AUGUST 31, 2005

CI Financial

CI Investments™

Assante

SKYLON
ADVISORS INC.

Financial Highlights

AUGUST 31

(thousands, except per share amounts)	2005	2004	% change
AS AT AUGUST 31			
Fee-earning assets	71,147,864	63,921,343	11
Managed retail assets	52,118,165	43,656,395	19
Redemption value of managed retail funds	787,978	808,402	-3
Common shares outstanding	286,177	295,201	-3
FOR THE THREE MONTH PERIOD			
Average managed retail assets	50,869,270	43,997,623	16
Gross sales of managed retail funds	2,653,275	1,453,545	83
Redemptions of managed retail funds	1,774,205	1,347,922	32
Net sales of managed retail funds	879,070	105,623	732
Net income	90,957	81,266	12
Earnings per share	0.32	0.28	14
EBITDA*	159,566	145,314	10
EBITDA* per share	0.56	0.49	14
Dividends per share	0.16	0.125	28
Average common shares outstanding	286,182	295,201	-3

**EBITDA (Earnings before interest, taxes, depreciation and amortization) is a non-GAAP earnings measure; however, management believes that most of its shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results. A reconciliation of EBITDA to net income is provided on page 6.*

WILLIAM T. HOLLAND
Chief Executive Officer

STEPHEN A. MACPHAIL
President and
Chief Operating Officer

Dear Shareholders,

MARKET REVIEW

For the first quarter of CI's fiscal 2006, the S&P/TSX Composite Index rose 11.6%, continuing its strong performance of the past several quarters. In Canadian dollar terms, the S&P 500 Index fell 2.7%, the Dow Jones Industrial Average fell 4.7%, the Nasdaq Composite Index fell 1.4% and the MSCI World Index fell 0.4%. These foreign equity markets enjoyed positive performance for the three months ended August 31, 2005 when measured in U.S. dollars. However, in a theme that has also occurred over the past several quarters, the 5.6% appreciation of the Canadian dollar against the U.S. dollar reduced these returns to Canadian investors.

Industry net sales of mutual funds as reported by the Investment Funds Institute of Canada (IFIC) were positive, with $5.5 billion in net sales for the quarter ended August 31, 2005. This compared with industry net sales of $1.1 billion for the quarter ended August 31, 2004. The majority of new sales are in Canadian income and equity funds, as investors continue to seek yield but also see some very strong three-year performance records in Canadian equity funds. Although sales and assets reported by IFIC do not give a comprehensive view of CI's sales and assets, they are helpful as an indicator of trends affecting a significant portion of CI's business.

OPERATING REVIEW

CI posted very strong results for the first quarter due to three main factors. First, our average assets under management grew 16% over the first quarter of last year and 4% over last quarter. Second, we controlled expenses, represented by flat year-over-year option-adjusted selling, general and administrative costs. Third, we earned significant gains of $12.7 million on the sale of marketable securities, which include shares of Amvescap purchased in the prior fiscal year.

CI's net income for the quarter was $91.0 million, or $0.32 per share, which is a record high. Compared with the prior year, earnings were up 12% from $81.3 million and 14% from $0.28 per share. Adjusted for the capital gains mentioned above and the stock-based compensation of $8.8 million recorded in the quarter, net income was $86.2 million up from an adjusted $80.8 million last year.

Managed retail assets totalled $52.1 billion at August 31, 2005, an increase of $8.5 billion from the prior year. Average managed retail assets were $50.869 billion for the first quarter this year, up 16% from $43.998 billion last year. Strength in both market performance and net sales of our funds contributed to this asset increase.

It was CI's best first quarter for sales since the quarter ended August 31, 2000. Gross sales were $2.7 billion, up $1.2 billion from last year's first quarter. CI remained the top-selling independent mutual fund company, recording net sales of $879 million, more than eight times the $106 million of last year.

CI continued to repurchase stock at opportune times, buying back 468,100 shares at $17.20 per share during the first quarter. CI also paid out $0.16 per share in dividends during the quarter, with the current monthly rate increasing to $0.06 per share in August.

