed \$3.2 billion in institutional assets at

May 31, 2001 – an increase of 19% over one year. These assets generate revenues for CI while requiring little in the way of capital investment on the part of the company.

With the establishment of these partnerships, CI has increased the proportion of its mutual fund assets managed in-house to about 95% at May 31, 2001, compared with 75% a year earlier.

CI's in-house management teams are:

- Harbour Funds team of Toronto;
- Signature Funds team of Toronto;
- Altrinsic Global Advisors, LLC of Old Greenwich, Connecticut;
- CI Global Advisors LLP of New York;
- BPI Global Asset Management LLP of Orlando, Florida;
- Webb Capital Management LLP of San Francisco.

CI's external management teams are:

- Trident Investment Management, LLC of New York;
- J. Zechner Associates Inc. of Toronto.

In July 2001, CI retained the services of another outside firm, Steinberg Priest Capital Management, LLC of New York, to manage the new CI American Value Fund. Co-manager William Priest is a veteran money manager and former Chairman and CEO of Credit Suisse Asset Management Americas and CEO and Portfolio Manager of its predecessor firm BEA Associates.

Superior marketing and distribution

CI primarily distributes its funds through more than 40,000 advisers across Canada. The core of CI's marketing and distribution efforts continues to be an aggressive sales team that provides information and support to advisers. In independent surveys, advisers give high marks to CI's wholesalers. A recent study by Environics Research Group indicated that CI's sales team was one of the best in the top tier of fund companies. CI's sales team is backed by highly trained client services representatives and one of the industry's most efficient administrative departments.

In fiscal 2001 and the first two months of fiscal 2002, CI introduced a number of measures to provide additional value to both the advisers who recommend CI funds and to the investors in the funds. These included:

- A redesigned website, www.cifunds.com, providing a wide range of information about CI's funds and portfolio managers, as well as useful information for investors about personal finance.

CI's website, www.cifunds.com, provides a wealth of information to investors, while Adviser Online provides industry-leading services to advisers.



- Perspective Online, an online version of CI's monthly fund update. With the online publication, advisers get faster access to CI fund profiles and commentary from CI managers.
- A redesigned Adviser Online, CI's website exclusively for financial advisers. By logging onto Adviser Online, advisers can not only see extensive information about CI products, but they can view up-to-date information about their sales and assets at CI, as well

as the details of their clients' CI accounts through eCISS, CI's advanced electronic client account system.



A common thread in these initiatives is the use of technology and the Internet to not only make CI's operations more efficient, but to make it faster and easier for advisers to get critical information from CI. An example of how CI's system leads the industry is CI's development of online tax receipts, which allows advisers to instantly provide duplicate tax receipts to their clients. In the past, this was a tedious process that required the duplicate receipt to be printed at CI and delivered by mail. These and other projects have maintained CI's reputation as an industry trendsetter in electronic communications.

Meanwhile, CI has enjoyed great success in developing alternative distribution channels for its funds. These include the direct distribution of CI funds by banks, insurance companies and discount brokers, as well as the inclusion of CI funds in wrap programs, segregated fund lineups and other products offered by various firms.

These channels are available only to the largest fund companies and CI's accomplishments in this area are a reflection of its size, scope and of the power of its brand. CI believes that penetrating these alternative channels is becoming increasingly important as the competition in the industry intensifies and the options available to investors proliferate. As a result, CI has a team within its marketing department dedicated to developing and maintaining these relationships. This business has increased the reach of the CI brand and accounted for \$1.2 billion in assets at the end of the fiscal year.



Advertising and sponsorships are a central part of CI's marketing and distribution strategy, with building the CI brand being their focus. This emphasis on brand-building increases awareness of CI

among the general public as well as advisers, making it easier for distributors to recommend CI's funds. Both advertising and sponsorships are tightly targeted at CI's key audiences – the adviser community and the affluent members of the public. CI's two major sponsorships – the Canadian Open and the National Ballet of Canada's *The Nutcracker* – reflect this approach.

THE Nutcracker



The Canadian Open sponsorship in particular has paid dividends for CI. As the premiere professional golf tournament in Canada, it is well attended and closely followed by fans across the country every year. The 2000 Open generated an explosion of interest with the entry of Tiger Woods into the competition. The tournament culminated in an astonishing down-to-the-wire victory by Woods in front of 50,000 fans at the course and an estimated 1.6 million television viewers. Sports fans gained a moment to remember and CI gained invaluable exposure and goodwill.

Financial efficiency

Today, an emphasis on efficiency and financial responsibility characterizes all aspects of CI's operations. This applies equally to the management of CI on behalf of its shareholders, and to the management of CI's funds on behalf of their unitholders.

CI's expenditures are reviewed continually so that they can be adjusted as market conditions change. This keeps margins intact even when market declines result in lower asset levels. This has allowed CI to maintain its industry-leading margins despite the market downturn in fiscal 2001.

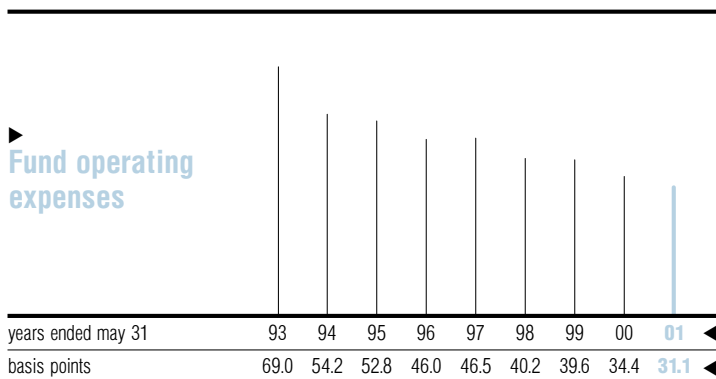
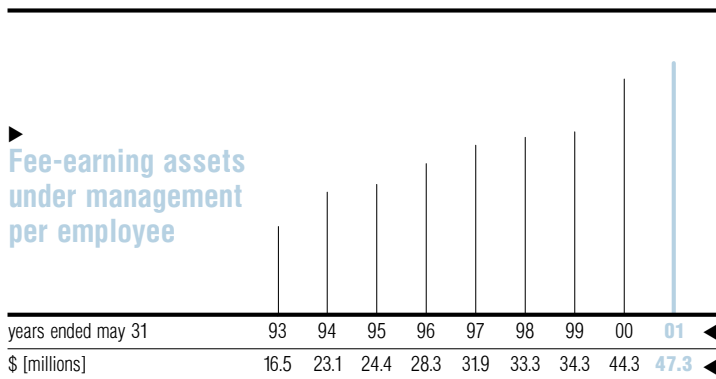
At the fund level, the introduction of new technology, combined with an overall philosophy of evaluating all expenditures, has resulted in CI being more efficient per dollar of assets under management than any of its competitors. Furthermore, CI has become this efficient while maintaining service levels that are among the highest in the industry. The operating expenses of CI's funds, expressed as a percentage of assets, continued their downward trend – declining more than 55% in the last eight years. This is reflected in fee-earning assets per employee, which at May 31, 2001, exceeded \$47 million.

As a further example of CI's financial innovation, CI signed an agreement in April 2001 to outsource its fund accounting activities to Royal Trust in conjunction with consolidating CI's custody services. This transaction benefited CI in a number of ways. First, it eliminated the risk to CI of pricing errors. Second, the economies of scale and technology available to Royal Trust allow it to perform the function more cost-effectively than CI, a clear benefit

to CI's unitholders. At this time, CI is the largest of all fund companies in Canada to outsource fund accounting activities, following the trend already established in the U.S. mutual fund industry.

