



*Celebrating 20 years of excellence*







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# Management's Discussion and Analysis

June 30, 2014

CI Financial Corp.

# Financial Highlights

(in millions of dollars, except per share and share amounts)	As at and for the quarters ended					% change quarter-over-quarter	% change year-over-year
	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013		
Assets under management	99,882	96,445	91,090	85,557	81,650	4	22
Assets under administration	28,951	28,206	26,960	25,440	24,368	3	19
Total assets	128,833	124,651	118,050	110,997	106,018	3	22
Average assets under management	97,895	93,488	88,558	84,125	81,691	5	20
Management fees	415.6	394.4	382.2	363.5	351.0	5	18
Total revenues	464.7	445.6	431.6	405.9	397.2	4	17
SG&A	84.9	83.7	82.4	78.5	77.5	1	10
Trailer fees	127.4	120.1	115.5	109.2	104.9	6	21
Net income attributable to shareholders	127.8	121.7	116.2	107.8	104.0	5	23
Basic earnings per share	0.45	0.43	0.41	0.38	0.37	5	22
Diluted earnings per share	0.45	0.43	0.41	0.38	0.37	5	22
EBITDA <sup>1</sup>	221.5	212.2	205.2	193.4	189.6	4	17
EBITDA <sup>1</sup> per share	0.78	0.75	0.72	0.68	0.67	4	16
Return on equity <sup>2</sup>	25.8%	25.1%	24.3%	23.5%	23.0%	3	12
Dividends recorded per share	0.295	0.285	0.280	0.270	0.265	4	11
Dividend yield	3.4%	3.3%	3.3%	3.5%	3.6%	3	(6)
Average shares outstanding	284,542,521	284,615,785	284,096,992	283,821,756	283,481,430	—	—
Shares outstanding	284,423,806	284,520,332	284,396,101	283,915,174	283,639,075	—	—
Share price							
High	37.00	36.14	35.59	33.16	31.60		
Low	32.88	33.49	31.17	29.65	27.45		
Close	35.05	34.87	35.35	31.14	30.27		
Change in share price	0.5%	(1.4%)	13.5%	2.9%	7.7%		
Total shareholder return	1.4%	(0.6%)	14.4%	3.7%	8.7%		
Market capitalization	9,969	9,921	10,053	8,841	8,586		
Price to earnings multiple <sup>2</sup>	21.0	22.0	23.5	21.8	22.1		
Gross debt outstanding	499.1	499.0	498.9	498.7	526.6		
Net debt	252.6	334.3	315.3	403.7	447.9		
Net debt to EBITDA	0.28	0.39	0.39	0.53	0.59		

<sup>1</sup>EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a standardized earnings measure prescribed by IFRS; 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. CI's method of calculating this measure may not be comparable to similar measures presented by other companies. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

<sup>2</sup>Trailing twelve months

# Letter to Shareholders

## DEAR SHAREHOLDERS,

The second quarter of 2014 was positive once again for global equity markets. The S&P/TSX Composite Index climbed 6.4% while the MSCI World Index gained 5.1% and the S&P 500 Index rose 5.2%. The Canadian dollar strengthened by 3.6% during the quarter which lowered the returns of the MSCI World Index return to 1.5% and the S&P500 Index return to 1.7% in Canadian dollar terms. This marks two years of consecutive quarterly increases in stock market indexes as central bankers in the U.S. and Europe continue to provide assurances of continued low interest rates even as quantitative easing is slowly removed. This has created a period of low volatility and higher valuations for equities. The absence of inflation has also allowed bond yields to wander lower from already low levels.

CI's assets under management ("AUM") grew to another quarter-end high of \$99.9 billion on June 30, 2014, an increase of 3.6% from the end of the first quarter and up 22.3% year over year. Average AUM of \$97.9 billion for the quarter was 4.7% above the \$93.5 billion average for the first quarter and 19.8% above the \$81.7 billion average for the same quarter a year ago. Earnings per share, driven by the increases in AUM, have grown at a similar pace, reaching \$0.45 per share this quarter, up 4.7% from \$0.43 last quarter and up 21.6% from \$0.37 per share in the second quarter of last year.