In July and August, CI terminated its 38 RSP funds following royal assent of the federal budget that eliminated foreign property restrictions and merged 16 funds in a continued effort to streamline its fund lineup.

As well, on August 30, 2005, unitholders overwhelmingly voted in favour of our proposal to set the operating expenses of the funds at a fixed level. While this was implemented on September 1, 2005, CI has reclassified its fund expense recoveries for prior periods as a revenue item included in management fees in order to conform to the presentation that will be used going forward.

OUTLOOK

Continued strength in the S&P/TSX Composite Index since August 31, 2005 has helped push CI's managed retail assets to $53.1 billion at September 30, 2005 from $52.1 billion at quarter-end, an increase of 1.9%. This is also 4.3% above the average level of managed retail assets for the first quarter of fiscal 2006.

CI's sales momentum continued, reporting net sales of $195 million for September 2005, nearly triple the $72 million reported in September 2004.

On September 28, 2005, CI announced it would postpone asking shareholders to vote on conversion to an income trust in light of the confusion created by the minister of finance. Any decision to proceed will be delayed until there is a clear picture of how the government intends to deal with income trust and dividend taxation.

The Board of Directors declared monthly dividends of $0.06 per share payable on November 15, 2005, December 15, 2005 and January 13, 2006 to shareholders of record on November 1, 2005, December 1, 2005 and January 1, 2006, respectively.

WILLIAM T. HOLLAND
Chief Executive Officer

STEPHEN A. MACPHAIL
President and Chief Operating Officer


MD&A

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") presents commentary on CI Fund Management Inc. and its subsidiaries ("CI") as at and for the three months ended August 31, 2005 and is as of October 3, 2005. Financial information, except where noted otherwise, is presented in accordance with Canadian generally accepted accounting principles ("GAAP") and amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") (formerly CI Mutual Funds Inc.), Skylon Advisors Inc. ("Skylon"), United Financial Corporation ("United") (formerly Assante Asset Management Ltd.), Assante Advisory Services Ltd. ("AAS") and IQON Financial Management Inc. ("IQON"). The Asset Management segment of the business includes CI Investments, Skylon and United, while the Asset Administration segment consists of AAS and its subsidiaries, other than United, and IQON.

The MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. These statements involve risks and uncertainties, are based on assumptions and estimates, and therefore actual results may differ materially from those expressed or implied by CI. Factors that may cause such differences include, but are not limited to, general economic and market conditions including interest and foreign exchange rates, global financial markets, legislative and regulatory changes, industry competition, technological developments and catastrophic events. The reader is cautioned against undue reliance on these forward-looking statements.

This MD&A should be read in conjunction with the 2005 CI Fund Management Inc. Annual Report, which is available on SEDAR at www.sedar.com.

OVERALL PERFORMANCE

CI reported net income for the quarter ended August 31, 2005 of $91.0 million, an increase of 12% over the $81.3 million for the quarter ended August 31, 2004. On a per share basis, CI earned $0.32, up 14% from $0.28 in the prior year.

The results for the first quarter of fiscal 2006 were boosted by $12.7 million ($10.4 million after-tax) in capital gains. In addition, stock-based compensation reduced earnings by $8.8 million ($5.6 million after-tax) this year and increased earnings by $0.8 million ($0.5 million after-tax) in the prior year. After consideration of the above items, net income would have been $86.2 million in the first quarter of fiscal 2006, versus $80.8 million in the prior year.

EBITDA, operating profit margin and free cash flow, as defined below, are non-GAAP earnings measures that do not have any standardized meaning prescribed by GAAP. They are therefore unlikely to be comparable to similar measures presented by other issuers. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these performance measures in analyzing CI's results.

Reconciliation of EBITDA to Net Income

THREE MONTHS ENDED AUGUST 31

(millions, except per share amounts)	2005	2004
Net income	$91.0	$81.3
Add:		
Interest expense	3.2	1.8
Income tax expense	46.0	46.5
Amortization of DSC and fund contracts	18.2	12.7
Amortization of other	1.2	3.0
EBITDA	$159.6	$145.3
per share	$0.56	$0.49

For the quarter ended August 31, 2005, earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $159.6 million or $0.56 per share, as set out in the table above, which reconciles EBITDA to net income. This compares with $145.3 million or $0.49 per share in the same period last year. EBITDA in fiscal 2006 adjusted to eliminate the effect of the option expense was $168.4 million or $0.59 per share, compared with $144.5 million or $0.49 per share in fiscal 2005.