Outlook

At a difficult time for the Canadian fund industry, CI continues to build on the strengths that have made it a success – one of the industry's broadest selection of funds; an impressive and diverse lineup of portfolio management teams; exceptional strength in marketing and distribution; and financial strength and efficiency. CI believes the stage is set for continued growth and profitability.





management s discussion & analysis

summary of financial highlights

| Years ended May 31, [millions of dollars except per share amounts] | 2001 | 2000 | % change |
|--|--------|--------|----------|
| INCOME STATEMENT DATA | | | |
| Revenue | | | |
| Management fees | 464.5 | 326.9 | +42 |
| Administration fees and other income | 45.8 | 26.5 | +73 |
| Redemption fees | 28.7 | 22.5 | +28 |
| Performance fees | 2.6 | 21.4 | -88 |
| Expenses charged to mutual funds | 73.5 | 57.2 | +28 |
| Total revenues | 615.1 | 454.5 | +35 |
| Operating Expenses | | | |
| Selling, general and administrative | 99.7 | 83.0 | +20 |
| Investment adviser fees | 41.5 | 29.2 | +42 |
| Trailer fees | 115.6 | 79.1 | +46 |
| Commission Related Expenses | | | |
| Net fees paid to securitization | 4.2 | 3.0 | +40 |
| Distribution fees to limited partnerships | 16.2 | 16.4 | -1 |
| Amortization of deferred sales commissions | 183.9 | 117.8 | +56 |
| Other items | 20.0 | 10.5 | +90 |
| Minority interest | 9.6 | 7.3 | +32 |
| Income taxes | 34.3 | 51.3 | -33 |
| Income before amortization of goodwill | 90.1 | 56.8 | +59 |
| Net income (loss) | 11.5 | (2.1) | n/a |
| Earnings per share before amortization of goodwill | 0.49 | 0.33 | +48 |
| Operating cash flow | 291.9 | 230.0 | +27 |
| Operating cash flow per share | 1.60 | 1.34 | +19 |
| EBITDA | 319.9 | 236.9 | +35 |
| EBITDA per share | 1.75 | 1.38 | +27 |
| Shareholders' equity, end of year | 260.8 | 292.1 | -11 |
| Shares outstanding, end of year | 180.7 | 182.8 | -1 |
| ASSET MANAGEMENT DATA | | | |
| Average mutual fund assets under management | 23,649 | 16,618 | +42 |
| Total fee-earning assets, end of year | 26,834 | 26,678 | +1 |
| Mutual fund assets, end of year | 22,361 | 22,510 | -1 |
| Total gross sales | 6,402 | 8,894 | -28 |
| Total redemptions | 2,933 | 3,050 | -4 |
| Total net sales | 3,468 | 5,843 | -41 |

selected quarterly information

Years ended May 31, [millions of dollars except per share amounts]

| | 2001 | | | | 2000 | | | |
|---|---------------|--------|--------|--------|--------|--------|--------|-------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Income Statement Data | | | | | | | | |
| Revenue | | | | | | | | |
| Management fees | 107.4 | 113.7 | 122.4 | 121.1 | 113.6 | 92.1 | 73.9 | 47.3 |
| Administration fees and other income | 6.5 | 21.5 | 12.3 | 5.5 | 7.9 | 7.3 | 10.3 | 1.0 |
| Redemption fees | 9.1 | 7.3 | 6.4 | 5.9 | 6.8 | 6.5 | 5.0 | 4.2 |
| Performance fees | 0.0 | 1.2 | 0.0 | 1.3 | 0.7 | 7.9 | 12.8 | 0.0 |
| Expenses charged to mutual funds | 18.8 | 20.0 | 17.1 | 17.6 | 19.7 | 15.2 | 13.6 | 8.6 |
| Total revenues | 141.8 | 163.6 | 158.3 | 151.3 | 148.7 | 129.0 | 115.8 | 61.0 |
| Operating Expenses | | | | | | | | |
| Selling, general and administrative | 23.4 | 27.7 | 23.9 | 24.5 | 27.5 | 22.9 | 19.7 | 12.7 |
| Investment adviser fees | 10.2 | 11.5 | 10.7 | 9.1 | 9.2 | 8.1 | 6.6 | 5.3 |
| Trailer fees | 26.4 | 28.8 | 30.3 | 30.1 | 27.9 | 22.3 | 17.6 | 11.3 |
| Commission Related Expenses | | | | | | | | |
| Net fees paid to securitization | 1.0 | 1.1 | 0.5 | 1.6 | 0.9 | 1.1 | 1.0 | 0.0 |
| Distribution fees to limited partnerships | 3.3 | 3.8 | 4.3 | 4.9 | 4.8 | 5.0 | 4.2 | 2.5 |
| Amortization of deferred sales commissions | 47.2 | 47.7 | 45.8 | 43.2 | 39.1 | 31.5 | 27.5 | 19.8 |
| Other items | 4.9 | 5.9 | 4.8 | 4.4 | 2.3 | 3.7 | 3.9 | 0.9 |
| Minority interest | 1.5 | 1.9 | 2.8 | 3.5 | 3.0 | 2.9 | 1.4 | 0.0 |
| Income taxes | (0.2) | 7.8 | 12.8 | 13.9 | 15.6 | 15.4 | 15.8 | 4.5 |
| Income before amortization of goodwill | 24.0 | 27.6 | 22.3 | 16.1 | 18.4 | 16.2 | 18.2 | 4.0 |
| Net income (loss) | 4.4 | 8.0 | 2.7 | (3.5) | (1.2) | (3.5) | (1.4) | 4.0 |
| Earnings per share before amortization of goodwill | 0.13 | 0.15 | 0.12 | 0.09 | 0.10 | 0.09 | 0.10 | 0.03 |
| Earnings per share | 0.02 | 0.04 | 0.02 | (0.02) | (0.01) | (0.02) | (0.01) | 0.03 |
| Fully diluted earnings (loss) per share | 0.02 | 0.04 | 0.02 | (0.02) | (0.01) | (0.02) | (0.01) | 0.03 |
| EBITDA | 75.0 | 85.3 | 83.5 | 76.2 | 78.3 | 65.5 | 64.4 | 28.7 |
| EBITDA per share | 0.41 | 0.47 | 0.46 | 0.42 | 0.43 | 0.36 | 0.36 | 0.20 |
| Average mutual fund assets under management | 22,103 | 23,515 | 24,831 | 24,156 | 22,650 | 18,851 | 15,117 | 9,861 |

Overview of CI's Business

The principal business of C.I. Fund Management Inc. is the management, marketing, distribution and administration of mutual funds and other fee-earning investment products for Canadian investors through its wholly-owned subsidiary CI Mutual Funds Inc. ("CI"). At May 31, 2001, fee-earning assets totalled \$26.8 billion, represented by \$22.4 billion in mutual funds, \$0.9 billion in labour-sponsored funds, \$0.4 billion in closed-end and other funds and \$3.2 billion in institutional assets (through BPI Global Asset Management LLP and Trilogy Advisors, LLC). CI markets its funds to Canadian retail investors through over 40,000 financial advisers representing over one million retail investment accounts owning CI mutual funds. CI's share of total Canadian mutual fund assets as reported by the Investment Funds Institute of Canada was 5.33% at May 31, 2001.

There are four critical components to CI's business:

- 1 Investment Products
- 2 Investment Management
- 3 Investment Product Distribution
- 4 Investment Product Administration

Investment Products

CI 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. CI's product line encompasses a broad range of global and domestic funds offering a variety of investment styles. In addition, CI 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 fiscal 2001, CI launched nine new funds starting in July 2000 when CI launched Landmark Canadian Fund, Landmark Global Fund and Landmark Global RSP Fund. These funds are managed by Derek Webb of Webb Capital Management LLP who uses an earnings momentum approach to portfolio management.

Also launched in July 2000 were the Signature American Small Companies RSP Fund and Signature Global Small Companies RSP Fund, 100% RSP-eligible versions of existing funds managed by CI's in-house Signature Funds group, and the BPI International Equity RSP Fund, an RSP version of an existing fund managed by BPI Global Asset Management. CI also expanded its lineup of multi-manager funds with the July 2000 launch of the CI American Managers Fund and CI

American Managers RSP Fund. The multi-manager structure allows investors to benefit from a diversified mix of the investment management styles offered by different CI managers.