Gross sales of funds, at \$3.504 billion, were CI's highest second quarter ever and were up from \$3.377 billion in the second quarter of last year. Redemptions of funds were \$2.508 billion in the second quarter versus \$2.399 billion last year. Net sales were \$996 million during the quarter, compared to net sales of \$978 million in the second quarter of 2013. Gross sales continue to be broadly-based and primarily retail, and all channels are in net sales.

Dealer revenues at Assante were up 14.4% year over year to \$73.2 million from \$64.0 million, as administered assets grew 18.4% from \$24.4 billion at the end of June 2013 to \$28.9 billion as at June 30, 2014. Assante continues to benefit from strong market performance and new sales of CI and third-party investment products.

CI's earnings for the second quarter of 2014 were \$127.8 million (\$0.45 per share), up 5.0% from \$121.7 million (\$0.43 per share) in the previous quarter, and up 22.9% from \$104.0 million (\$0.37 per share) in the second quarter of 2013. EBITDA for the quarter was \$221.5 million, an increase of 4.4% from \$212.2 million in the first quarter, and an increase of 16.8% from \$189.6 million in the second quarter of last year.

## OUTLOOK

CI's AUM continued to grow in July, reaching a month-end record of \$100.0 billion. Average assets for the month were \$100.0 billion, or 2.1% above the average for the second quarter. Gross sales also remained strong in July.

The Board of Directors declared monthly cash dividends of \$0.10 per share payable on September 15, October 15 and November 14, 2014 to shareholders of record on August 31, September 30 and October 31, 2014, respectively.

We would also like to take a moment to remember our friend and colleague G. Raymond Chang, who passed away on July 27 at age 65. Ray provided CI with three decades of dedicated service as a senior executive, CEO, Chairman and Director. He led CI through its early years as a public company and was instrumental in building the foundations of the very successful company that CI is today. He continued to provide us with wise advice and guidance as Chairman and then as a Director. Ray was a thoughtful and kind person who generously donated his time and money to numerous causes, with a particular focus on education, health care and entrepreneurship. Ray will be missed not just by employees of CI, but by thousands of people in Canada and abroad who were fortunate to enjoy his company or benefit from his philanthropy.



William T. Holland  
Chairman



Stephen A. MacPhail  
President and Chief Executive Officer

**AUGUST 7, 2014**

This Management's Discussion and Analysis ("MD&A") dated August 7, 2014 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at June 30, 2014, compared with December 31, 2013, and the results of operations for the quarter and six months ended June 30, 2014, compared with the quarter and six months ended June 30, 2013 and the quarter ended March 31, 2014.

CI's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and its subsidiaries, including CI Private Counsel LP ("CIPC"). The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM").

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest and foreign exchange rates, global financial markets, changes in government regulations or in tax laws, industry competition, technological developments and other factors described under "Risk Factors" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of this MD&A and to the "Risk Factors" section of CI's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com).

This MD&A includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these financial measures in analyzing CI's results. These non-IFRS measures and reconciliations to IFRS, where necessary, are shown as highlighted footnotes to the discussion throughout the document.

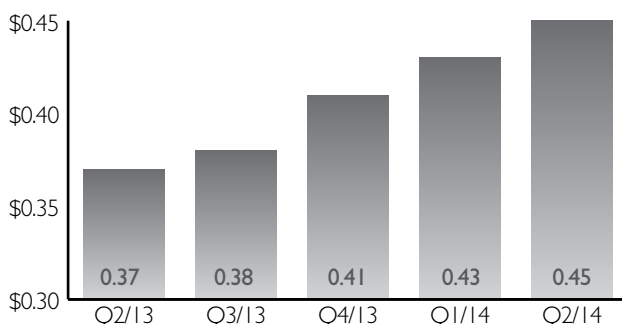


**TABLE I: SUMMARY OF QUARTERLY RESULTS**

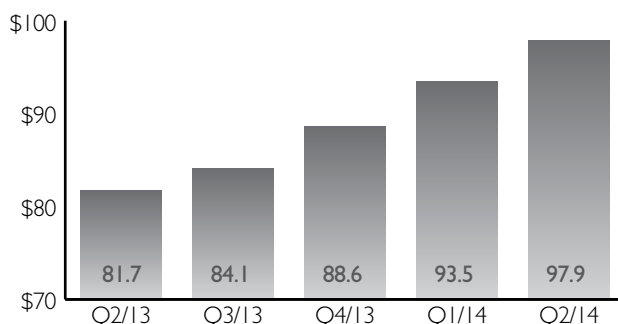
(millions of dollars, except per share amounts)