Income before income taxes was $136.9 million for the first quarter this year, an increase of 7% from $127.8 million for the same quarter in the prior year. The income tax provision decreased slightly, from $46.5 million to $46.0 million this year, of which $41.7 million was represented by current taxes and $4.3 million by future taxes. The provision for income taxes for the quarter ended August 31, 2005 results in an effective tax rate of 33.6%, versus 36.4% in the prior year. This reflects the lower rate of tax on the gains realized this quarter.

Fee-Earning Assets and Sales

Total fee-earning assets, which includes mutual and segregated funds, Assante funds, managed labour-sponsored funds and structured products (collectively, managed retail assets), administered/other funds and Assante assets under administration (net of Assante funds) at August 31, 2005, were $71.1 billion, up 11% from $63.9 billion at August 31, 2004. CI's assets as reported by the Investment Funds Institute of Canada ("IFIC") were $48.7 billion at August 31, 2005. This figure is $3.4 billion below CI's actual $52.1 billion in managed retail assets because IFIC uses a narrow definition of assets under management that does not include the $2.0 billion of segregated funds, hedge funds, and pooled funds, $0.2 billion in managed labour-sponsored funds and $1.2 billion of structured products. As such, CI's assets as reported by IFIC should not be used when determining overall assets under management, product sales or conducting financial analysis of CI.

Managed Retail Assets

(billions)	
Assets at May 31, 2005	$49.2
Gross Sales	2.7
Redemptions	1.8
Net Sales	0.9
Market Performance	2.0
Assets at August 31, 2005	$52.1

Average total managed retail assets were $50.869 billion in the first quarter of fiscal 2006, an increase of 16% from $43.998 billion in the first quarter of fiscal 2005. 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. The increase in CI's average assets was the result of positive equity market performance and strong sales of CI's funds.

Gross sales of CI's managed retail funds were $2.7 billion for the quarter ended August 31, 2005, compared with $1.5 billion for the same period in 2004. Net sales (gross sales less redemptions) were $879 million for the quarter ended August 31, 2005, compared with $106 million for the same period in the prior year. The significant increase in CI's net sales over last year is due primarily to stronger sales at CI Investments, as net sales from United declined slightly year over year. Strong fund performance and the benefits of expanded distribution contributed to the increase in sales of CI funds.

At September 30, 2005, fee-earning assets totalled $71.6 billion, as shown in the chart below, represented by $42.6 billion in mutual and segregated funds, $9.1 billion in managed assets through Assante, $0.2 billion in managed labour-sponsored funds, $1.2 billion in structured products, $3.0 billion in administered/other assets such as labour-sponsored funds, and $15.5 billion in Assante and IQON assets under administration (net of Assante-managed assets described above).

Fee-earning Asset Profile

AS AT SEPTEMBER 30

(billions)	2005	2004	% change
Mutual/segregated funds	$42.6	$34.7	23
Assante funds	9.1	8.1	12
Managed labour-sponsored funds	0.2	0.2	–
Structured products	1.2	1.1	9
Total managed retail assets	53.1	44.1	20
Administered/other assets	3.0	5.4	(44)
Assante/IQON assets under administration (net of Assante funds)	15.5	14.9	4
Total fee-earning assets	$71.6	$64.4	11

LIQUIDITY AND CAPITAL RESOURCES

In the first quarter of this year, CI financed $36.7 million in sales commissions with its own cash resources, up from $29.5 million for the first quarter in the prior year. The increase resulted from CI financing the commission on an additional $144 million in gross sales of the back-end load units this year. The remaining $1.06 billion in increased gross sales over last year were sold on a front-end commission basis.

In the quarter, CI paid $45.9 million in dividends to holders of CI common shares, equivalent to $0.16 per share. The dividend was increased to $0.06 per share per month in August 2005 from the $0.05 per share per month paid in June and July 2005. CI also accrued the September and October 2005 dividends which were declared during the quarter.