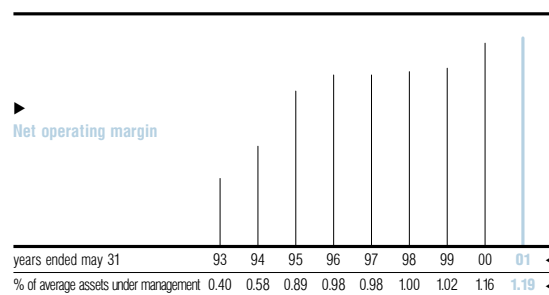
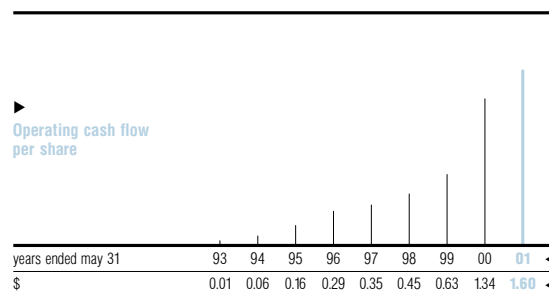
In February 2001, CI launched the Trident Global Opportunities Fund, a long/short hedge fund that exploits changing trends in global markets.

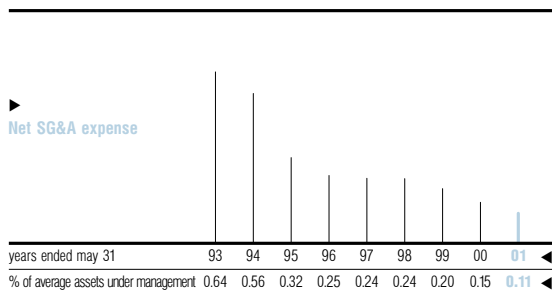
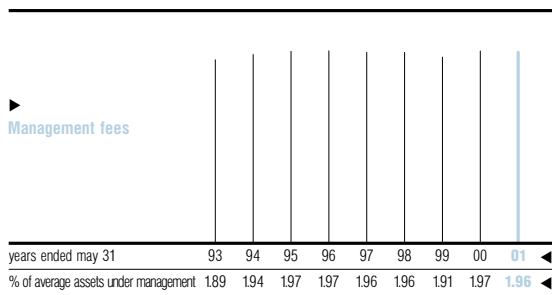
In addition to launching new funds, CI has modified existing products to make them more attractive for inclusion in new investment structures such as fee-based accounts and proprietary funds offered by investment dealers, mutual fund dealers, banks and insurance companies.

Investment Management

In order to offer a broad range of investment products, CI retains the services of a number of investment advisers. CI uses three structures to ensure it can attract and maintain the investment management expertise CI believes is necessary to meet investors' needs:

1. CI maintains sub-advisory agreements with independent investment managers who are compensated on the basis of assets under management. At May 31, 2001, CI had sub-advisory agreements with J. Zechner Associates of Toronto (which managed \$463 million in bond funds) and Trident Investment Management of New York (which managed \$573 million in several global equity mutual funds and two globally oriented hedge funds).





2. CI employs money managers directly. At May 31, 2001, CI managed \$7.1 billion in a diversified mix of funds using value and growth-oriented investment approaches. CI's in-house investment teams operate under the Harbour Funds, Signature Funds and CI Funds brands and include well-known money managers such as Gerry Coleman, Eric Bushell, Robert Lyon, Andrew Waight and Wally Kusters.

3. CI has partnership agreements with investment advisers whereby CI owns a controlling interest or has an economic interest in the partnership. This structure gives the investment adviser, through direct equity participation in the partnership, an incentive to grow the assets under management and attract money from sources other than CI. An equity stake in the partnership also encourages the advisers to stay with CI over the long term. CI has four investment advisory partnerships of this type:

- CI Global Advisors LLP ("CI Global Advisors") of New York, established in November 1999, is 55% owned by CI and 45% owned by Trilogy Advisors, LLC ("Trilogy Advisors"). CI also has a 45% interest in Trilogy Advisors. CI Global Advisors had mutual fund assets under management at May 31, 2001, of \$8.9 billion in a number of growth-oriented funds and industry-specific funds and Trilogy Advisors had \$0.6 billion in institutional assets.

- BPI Global Asset Management LLP ("BPI Global Asset Management") of Orlando, Florida, was formed in March 1997, and is 66% owned by CI and 34% owned by JBS Advisors, Inc. It had growth-oriented mutual fund assets under management of \$3.5 billion (including \$0.992 billion of hedge funds) and institutional assets of \$2.6 billion at May 31, 2001.
- Webb Capital Management LLP ("Webb Capital Management") of San Francisco, California, formed in June 2000, had assets under management of \$700 million at May 31, 2001, in several momentum-based growth funds.
- Altrinsic Global Advisors, LLC ("Altrinsic Global Advisors"), a value-oriented investment team established in December 2000 and based in Old Greenwich, Connecticut, had assets under management of \$600 million at May 31, 2001.

During the year, a number of changes were made to the sub-advisory responsibilities for CI's funds. In June 2000, funds sub-advised by Credit Suisse Asset Management of New York were transferred to CI's in-house management, Trident Investment Management and Altrinsic Global Advisors. In July 2000, funds sub-advised by Hansberger Global Investors of Ft. Lauderdale, Florida, were transferred to Trident Investment Management and Altrinsic Global Advisors. In March 2001, certain funds sub-advised by J. Zechner Associates were transferred to CI's in-house money management team.

Investment Product Distribution

CI distributes its investment products through investment dealers, mutual fund dealers, insurance agents and banks. In order to support these distribution channels, CI ensures it has an extensive number of knowledgeable and experienced staff members, including CI representatives who deal directly with the distributors of CI's funds, and in-house fund support personnel, who have access to detailed records of distributors' fund assets and transactions with CI. In addition, CI provides distributors with extensive information about its funds and investment advisers through the Internet, various publications and through appearances and presentations by the funds' advisers.

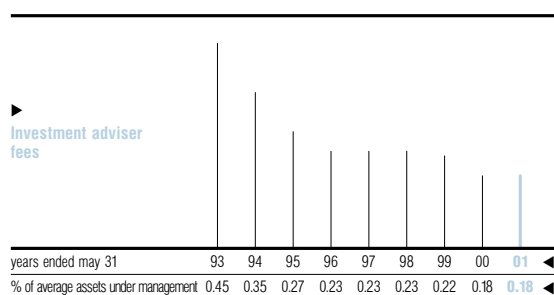
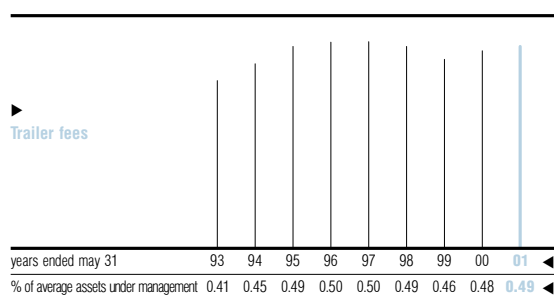
A key element of CI's product distribution strategy has been to be adaptive and responsive to changes in investor demand for new financial products. CI has the broadest range of funds available in Canada – a lineup that encompasses numerous styles and fund mandates.

CI believes this strategy is critical, as mutual fund distributors have reduced the number of fund families they are willing to support and

promote, resulting in a limited number of fund companies dominating Canadian mutual fund sales. During CI's most recent fiscal year, its net sales of mutual funds (gross sales less redemptions) were the second highest of all mutual fund companies in Canada. In the prior year, CI ranked No. 1 for net sales.