Capital expenditures incurred during the quarter ended August 31, 2005 of $4.5 million were primarily for computer hardware and software, as well as leasehold improvements and office equipment.

In addition, CI used $8.1 million to repurchase 0.5 million of its common shares at an average price of $17.20 per share. On August 31, 2005, the closing price of CI was $20.31 per common share, and on September 30, 2005, it was $21.61 per common share.

CI paid down its credit facility by $42.0 million during the quarter. At August 31, 2005, CI had drawn $348.9 million bearing an average rate of 2.95%, compared with $390.9 million drawn at an average rate of 2.90% at the end of May 2005. Net of marketable securities, debt was $340.6 million on August 31, versus $313.8 million on May 31. Interest expense for the quarter was $3.2 million this year, up from $1.8 million for the same period in the prior year, reflecting higher average debt levels, but still significantly below the level of operating cash flow.

The above funding requirements were met by two sources. Cash provided by operating activities in the first quarter totalled $67.4 million. As well, CI had net proceeds on the sale of marketable securities in the amount of $81.6 million in the quarter, which, net of the $12.7 million in gains, resulted in total marketable securities declining from $77.2 million at May 31, 2005 to $8.3 million at August 31, 2005. Marketable securities are comprised of seed capital investments and other portfolio investments.

Free cash flow (cash flow from operations before net change in working capital less sales commissions for the period) was $67.6 million, down slightly from $73.7 million the first quarter last year, due to the increased deferred sales commissions paid. This level of free cash flow exceeded the dividends paid during the quarter by $21.7 million. Based on this, CI currently has sufficient cash flow to meet anticipated capital expenditures, deferred sales commissions and dividends.

Contractual Obligations

The payments due by period, as set out in the May 31, 2005 MD&A, have been reduced in total by the $42.0 million reduction in long-term debt, as described above.

OFF-BALANCE SHEET ARRANGEMENTS

CI has entered into a total return share swap transaction agreement with a Canadian chartered bank as a hedge against CI’s exposure to fluctuations in the price of its common shares as it records its stock-based compensation liability. At August 31, 2005, 2,171,400 common shares are subject to the swap at an average price of $16.88, resulting in a reduction to CI’s stock-based compensation liability of $7.5 million.

RELATED PARTY TRANSACTIONS

There were no changes to the types of related party transactions from those reported at May 31, 2005.

CRITICAL ACCOUNTING ESTIMATES

There were no changes to the critical accounting estimates from those reported at May 31, 2005.

CHANGE IN ACCOUNTING POLICIES

There were no new significant accounting policies adopted since May 31, 2005.

FINANCIAL INSTRUMENTS

The fair value of certain financial instruments approximates carrying value. This is the case for cash, accounts receivable and prepaid expenses, accounts payable and long-term debt. Marketable securities have a fair value based on quoted market prices for portfolio investments and seed capital.

The table below sets out the relative carrying and fair values for each financial instrument.

ASSET MANAGEMENT SEGMENT

Financial Review

The Asset Management segment had income before income taxes of $139.3 million, an increase of $13.7 million from $125.6 million in the first quarter of the prior year. Segmented financial information is presented on pages 17 and 18.

Revenues

Revenues from management fees were $270.0 million for the quarter ended August 31, 2005, up 11% from $243.7 million in for the same period in the prior year. The increase was mainly attributable to higher

Financial Instruments

(millions)	As at August 31, 2005		As at May 31, 2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	$40.2	$40.2	$28.3	$28.3
Marketable securities	8.3	8.0	77.2	79.1
Accounts receivable and prepaid expenses	125.3	125.3	94.2	94.2
	$173.8	$173.5	$199.7	$201.6
Accounts payable	$195.3	$195.3	$165.8	$165.8
Long-term debt	348.9	348.9	390.9	390.9
	$544.2	$544.2	$556.7	$556.7
Off Balance Sheet Arrangements	$ Nil	$ Nil	$ Nil	($ 0.1)

average managed assets in fiscal 2006. A higher proportion of Class I and Class F funds, which have lower management fees, offset positive market performance of the funds. As a percentage of average managed retail assets, management fees were 2.11% for fiscal 2006, down from 2.20% in fiscal 2005. At August 31, 2005, there were $375.4 million and $3,560 million in Class F and Class I funds, respectively, compared with $267.4 million and $1,973 million on August 31, 2004.

Other revenue in this segment was $29.9 million for the first quarter, up 57% from $19.0 million in fiscal 2005, mainly because of the gain on sale of marketable securities, as discussed above.

The next largest component of other revenue was redemption fees. Redemption fees decreased from $11.3 million to $10.4 million as a result of a decreased level of assets that are subject to redemption fees, and the aging of assets, which results in lower applicable redemption fees.

Expenses

Selling, general and administrative ("SG&A") expenses for this segment were $67.0 million in the first quarter of this year, compared with $57.2 million in the same quarter last year. The single largest reason for the increase is $8.8 million of option related compensation expense recorded this year, versus a $0.8 million expense recovery in the prior year.

At May 31, 2005, based on the price of CI shares of $17.30 per share, the potential payment on all options outstanding, including a portion of unvested amounts, was $28.7 million. At August 31, 2005, based on the price of CI shares of $20.31 per share, the potential payment on all options outstanding, including a portion of unvested amounts, has increased by $2.4 million to $31.1 million. CI has recorded an expense in the first quarter of fiscal 2006 of $8.8 million, of which $6.4 million was from option holders electing cash settlement and $2.4 million representing the change in liability. Though CI acknowledges that the option expense is clearly a cost of business that is tied to the performance of CI's common share price, the financial results presented below both include and exclude the expense to aid the reader in conducting a comparative analysis.

Net of the expense related to options, SG&A expenses were $58.2 million, down from $58.0 million in fiscal 2005. As a percentage of managed retail assets, SG&A expenses decreased to 0.45% in fiscal 2006 from 0.52% in fiscal 2005. CI managed to contain spending at prior year levels as assets increased.

Trailer fees increased from $61.3 million to $73.7 million in the first quarter this year. Net of intersegment amounts, this expense was up from $57.9 million last year to $69.7 million this year. The overall increase resulted from increased assets under management due to market appreciation of the funds, partly offset by an increase in the percentage of CI's mutual fund assets in Class F and Class I funds, on which CI does not pay trailer fees. As a percentage of average assets, trailer fees were 0.54% this year, compared with 0.52% in the prior year.

CI monitors its operating profitability on assets under management by measuring the operating margin calculated as a percentage of average managed retail assets. CI's operating profit margin is defined as management fees from funds less trailer fees and SG&A expenses, calculated as a percentage of average managed retail assets. CI uses this measure to manage profitability so that when changes in the market value of assets under management affect revenue flows, CI will adjust discretionary expenditures to maintain its margins.

CI's operating margin on the Asset Management segment, as a percentage of average managed retail assets and adjusted for the $8.8 million option expense as discussed above, was 1.11%, down from 1.15% in the prior fiscal year. This was a result of lower management fee rates as the increase in trailer fees that was more than offset by lower selling, general and administrative expenses.

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 84 months immediately following the sale of the funds. The actual cash payment in any period is reported in the Consolidated Statements of Cash Flows under Investing Activities as deferred sales commissions paid. Amortization of deferred sales commissions rose from $12.0 million last year to $17.5 million this year. The increase is consistent with the increase in deferred sales commissions paid in the last two fiscal years and the change in amortization period from 36 to 84 months at the beginning of fiscal 2004.

Other expenses dropped from $6.1 million in fiscal 2005 to $1.6 million in fiscal 2006. The primary contributor to other expenses last year was the expense associated with CI's institutional business, which was $3.9 million. CI's investment in this business was restructured last year and its accounts are no longer consolidated into CI's results. Distribution fees to limited partnerships totalled $1.0 million, down from $1.2 million in the first quarter last year.

ASSET ADMINISTRATION SEGMENT

Financial Review

The Asset Administration segment had income before income taxes of $3.9 million in the first quarter, down from $5.1 million in the first quarter of the prior year.