Investment Product Administration

Providing investors and distributors of CI funds with accurate and timely information on purchases, redemptions, transfers, switches and holdings requires a highly efficient administrative operation. CI has made extensive investments in technology to ensure its clients receive information quickly. For example, CI allows clients to get detailed account information via the Internet, and maintains an image-based record-keeping system for use by its fund support staff. Furthermore, CI also believes that it is important to provide these services in a cost-efficient manner. In fiscal 2001, CI introduced its electronic client account information system (eCISS) and made it available to fund distributors over the Internet. It allows them to easily access detailed and up-to-date client account information and gives them the ability to print duplicate account statements and tax receipts. This, in combination with other efficiency-based system enhancements, has made CI the most efficient fund administrator in the industry, with the lowest number of staff relative to assets and transactions. This is reflected in the fact that the percentage costs CI incurs to administer its funds are among the lowest in the industry.



A key strength of CI has been its ability to quickly provide administrative capacity for new products. In the last four years, CI 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. These new products have had the appropriate administrative support to achieve market penetration and have contributed significantly to CI's assets under management.

Overview of CI's Revenues and Expenses

The majority of CI's revenues are earned from the management services it provides as fund manager. The key determinant of CI's revenue is its level of assets under management, which is determined by both market returns and net sales of the funds. Management fees charged by CI to the funds range up to 2.25% of the average net asset value of the funds. CI focuses on offering equity funds, which earn management fees ranging from 2.00% to 2.25%. Approximately 93% of CI's mutual fund assets are in equity funds.

Income potential from sources other than management fees has also become significant. CI manages a number of hedge funds that provide performance fees. In general, the fees amount to 20% of returns in excess of certain thresholds, with CI receiving approximately 40% and the investment adviser and the fund distributor receiving the remainder. At May 31, 2001, CI managed \$1.1 billion of hedge fund assets.

CI's ownership stakes in Trilogy Advisors, BPI Global Asset Management, Altrinsic Global Advisors and Webb Capital Management allow CI to benefit from the growth in revenues and profits on assets these firms manage for organizations other than CI. At May 31, 2001, BPI Global Asset Management had \$2.6 billion in institutional assets (\$2.3 billion at May 31, 2000) and Trilogy Advisors had \$616 million in institutional assets (\$416 million at May 31, 2000).

CI 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.

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

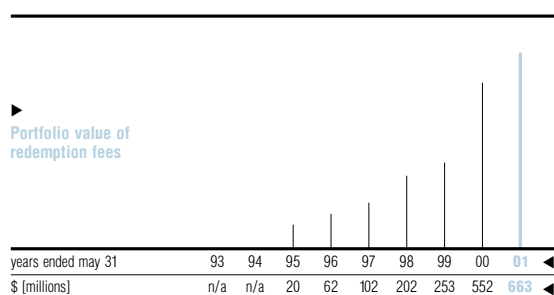
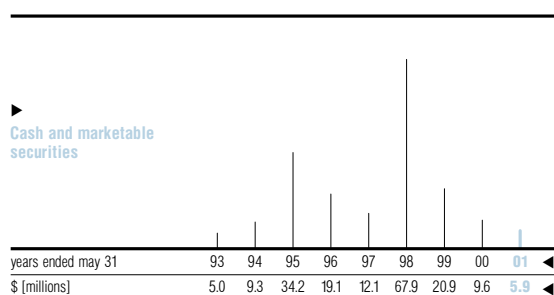
Expenses

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

Advisory fees paid to investment advisers, other than those employed directly by CI, are generally paid on the basis of a percentage of assets under management. CI's advisers have different fee agreements and therefore, the mix of funds will affect the overall expense level.

In addition, BPI Global Asset Management, CI Global Advisors, Webb Capital Management and Altrinsic Global Advisors will generally become more profitable as their assets under management increase. CI, through its equity ownership, participates in the profitability of these companies, 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 CI's assets under management.



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 CI funds. Trailer fees are calculated as a percentage of average assets and vary with overall assets under management.

CI monitors its operating profitability by measuring the operating margin calculated as a percentage of average mutual fund assets under management. CI's operating margin is defined as management fees from CI'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 average mutual fund assets under management. This allows CI 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 CI to maintain its margins.

Commissions paid from CI'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 CI'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 CI Master Limited Partnership which will terminate by 2016.

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, CI repurchased all the outstanding notes issued by one of CI's securitization vehicles. The remaining effective unamortized commission financed by this securitization vehicle was amortized over the period ending February 28, 2001, and is included in the amortization of CI'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 fee-earning assets represented by \$4.4 billion in mutual funds, \$485 million in labour-sponsored funds, \$133 million in closed-end funds and \$1,250 million in institutional assets. At May 31, 2001, total BPI fee-earning assets had grown to \$9.8 billion, an increase of 56% since CI acquired BPI.

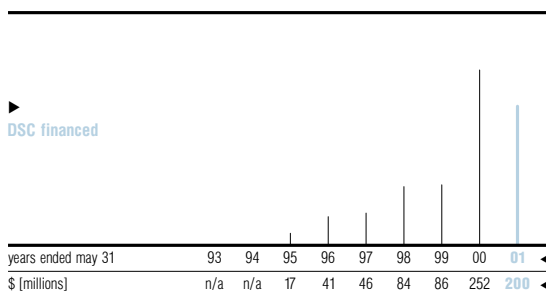
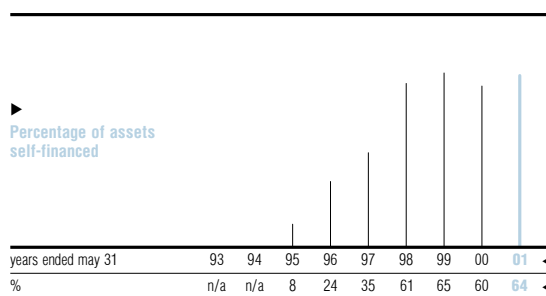
CI paid \$60 million and issued approximately 35 million common shares (post-split) of C.I. Fund Management Inc. to acquire BPI. At the time of the acquisition, BPI had \$51 million of debt and \$20 million outstanding in two securitization vehicles. The acquisition gave rise to \$236 million of goodwill, which is being amortized over 36 months, consistent with CI's policy on amortization of deferred sales charge commissions.

Year ended May 31, 2001, compared with year ended May 31, 2000

Total fee-earning assets (which includes mutual fund assets as well as Covington Funds, DDJ Canadian High Yield Fund, Insight Program, Keystone Fund, BPI Global Asset Management and Trilogy Advisors institutional accounts, VenGrowth Investment Fund I Inc., and ENSIS Growth Fund Inc.) grew from \$26.7 billion at May 31, 2000, to \$26.8 billion at May 31, 2001. Average mutual fund assets under management were \$23.6 billion in fiscal 2001, an increase of 42% from \$16.6 billion for fiscal 2000. As most of CI's revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results.

Gross sales of the funds were \$6,402 million for the year ended May 31, 2001, compared with \$8,894 million for the same period in 2000. Net sales (gross sales less redemptions) were \$3,468 million for the year ended May 31, 2001 – placing CI second highest among all mutual fund companies in Canada – compared with \$5,843 million for the same period in 2000, during which period CI established new records for net sales in the Canadian fund industry. The decrease in CI's net sales from 2000 reflected the effects of a significant downturn in equity markets, which in turn affected flows into equity mutual funds, especially a number of industry-specific funds that had been successful sellers for CI in fiscal 2000. Redemptions of CI's funds were \$2,933 million in fiscal 2001, compared with \$3,050 million in fiscal 2000.