Revenues

Administration fees are fees earned on assets under administration in the Assante business and fees earned from certain labour-sponsored funds and the administration of third-party business. These have increased from $52.5 million to $68.6 million this year. Net of inter-segment amounts, administration fee revenue was $30.9 million this year, versus $28.8 million last year. Administration fees should be considered in conjunction with investment dealer fees.

Other revenues earned by the Asset Administration segment totalled $2.4 million, up from $1.3 million for the first quarter in the prior year. These amounts are mainly interest income on cash balances and custody fees.

Expenses

Selling, general and administrative costs for the segment were $13.2 million in the first quarter of fiscal 2006, up from $9.0 million in the first quarter of fiscal 2005. SG&A costs were greater as integration activities continued.

Investment dealer fees are the direct costs attributable to the operation of the Assante and IQON dealerships, including payments to financial advisors based on the revenues generated from assets under administration. These fees were $53.4 million in the first quarter, and should be viewed in conjunction with administrative fee revenue of $68.6 million as described above when calculating the gross contribution of the dealership operation before general and operating expenses. For the first quarter, gross margin was $15.2 million or 22%. In the first quarter last year, investment dealer fees were $39.3 million on revenue of $52.5 million, for a margin of $13.2 million or 25%.

Financial Statements

Consolidated Statements of Income and Deficit

FOR THE THREE MONTHS ENDED AUGUST 31 (UNAUDITED)

(thousands of dollars, except per share amounts)	2005	2004
REVENUE		
Management fees [note 1]	269,982	243,646
Administration fees	30,929	28,830
Redemption fees	10,365	11,311
Gain (loss) on sale of marketable securities	12,654	(72)
Other income	9,273	9,103
	333,203	292,818
EXPENSES		
Selling, general and administrative [note 1]	80,237	66,148
Investment dealer fees	23,261	20,329
Trailer fees	69,727	57,902
Amortization of deferred sales commissions and fund contracts	18,215	12,757
Interest	3,219	1,801
Other	1,627	6,129
	196,286	165,066
Income before income taxes	136,917	127,752
Provision for income taxes		
Current	41,707	36,936
Future	4,253	9,550
	45,960	46,486
Net income for the period	90,957	81,266
Deficit, beginning of period	(217,901)	(207,114)
Cost of shares repurchased in excess of stated value	(5,290)	–
Dividends	(80,218)	(36,900)
Deficit, end of period	(212,452)	(162,748)
Earnings per share [note 3(c)]	0.32	0.28

(see accompanying notes)

Consolidated Statements of Cash Flows

FOR THE THREE MONTHS ENDED AUGUST 31 (UNAUDITED)

(thousands of dollars)	2005	2004
OPERATING ACTIVITIES		
Net income for the period	90,957	81,266
Add (deduct) items not involving cash		
(Gain) loss on sale of marketable securities	(12,654)	72
Amortization of deferred sales commissions and fund contracts	18,215	12,757
Amortization of other	1,215	3,004
Stock-based compensation	2,340	(3,409)
Future income taxes	4,253	9,550
	104,326	103,240
Net change in non-cash working capital balances related to operations	(36,923)	7,009
Cash provided by operating activities	67,403	110,249
INVESTING ACTIVITIES		
Additions to capital assets	(4,520)	(1,937)
Purchase of marketable securities	(36,975)	(11,898)
Proceeds on sale of marketable securities	118,552	28
Deferred sales commissions paid	(36,694)	(29,509)
Cash paid on acquisitions, including transaction costs, net of cash acquired	–	(37,259)
Cash provided by (used in) investing activities	40,363	(80,575)
FINANCING ACTIVITIES		
Long-term debt	(41,996)	10,575
Repurchase of share capital	(8,051)	–
Issuance of share capital	30	30
Distributions to minority interest	–	(1,366)
Dividends paid to shareholders	(45,877)	(36,900)
Cash used in financing activities	(95,894)	(27,661)
Net increase in cash during the period	11,872	2,013
Cash, beginning of period	28,305	25,117
Cash, end of period	40,177	27,130
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	3,145	2,405
Income taxes paid	42,720	23,775

(see accompanying notes)

Consolidated Balance Sheets

(UNAUDITED)

(thousands of dollars)	As at August 31, 2005	As at May 31, 2005
ASSETS		
Current		
Cash	40,177	28,305
Client and trust funds on deposit	81,660	93,099
Marketable securities	8,345	77,154
Accounts receivable and prepaid expenses	125,270	94,222
Income taxes recoverable	1,797	1,923
Future income taxes	17,501	16,006
Total current assets	274,750	310,709
Capital assets	24,698	21,276
Deferred sales commissions, net of accumulated amortization of $339,627 (May 31, 2005 - $322,163)	368,589	349,395
Fund contracts	1,012,027	1,012,778
Goodwill	951,026	951,026
Other assets	18,963	18,886
	2,650,053	2,664,070
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities [note 5]	195,299	165,830
Client and trust funds payable	81,660	93,099
Income taxes payable	19,787	20,537
Stock-based compensation	31,066	28,726
Deferred revenue	4,055	4,037
Current portion of long-term debt	58,156	40,722
Total current liabilities	390,023	352,951
Deferred lease inducements	2,086	2,211
Long-term debt	290,782	350,212
Future income taxes	491,682	485,934
Total liabilities	1,174,573	1,191,308
Shareholders' equity		
Share capital [note 3]	1,687,932	1,690,663
Deficit	(212,452)	(217,901)
Total shareholders' equity	1,475,480	1,472,762
	2,650,053	2,664,070

(see accompanying notes)

Notes to Consolidated Financial Statements

AUGUST 31, 2005 AND 2004 (UNAUDITED)

1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2005. The unaudited interim consolidated financial statements have been prepared on a basis consistent with the accounting policies set out in the audited annual consolidated financial statements, except for the following:

a) Effective June 1, 2005, CI made an accounting change related to the classification of expenses recovered from funds. This reflects a change in CI's business wherein the funds are to be charged a fixed fee depending on the type of fund and the fee is included in management fee revenue. Prior period amounts have been reclassified to conform to the presentation to be used going forward.

2. SEGMENTED INFORMATION

CI has two reportable segments: Asset Management and Asset Administration. These segments reflect CI's internal financial reporting and performance measurement.

The Asset Management segment includes the operating results and net assets of CI Investments, Skylon and United Financial Corporation, which derive their revenues principally from the fees earned on the management of several families of mutual and segregated funds.

The Asset Administration segment includes the operating results and net assets of Assante Advisory Services Ltd. and most of its subsidiaries including Assante Capital Management Ltd., Assante Financial Management Ltd. and IQON Financial Management Inc. These companies derive their revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

Notes to Consolidated Financial Statements

AUGUST 31, 2005 AND 2004 (UNAUDITED)

($ thousands)

For the three months ended August 31, 2005	Asset Management	Asset Administration	Intersegment Eliminations	Total
Management fees	269,982	–	–	**269,982**
Administration fees	–	68,602	(37,673)	**30,929**
Other revenues	29,892	2,400	–	**32,292**
Total revenue	299,874	71,002	(37,673)	**333,203**
Selling, general and administrative	67,020	13,217	–	**80,237**
Investment dealer fees	–	53,399	(30,138)	**23,261**
Trailer fees	73,724	–	(3,997)	**69,727**
Amortization of deferred sales commissions and fund contracts	18,238	376	(399)	**18,215**
Other expenses	1,556	71	–	**1,627**
Total expenses	160,538	67,063	(34,534)	**193,067**
Income before income taxes and non-segmented items	139,336	3,939	(3,139)	**140,136**
Interest expense				**3,219**
Provision for income taxes				**45,960**
Net income				**90,957**
Identifiable assets	1,547,607	161,956	(10,536)	**1,699,027**
Goodwill	815,303	135,723	–	**951,026**
Total assets	2,362,910	297,679	(10,536)	**2,650,053**

Notes to Consolidated Financial Statements

AUGUST 31, 2005 AND 2004 (UNAUDITED)

($ thousands)