Total revenues increased to \$615.1 million for the year ended May 31, 2001, from \$454.5 million for the same period in 2000. Revenues from management fees rose by 42% to \$464.5 million for the year ended May 31, 2001, from \$326.9 million in 2000. As a percentage of average mutual fund assets under management, management fees were 1.96% for fiscal 2001, down from 1.97% in fiscal 2000. Performance fees totalled \$2.6 million for the year ended May 31, 2001 versus \$21.4 million in 2000, as the performance of CI's hedge fund assets were generally below the levels required to generate performance fees. Administration fees and other income (which includes investment income, revenues from investment management subsidiaries, administrative fees, interest and gain on sale of marketable securities) increased from \$26.5 million to \$45.8 million. The primary contribution to the



increase was \$22.6 million in gains on marketable securities compared to \$11.2 million in 2000, and \$15.5 million in revenues from institutional business at BPI Global Asset Management and Trilogy Advisors, up from \$7.9 million in 2000. Redemption fees rose from \$22.5 million in fiscal 2000 to \$28.7 million in fiscal 2001 as a result of the increased assets under management financed from CI's cash resources.

Revenues represented by expenses charged to the mutual funds rose to \$73.5 million for the year ended May 31, 2001, from \$57.2 million in 2000. This increase of 28% compared favourably to the 42% increase in average mutual fund assets during the same period. As a percentage of assets under management, expenses charged to mutual funds declined 9% from 0.34% in fiscal 2000 to 0.31% in fiscal 2001.

Net fees paid to securitization vehicles were \$4.2 million for the year ended May 31, 2001, compared with \$3.0 million for the year ended May 31, 2000. The increase reflects the inclusion of the BPI securitization for a full year.

Selling, general and administrative expenses (net of expenses recovered from the funds for activities carried out in support of the funds) were \$26.2 million, up just 2% from \$25.8 million in the prior fiscal year. Despite the 42% increase in average assets, CI's stringent cost controls maintained these expenses at the levels of the prior year. As a percentage of assets under management, the net selling, general and administrative expenses declined 27% to 0.11% in fiscal 2001 from 0.15% in fiscal 2000.

Investment adviser fees increased 42% from \$29.2 million in fiscal 2000 to \$41.5 million in fiscal 2001 due to increased assets under management. As a percentage of average assets under management, investment adviser fees were unchanged from fiscal 2000, at 0.18%. The overall increase in expenses is a reflection of the fact that the majority of CI's investment advisers are paid on the basis of a percentage of assets under management and of the investment CI has been making in expanding the breadth and depth of its investment management expertise.

Trailer fees increased from \$79.1 million to \$115.6 million in fiscal 2001 due to increased assets under management. As a percentage of average assets, trailer fees were 0.49% at May 31, 2001, compared with 0.48% in the prior fiscal year. The change resulted from an increase in the percentage of CI's mutual fund assets purchased on a front-end-load basis.

CI's operating margin, as a percentage of average mutual fund assets under management, was 1.19%, up from 1.16% in the prior fiscal year. The increase resulted from lower net selling, general and administrative expenses, offset partly by higher trailer fees.

Distribution fees to limited partnerships totalled \$16.2 million, down from \$16.4 million in fiscal 2000. As a percentage of average assets, distribution fees to limited partnerships declined from 0.10% to 0.07%, reflecting a lower percentage of CI's overall assets under management having been financed by limited partnerships. The marginal cost of the distribution fees to limited partnerships at May 31, 2001, was approximately 0.05% of assets under management, as these assets continue to decline on a percentage basis relative to CI's self-financed assets. The assets financed by limited partnerships are much older than those financed by CI's cash resources and therefore have higher redemption rates.

Amortization of deferred sales commissions represented CI's largest expense increase, rising from \$117.8 million in fiscal 2000 to \$183.9 million in fiscal 2001. The increase was a direct result of the industry record level of sales achieved by CI in fiscal 2000 and continued strong sales in fiscal 2001. Amortization of goodwill from the acquisition of BPI totalled \$78.6 million in fiscal 2001 (\$58.9 million in 2000), reflecting a full year of amortization under CI's policy to amortize the goodwill from the BPI acquisition over 36 months. At May 31, 2001, unamortized goodwill totalled \$98.3 million, which will be amortized over the next 15 months.

Other expenses rose from \$5.7 million in fiscal 2000 to \$13.6 million in fiscal 2001 and are in conjunction with revenues recognized under administrative fees and other income of \$45.8 million. The primary contributors to the increase were \$2.7 million in expenses associated with

CI's offer in November 2000 to acquire all of the shares of Mackenzie Financial Corporation plus an increase in costs associated with CI's institutional business from \$4 million in fiscal 2000 to \$7.8 million in fiscal 2001. The remaining expenses were primarily attributable to CI's third-party back-office processing.

Minority interest in CI's earnings was \$9.6 million for the year ended May 31, 2001, compared with \$7.3 million in 2000. This reflects the 45% interest of Trilogy Advisors in CI Global Advisors and the 34% interest of JBS Advisors, Inc. in BPI Global Asset Management.

In addition, the provision for future income taxes decreased by \$16.2 million from the prior year, mainly as a result of reductions in future statutory tax rates.

Income before amortization of goodwill for the year ended May 31, 2001, was \$90.1 million, compared with \$56.8 million in 2000. This reflects CI's significant growth in assets and operating profitability and the effect of a reduction to the provision for future income taxes due to reduced corporate tax rates. After amortization of goodwill, CI earned net income of \$11.5 million for the year ended May 31, 2001, compared with a net loss of \$2.1 million for the year ended May 31, 2000.

Financing and Liquidity

CI's capital requirements are primarily to fund commissions arising from the sale of funds on a deferred sales charge basis. In fiscal 2001, CI financed \$199.6 million in sales commissions with its own cash resources, down from \$251.6 million in fiscal 2000. In addition, during fiscal 2001, CI used \$47.4 million to repurchase 3.6 million common shares of C.I. Fund Management Inc. at an average price of \$13.02 per share. This compares with \$6.5 million used to repurchase 1.4 million common shares at an average price of \$4.58 per share in fiscal 2000. On May 31, 2001, the closing price of C.I. Fund Management Inc. was \$14.10 per common share.

In fiscal 2001, CI also paid \$57 million to reduce outstanding amounts under its operating line of credit with a Canadian chartered bank.

These funding requirements were met by cash, short-term investments and marketable securities of \$9.6 million at May 31, 2000, operating cash flow in fiscal 2001 of \$291.9 million (up from \$230.0 million in 2000), the issuance of 1.5 million common shares of C.I. Fund Management Inc. from the exercise of stock options at an average price of \$3.74 per share for total gross proceeds of \$5.6 million, and the use of CI's \$250-million line of credit with a Canadian chartered bank.

At May 31, 2001, CI had cash, short-term investments and marketable securities totalling \$5.9 million, and \$189 million available under the \$250-million line of credit.

At May 31, 2001, 63.8% of CI's mutual fund assets had been financed with CI's internal cash resources. These assets had a current redemption value of \$663 million (\$3.67 per share) at May 31, 2001, compared with \$552 million (\$3.02 per share) at May 31, 2000. At May 31, 2001, 11% of CI's assets were financed by limited partnerships, down from 14% at May 31, 2000. At May 31, 2001, 2% of CI's assets were financed from securitization down from 3% at May 31, 2000. The front-end-load sales assets at May 31, 2001 were 24% of mutual fund assets under management, up slightly from 23% in the prior year.

Capital expenditures incurred during the year ended May 31, 2001, 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. In fiscal 2001, capital assets for use in the operations of CI's funds were leased with such payments recovered over time through expenses charged to the funds. Future payments are included under Note 11 - "Lease Commitments" in the Notes to the Consolidated Financial Statements.

CI's business does not require the use of any financial instruments for hedging risk. Debt outstanding is borrowed on the basis of a floating interest rate. Levels of interest paid are significantly below CI's earnings and the potential impact of increased interest costs due to an increase in interest rates is minimal and therefore the exposure is not hedged. Should CI's view on its exposure to rising interest rates change, the existing loan agreement provides CI with the option of fixing interest rates.