For the three months ended August 31, 2004	Asset Management	Asset Administration	Intersegment Eliminations	Total
Management fees	243,646	–	–	**243,646**
Administration fees	–	52,507	(23,677)	**28,830**
Other revenues	19,044	1,298	–	**20,342**
Total revenue	262,690	53,805	(23,677)	**292,818**
Selling, general and administrative	57,183	8,965	–	**66,148**
Investment dealer fees	–	39,271	(18,942)	**20,329**
Trailer fees	61,341	–	(3,439)	**57,902**
Amortization of deferred sales commissions and fund contracts	12,558	376	(177)	**12,757**
Other expenses	6,057	72	–	**6,129**
Total expenses	137,139	48,684	(22,558)	**163,265**
Income before income taxes and non-segmented items	125,551	5,121	(1,119)	**129,553**
Interest expense				**1,801**
Provision for income taxes				**46,486**
Net income				**81,266**
Identifiable assets	1,439,252	159,170	(4,608)	**1,593,814**
Goodwill	815,303	135,723	–	**951,026**
Total assets	2,254,555	294,893	(4,608)	**2,544,840**

Notes to Consolidated Financial Statements

AUGUST 31, 2005 AND 2004 (UNAUDITED)

3. SHARE CAPITAL

a) a summary of the changes to CI's share capital is as follows:

	Common Shares (thousands)	Stated Value ($ thousands)
May 31, 2005	286,643	1,690,663
Issuance of share capital	2	30
Share repurchase	(468)	(2,761)
August 31, 2005	286,177	1,687,932

b) a summary of changes in the employee incentive stock option plan is as follows:

	Number of Options (thousands)	Weighted average exercise price ($)
Options outstanding May 31, 2005	8,399	13.37
Options granted	2,194	18.15
Options exercised	(1,142)	10.80
Options cancelled	(20)	16.06
Options outstanding August 31, 2005	9,431	14.79

Options outstanding and exercisable as at August 31, 2005 are as follows:

Exercise price ($)	Number of options outstanding (thousands)	Weighted average remaining contractual life (years)	Number of options exercisable (thousands)
4.73	35	0.1	35
10.51	1,584	2.6	975
11.00	162	0.6	162
11.27	794	1.6	489
12.01	836	1.7	836
15.59	2,154	3.6	709
15.67	15	4.1	–
15.86	15	3.9	5
17.04	1,642	4.7	–
18.15	2,194	4.9	–
4.73 to 18.15	9,431	3.5	3,211

c) The weighted average number of shares outstanding for the three month periods ended August 31 were:

(thousands)	2005	2004
Basic and diluted	286,182	295,201

d) The following table presents the maximum number of shares that would be outstanding if all of the outstanding options as at September 30, 2005 were exercised:

	(thousands)
Common shares outstanding at September 30, 2005	286,178
Options to purchase common shares	9,374
	295,552

4. FOREIGN CURRENCY TRANSLATION

In conjunction with marketable securities purchased in the prior year, CI held foreign currency denominated debt. During the quarter, foreign exchange gains of $4,000 were realized.

5. COMMITMENTS AND CONTINGENCIES

On December 10, 2004, CI Investments reached a settlement with the Ontario Securities Commission relating to concerns raised with respect to certain trading by a small number of institutional investors in certain of CI Investments' mutual funds. Under the settlement agreement, CI Investments agreed to make a payment of $49,300, plus interest at the rate of 5% per annum from the date of settlement to the approval of the plan of distribution, which occurred on June 30, 2005, to investors in its mutual funds that were affected by this trading. This payment is secured by a letter of credit. CI recorded a $53,000 charge ($33,900 after-tax) to income to reflect the settlement and related costs.

On September 13, 2005, CI Investments disbursed $50,700 to affected investors. The balance of the accrued charge is to cover related costs.

6. COMPARATIVE FIGURES

Certain figures for fiscal 2005 have been reclassified to conform with the financial presentation in the current year.

On October 5, 2005, the Board of Directors declared a cash dividend of $0.06 per share payable on each of November 15, December 15, 2005 and January 13, 2006 to shareholders of record on November 1, December 1, 2005 and January 1, 2006, respectively.

This First Quarter Report contains forward-looking statements with respect to CI, including its business operations and strategy and financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.

CI FINANCIAL
2 Queen St. East, Twentieth Floor, Toronto, Ontario M5C 3G7

WWW.CI.COM