Quarter ended May 31, 2001 compared with quarter ended May 31, 2000

Total revenues for the quarter ended May 31, 2001, were \$141.8 million compared with \$148.7 million in the prior year. The change was primarily a result of the decline in management fee revenue from \$113.6 million to \$107.4 million for the quarter ended May 31, 2001. The primary contributors to this decline were changes in CI's asset mix, reduced fees from non-mutual fund assets such as labour-sponsored funds and lower average assets under management as a result of market-related declines. In addition, revenue from expenses charged to mutual funds declined as CI reduced fund operating expenses to reflect current market conditions.

Selling, general and administrative expenses fell 15% from \$27.5 million in fiscal 2000 to \$23.4 million in fiscal 2001, reflecting the effect of stringent cost controls in the overall operations of CI.

Investment adviser fees rose from \$9.2 million to \$10.2 million for the quarter ended May 31, 2001, as a result of CI's increased costs relating to the expansion of its money management subsidiaries in order to increase the depth of these subsidiaries and establish a platform for future growth.

Trailer fees declined slightly from \$27.9 million to \$26.4 million in the quarter ended May 31, 2001, reflecting the change in mutual fund assets under management.

Overall, CI's operating profit margin, defined as management fees less selling, general and administrative (net of expenses charged to mutual funds), investment adviser fees and trailer fees, calculated as a percentage of average mutual fund assets under management, was 1.19% for the quarter ended May 31, 2001, compared with 1.21% for the quarter ended May 31, 2000. The change was primarily a result of lower management fees, offset partly by lower net selling, general and administrative expenses.

Distribution fees to limited partnerships were \$3.3 million for the quarter ended May 31, 2001, compared with \$4.8 million in the prior year. The reduction reflects the higher redemption rate of the limited partnership financed assets, which are older than the mutual fund assets financed by CI's cash resources.

Amortization of deferred sales commission was \$47.2 million for the quarter, up from \$39.1 million in the prior year, reflecting CI's continued high sales levels throughout the year.

Income taxes for the quarter were (\$0.2) million, compared with \$15.6 million in the prior year. With the introduction of lower future statutory tax rates in the fourth quarter, no provision for income taxes was required due to the higher provisions made in the first three quarters. This had a positive effect on net income for the period of approximately \$9.5 million.

Income before amortization of goodwill was \$24.0 million (\$0.132 per share or \$0.126 per share fully diluted) for the quarter ended May 31, 2001, compared with \$18.4 million (\$0.101 per share or \$0.097 per share fully diluted) in the prior year.

Net income for the quarter was \$4.4 million (\$0.02 per share and \$0.02 per share fully diluted), compared with a net loss of \$1.2 million (\$0.01 per share and \$0.01 per share fully diluted) in the prior year. During the quarter ended May 31, 2001, earnings before interest, taxes, depreciation

and amortization (EBITDA) totalled \$75.0 million (\$0.41 per share), compared with \$78.3 million (\$0.43 per share) in the prior year. Sales commissions paid for the quarter totalled \$34.5 million compared to \$100.9 million in the prior year.

Net sales for the quarter ended May 31, 2001 were \$447 million, which ranked CI among the top four of the independent mutual fund companies, compared with \$2.254 billion in the prior year. The decline in sales reflected an overall decline in sales of equity mutual funds in the industry due to continued unsettled market conditions, especially in certain industry sectors such as telecommunications and technology that had been particularly popular with investors in the prior year.

CI's average mutual fund assets totalled \$22.1 billion for the quarter ended May 31, 2001, compared to \$22.6 billion in the prior year.

Outlook

Since May 31, 2001, financial markets have continued to be unsettled with the TSE 300 and major global markets declining in June. Despite this, CI has continued to post positive net sales, ranking in the top five among the independent mutual fund companies in June 2001.

As part of CI's strategy to broaden its product mix to appeal to a variety of investor preferences, CI has launched several new funds since May 31, 2001. The CI Global Focus Value Fund managed by Altrinsic Global Advisors is a value-based fund that focuses on 30 to 40 key stocks. Through Trilogy Advisors, two hedge funds were launched for U.S. and international institutional investors. CI plans to launch an equivalent fund for Canadian investors in the near future, further diversifying its hedge fund lineup by manager and investment style.

CI's revenues are directly related to the level of assets under management which, in turn, are affected by general levels of equity markets in Canada and globally. Though CI continues to exercise a high degree of discipline in controlling expenses, ultimately growth in income is dependent on favourable equity market conditions.



consolidated financial statements

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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 judgment.

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.

[signed]

William T. Holland
President and Chief Executive Officer

[signed]

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

June 29, 2001

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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, 2001 and 2000 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 Canadian generally accepted auditing standards. 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
June 29, 2001

[signed]
Ernst & Young LLP
Chartered Accountants

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consolidated balance sheets

| As at May 31 | 2001 \$ | 2000 \$ |
|--|--------------------|--------------|
| ASSETS | | |
| Current | | |
| Cash | 40,561 | 3,712,258 |
| Marketable securities, at cost which approximates market value | 5,860,877 | 5,900,488 |
| Accounts receivable and prepaid expenses [note 9] | 16,987,611 | 16,440,665 |
| Total current assets | 22,889,049 | 26,053,411 |
| Capital assets [note 5] | 4,125,078 | 8,468,279 |
| Deferred sales commissions, net of accumulated amortization of \$235,695,402 [2000 - \$166,391,529] | 326,202,963 | 310,539,058 |
| Goodwill, net of accumulated amortization of \$137,548,975 [2000 - \$58,985,282] [note 6] | 98,270,449 | 176,834,142 |
| Other assets [note 7] | 5,516,284 | 10,451,476 |
| | 457,003,823 | 532,346,366 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | 29,092,929 | 36,112,156 |
| Income taxes payable | 1,065,351 | 3,618,970 |
| Total current liabilities | 30,158,280 | 39,731,126 |
| Deferred lease inducement | 1,976,586 | 2,276,008 |
| Long-term debt [note 8] | 61,000,000 | 118,000,000 |
| Future income taxes [note 10] | 99,453,191 | 77,292,828 |
| Total liabilities | 192,588,057 | 237,299,962 |
| Minority interest | 3,581,944 | 2,961,367 |
| Shareholders' equity | | |
| Share capital [note 9] | 306,533,632 | 307,096,278 |
| Deficit | (45,699,810) | (15,011,241) |
| Total shareholders' equity | 260,833,822 | 292,085,037 |
| | 457,003,823 | 532,346,366 |

See accompanying notes

On behalf of the Board:

[signed] G. Raymond Chang

Director

[signed] William T. Holland

Director

consolidated statements of income (loss) and deficit

| years ended May 31 | 2001 \$ | 2000 \$ |
|---|---------------------|--------------|
| REVENUE | | |
| Management fees | 464,541,841 | 326,870,683 |
| Administration fees and other income | 45,771,073 | 26,537,402 |
| Redemption fees | 28,708,962 | 22,526,402 |
| Performance fees | 2,552,083 | 21,407,329 |
| Expenses charged to mutual funds | 73,481,520 | 57,169,841 |
| | 615,055,479 | 454,511,657 |
| Net fees paid to securitization vehicles <i>[note 4]</i> | (4,156,630) | (2,951,873) |
| | 610,898,849 | 451,559,784 |
| EXPENSES | | |
| Selling, general and administrative | 99,659,799 | 82,970,207 |
| Investment adviser fees | 41,497,122 | 29,189,426 |
| Trailer fees | 115,608,991 | 79,147,228 |
| Distribution fees to limited partnerships <i>[note 3]</i> | 16,213,665 | 16,437,743 |
| Amortization of deferred sales commissions | 183,948,576 | 117,830,507 |
| Interest <i>[note 8]</i> | 6,461,191 | 4,829,185 |
| Other | 13,572,460 | 5,696,407 |
| | 476,961,804 | 336,100,703 |
| Minority interest | 9,602,389 | 7,308,298 |
| Income before income taxes and amortization of goodwill | 124,334,656 | 108,150,783 |
| Provision for income taxes | | |
| Current | 8,487,328 | 9,384,587 |
| Future | 25,784,698 | 41,940,863 |
| | 34,272,026 | 51,325,450 |
| Income before amortization of goodwill | 90,062,630 | 56,825,333 |
| Amortization of goodwill | 78,563,693 | 58,914,875 |
| Net income (loss) for the year | 11,498,937 | (2,089,542) |
| Deficit, beginning of year | (15,011,241) | (3,723,887) |
| Adjustment to deficit as a result of the adoption of the liability method of accounting for income taxes <i>[note 1]</i> | 3,624,335 | — |
| Cost of shares repurchased in excess of stated value <i>[note 9]</i> | (41,227,411) | (4,910,525) |
| Dividends declared | (4,584,430) | (4,287,287) |
| Deficit, end of year | (45,699,810) | (15,011,241) |
| Earnings per share before amortization of goodwill | 0.49 | 0.33 |
| Fully diluted earnings per share before amortization of goodwill | 0.47 | 0.31 |
| Earnings (loss) per share | 0.06 | (0.01) |
| Fully diluted earnings (loss) per share | 0.06 | (0.01) |

See accompanying notes

consolidated statements of cash flows

| years ended May 31 | 2001 \$ | 2000 \$ |
|--|----------------------|---------------|
| OPERATING ACTIVITIES | | |
| Net income (loss) for the year | 11,498,937 | (2,089,542) |
| Add (deduct) items not involving cash | | |
| Depreciation and amortization | 83,490,865 | 64,789,482 |
| Future income taxes | 25,784,698 | 41,940,863 |
| Amortization of deferred sales commissions | 183,948,576 | 117,830,507 |
| Gain on sale of marketable securities | (22,628,722) | — |
| Minority interest | 9,602,389 | 7,308,298 |
| Other | 240,000 | 240,000 |
| | 291,936,743 | 230,019,608 |
| Net change in non-cash working capital balances related to operations | (9,381,438) | 11,211,665 |
| Cash provided by operating activities | 282,555,305 | 241,231,273 |
| INVESTING ACTIVITIES | | |
| Additions to capital assets | (2,922,469) | (3,260,551) |
| Dispositions of capital assets | 2,024,438 | — |
| Purchase of marketable securities | (67,150,702) | (32,464,762) |
| Proceeds on sale of marketable securities | 90,162,059 | 47,381,133 |
| Sales commissions | (199,612,481) | (251,620,458) |
| Acquisition of BPI Financial Corporation, net of cash <i>[note 6]</i> | — | (63,118,631) |
| Additions to other assets | — | (5,678,065) |
| Dispositions of other assets | 4,029,749 | — |
| Cash used in investing activities | (173,469,406) | (308,761,334) |
| FINANCING ACTIVITIES | | |
| Long-term debt <i>[note 8]</i> | (57,000,000) | 118,000,000 |
| Repayment of long-term debt assumed <i>[note 6]</i> | — | (51,058,395) |
| Repurchase of share capital <i>[note 9]</i> | (47,376,185) | (6,515,542) |
| Issuance of share capital <i>[note 9]</i> | 5,586,128 | 10,624,512 |
| Distributions to minority interest | (9,383,109) | (4,806,159) |
| Dividends paid to shareholders | (4,584,430) | (4,287,287) |
| Cash provided by (used in) financing activities | (112,757,596) | 61,957,129 |
| Net decrease in cash during the year | (3,671,697) | (5,572,932) |
| Cash, beginning of year | 3,712,258 | 9,285,190 |
| Cash, end of year | 40,561 | 3,712,258 |
| Operating cash flow per share | 1.60 | 1.34 |
| Fully diluted operating cash flow per share | 1.50 | 1.25 |
| Supplemental cash flow information | | |
| Interest paid | 6,821,228 | 4,252,732 |
| Income taxes paid | 8,863,177 | 1,612,070 |

See accompanying notes

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notes to consolidated financial statements

MAY 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of presentation

The consolidated financial statements include the accounts of C.I. Fund Management Inc. [the "Corporation"], CI Mutual Funds Inc. ["CIMF"] and its wholly-owned subsidiaries, InfoWise Inc., CI GP Limited, CI Fund Services Inc., CI Capital Management Inc., CI FEES Trust, CI Global Holdings Inc. and CI Global Holdings USA Inc. The accounts of partially-owned subsidiaries, BPI Global Asset Management LLP ["BGAM"], CI Global Advisors LLP and Webb Capital Management 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, Altus Hedge Partners International Inc. and Altrinsic Global Advisors, LLC are 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 three 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 three to four years |
| Computer software | straight-line over two to four years |
| Office equipment | 20% diminishing balance or straight-line over five years |
| 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. Revenue 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.

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.

Income taxes and change in accounting policy

Prior to June 1, 2000, the deferral method of tax allocation was used in accounting for income taxes. Effective June 1, 2000, the Corporation changed its method of accounting for income taxes to the liability method of tax allocation as required by The Canadian Institute of Chartered Accountants' Handbook Section 3465, Accounting for Income Taxes. As permitted under the new rules, prior periods' financial statements have not been restated.

Under the new method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The cumulative effect of this change as of June 1, 2000, was to decrease the opening deficit by \$3,624,335 with a corresponding decrease in future income tax liabilities. The cumulative adjustment to opening deficit is primarily due to the lower substantively enacted income tax rates used under the new method.

The impact on the current year of adopting the liability method of tax allocation was to decrease the future income tax provision and future income tax liabilities by \$15,425,998. The adjustment to the current year's future income taxes is also a result of the lower substantively enacted income tax rates used.

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 CI Mutual Funds, the CI Segregated Funds and the CI 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, 2001, the net asset value of securities of the Funds financed by the limited partnerships was \$2,340 million [2000 - \$3,264 million].

4. SECURITIZATION VEHICLES

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 financed securities and receive annual distribution and administration fees totaling a maximum of 1.70% of the net asset value of the outstanding financed securities.

5. CAPITAL ASSETS

Capital assets consist of the following:

| | 2001 | | 2000 | |
|---|-------------------|--|------------|--|
| | Cost \$ | Accumulated depreciation and amortization \$ | Cost \$ | Accumulated depreciation and amortization \$ |
| Computer hardware and software | 14,951,373 | 12,723,325 | 14,502,030 | 8,886,938 |
| Office equipment | 4,331,515 | 2,926,325 | 4,053,390 | 1,779,365 |
| Leasehold improvements | 3,184,311 | 2,977,208 | 3,047,091 | 2,802,940 |
| Property | 345,372 | 60,635 | 345,372 | 10,361 |
| | 22,812,571 | 18,687,493 | 21,947,883 | 13,479,604 |
| Less accumulated depreciation and amortization | 18,687,493 | | 13,479,604 | |
| Net book value | 4,125,078 | | 8,468,279 | |

Reflected in the accounts of the Corporation for 2001 is additional depreciation and amortization expense of approximately \$983,000 as a result of a review of the estimates of the useful life of the capital assets.

Reflected in the accounts of the Corporation for 2000 are write-downs of leasehold improvements and computer hardware and software of approximately \$2,539,000.

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 three 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 |
| | <u>231,836,698</u> |

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

| | \$ |
|---|--------------------|
| Shares [34,582,668 common shares] | 167,725,940 |
| Cash | 60,002,385 |
| Transaction costs | 4,108,373 |
| | <u>231,836,698</u> |

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

7. OTHER ASSETS

Other assets consist of the following:

| | 2001 \$ | 2000 \$ |
|---|-------------------------|-------------------|
| Investment in limited partnership | 1,801,473 | 2,041,473 |
| Investment in securitization vehicles | 1,151,316 | 1,511,340 |
| Investment in BGAM-managed funds | 1,457,732 | 5,414,009 |
| Contingency fund deposits | 30,000 | 30,000 |
| Other | 1,075,763 | 1,454,654 |
| | <u>5,516,284</u> | <u>10,451,476</u> |

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.

During fiscal 2001, the agreement was amended to increase the revolving credit facility to \$250 million.

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, 2001, \$61 million [2000 - \$118 million] has been drawn on this facility in the form of bankers' acceptances at an effective interest rate of 4.89% [2000 - 5.94%]. Interest expense attributable to the long-term debt in fiscal 2001 was \$5,990,276 [2000 - \$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-or-1 stock splits in January and November 2000] | | |
| May 31, 1999 | 144,220,460 | 130,350,843 |
| Issuance of share capital [note 6] | 34,582,668 | 167,725,940 |
| Share repurchase | (1,421,200) | (1,605,017) |
| Exercise of stock options | 5,448,000 | 10,624,512 |
| May 31, 2000 | 182,829,928 | 307,096,278 |
| Share repurchase | (3,638,400) | (6,148,774) |
| Exercise of stock options | 1,493,200 | 5,586,128 |
| May 31, 2001 | 180,684,728 | 306,533,632 |

On January 12, 2000 and on October 27, 2000, the Board of Directors approved 2 for 1 stock splits of the common shares of the Corporation. Accordingly, share and per share figures have been restated to reflect these stock splits. The stock splits were each 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 dates of January 25, 2000 and November 7, 2000, respectively.

During fiscal 2001, 3,638,400 common shares [2000 - 1,421,200] were repurchased under a normal course issuer bid at an average cost of \$13.02 per share [2000 - \$4.58] for a total consideration of \$47,376,185 [2000 - \$6,515,542]. Deficit was increased by \$41,227,411 [2000 - \$4,910,525] 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 30,054,360. As at May 31, 2001, there are 13,522,000 [2000 - 13,601,600] common shares reserved for issuance on exercise of stock options. These options vest over periods of up to five years and may be exercised at prices ranging from \$1.34 to \$15.65 per common share with a total exercisable value of \$78,035,141 and expire at dates up to 2007.

Details of the Plan activity and status for the years ended May 31, 2001 and 2000 are as follows:

| | 2001 | | 2000 | |
|---|-------------------------|--|-------------------------|--|
| | Number of options | Weighted average exercise price \$ | Number of options | Weighted average exercise price \$ |
| Options outstanding, beginning of year | 13,601,600 | 4.77 | 13,972,808 | 3.07 |
| Options granted | 1,779,600 | 12.31 | 5,576,800 | 6.27 |
| Options exercised | (1,493,200) | 3.74 | (5,448,000) | 1.95 |
| Options cancelled | (366,000) | 8.76 | (500,008) | 4.69 |
| Options outstanding, end of year | 13,522,000 | 5.77 | 13,601,600 | 4.77 |
| Options exercisable, end of year | 4,186,600 | 3.63 | 3,230,450 | 3.24 |

Details of the Plan options outstanding and exercisable as at May 31, 2001 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 \$ |
| 1.34 to 3.00 | 804,000 | 1.4 | 2.28 | 741,500 | 2.23 |
| 3.01 to 4.00 | 4,770,800 | 3.2 | 3.80 | 2,930,850 | 3.78 |
| 4.01 to 5.00 | 4,926,200 | 4.1 | 4.66 | 514,250 | 4.80 |
| 5.01 to 15.65 | 3,021,000 | 5.4 | 11.61 | — | — |
| 1.34 to 15.65 | 13,522,000 | 3.9 | 5.77 | 4,186,600 | 3.63 |

The Corporation has an employee share purchase loan program. These loans are renewable yearly and bear interest at prescribed rates. As at May 31, 2001, the carrying amount of employee share purchase loans is \$3,236,792 [2000 - \$4,467,793] 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, 2001, the shares held as collateral have a market value of approximately \$7,995,000 [2000 - \$13,736,000].

10. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's future income tax liabilities and assets as of May 31 are as follows:

| | [Liability Method] 2001 \$ | [Deferral Method] 2000 \$ |
|---|----------------------------------|---------------------------------|
| Future income tax liabilities | | |
| Deferred sales commissions | 123,092,232 | 136,744,712 |
| Other, net | 761,989 | 873,368 |
| Total future income tax liabilities | 123,854,221 | 137,618,080 |
| Future income tax assets | | |
| Book depreciation and amortization in excess of CCA | 1,715,943 | 1,244,825 |
| Deferred lease inducement | 658,262 | 1,008,697 |
| Ontario corporate minimum tax credits | 7,972,834 | 6,077,737 |
| Non-capital loss carryforwards | 14,053,991 | 51,993,993 |
| Total future income tax assets | 24,401,030 | 60,325,252 |
| Net future income tax liabilities | 99,453,191 | 77,292,828 |

The following is a reconciliation between the Corporation's statutory and effective income tax rates:

| | [Liability Method] 2001 % | [Deferral Method] 2000 % |
|--|---------------------------------|--------------------------------|
| Combined Canadian federal and provincial income tax rate | 42.9 | 44.6 |
| Increase (decrease) in taxes resulting from: | | |
| Non-deductible amortization | — | 2.2 |
| Large Corporations Tax | 0.3 | 0.6 |
| Non-taxable portion of capital gains | (3.5) | — |
| Reduction in future income taxes resulting from statutory tax rate reduction | (12.4) | — |
| Other | 0.3 | 0.1 |
| | 27.6 | 47.5 |

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:

| | \$ |
|---------------------------|-------------------|
| 2002 | 15,433,000 |
| 2003 | 14,122,000 |
| 2004 | 6,723,000 |
| 2005 | 3,752,000 |
| 2006 | 3,530,000 |
| 2007 and thereafter | <u>13,588,000</u> |

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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

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

Peter W. Anderson
Executive Vice-President

Michael J. Killeen
General Counsel and
Corporate Secretary

Ronald D. Besse
Director

A. Winn Oughtred
Director

George W. Oughtred
Director

David J. Riddle
Director

CI Mutual Funds Inc. Management

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Chairman, Chief Executive Officer
and Director

Stephen A. MacPhail
Chief Operating Officer
and Director

Peter W. Anderson
President and Director

G. Raymond Chang
Director

Management

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Vice-President, Human Resources

Kevin Bonello
Vice-President

Ron Bowes
Vice-President

Michael Bustard
Vice-President, Administration

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Senior Vice-President

Robert J. Costigan
Senior Vice-President

Marcelo A. Donato
Vice-President

Patrick Flemming
Vice-President

Michael Gramegna
Vice-President

Derek J. Green
Senior Vice-President

Sean Hayes
Vice-President

Fabio Iannicca
Vice-President, Administration

Munir T. Issa
Senior Vice-President,
Information Systems

Douglas J. Jamieson
Vice-President, Finance and
Chief Financial Officer

K. Michael Kelly
Senior Vice-President

Neal Kerr
Senior Vice-President

Michael J. Killeen
Senior Vice-President,
General Counsel and
Corporate Secretary

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Vice-President

Patrick LeFrancois
Vice-President

Mark MacLeod
Vice-President, Client Services

Andrew McBain
Vice-President

David R. McBain
Senior Vice-President

Carey W. McIntee
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Jeff Nairn
Vice-President

Karl Palmen
Vice-President

David C. Pauli
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Financial Operations

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Senior Vice-President

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Sylvain Rivard
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Alain Ruel
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Greg Shin
Vice-President, Fund Accounting

Philippe Ventura
Vice-President

Julie A. Warren
Vice-President

Michael Warus
Vice-President

Tracey C. Wood
Vice-President

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Trading Symbol

C.I. Fund Management Inc.
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Stock Exchange under the
symbol "CIX".

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