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>INCOME STATEMENT DATA</b>								
Management fees	415.6	394.4	382.2	363.5	351.0	335.8	325.8	318.8
Administration fees	34.7	35.1	33.3	31.8	33.0	33.1	31.7	30.1
Other revenues	14.4	16.1	16.1	10.6	13.2	13.0	13.8	12.6
Total revenues	464.7	445.6	431.6	405.9	397.2	381.9	371.3	361.5
<hr/>								
Selling, general & administrative	84.9	83.7	82.4	78.5	77.5	76.2	73.2	69.9
Trailer fees	127.4	120.1	115.5	109.2	104.9	99.6	95.8	93.5
Investment dealer fees	27.7	28.0	26.4	25.1	25.9	26.0	24.7	23.3
Amortization of deferred sales commissions	38.3	38.4	38.6	38.5	39.0	39.7	40.4	40.4
Interest expense	4.5	4.6	4.5	4.7	4.9	5.0	6.2	6.3
Other expenses	5.9	4.4	5.0	2.8	2.5	1.7	1.7	2.5
Total expenses	288.7	279.2	272.4	258.8	254.7	248.2	242.0	235.9
<hr/>								
Income before income taxes	176.0	166.4	159.2	147.1	142.5	133.7	129.3	125.6
Income taxes	47.9	44.5	42.8	39.3	38.5	35.2	34.3	34.3
Non-controlling interest	0.3	0.2	0.2	—	—	—	—	—
Net income attributable to shareholders	127.8	121.7	116.2	107.8	104.0	98.5	95.0	91.3
<hr/>								
Earnings per share	0.45	0.43	0.41	0.38	0.37	0.35	0.34	0.32
Diluted earnings per share	0.45	0.43	0.41	0.38	0.37	0.35	0.34	0.32
<hr/>								
Dividends recorded per share	0.295	0.285	0.280	0.270	0.265	0.250	0.240	0.240

**EARNINGS PER SHARE**



**AVERAGE ASSETS UNDER MANAGEMENT (BILLIONS)**



## OVERVIEW

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors. They are distributed primarily through brokers, independent financial planners and insurance advisors, including ACM and AFM financial advisors. CI operates through two business segments, Asset Management and Asset Administration. The Asset Management segment provides the majority of CI's income and derives its revenue principally from the fees earned on the management of several families of mutual, segregated, pooled and closed-end funds, structured products and discretionary accounts. The Asset Administration segment derives its revenue principally from commissions and fees earned on the sale of mutual funds and other financial products and ongoing service to clients.

The key performance indicator for the Asset Management segment is the level of assets under management ("AUM") and for the Asset Administration segment is the level of assets under administration ("AUA"). CI reports each of these numbers monthly, and together they form CI's total assets. CI's AUM and AUA are driven by the gross sales and redemptions of investment products, and fund performance. As most of CI's revenues and expenses are based on daily asset levels throughout the year, average assets for a particular period are critical to the analysis of CI's financial results. While some expenses, such as trailer fees, vary directly with the level of AUM, about half of CI's expenses do not. In particular, the amount of amortization of deferred sales commissions depends on the amount of sales commissions paid on deferred load fund sales over the past seven years and the redemptions of those funds. Over the long term, CI manages the level of its discretionary spend within SG&A expenses to be consistent with or below the growth in its average AUM.

## ASSETS AND SALES

Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, pooled assets and assets under administration, were \$128.8 billion at June 30, 2014, an increase of 22% from \$106.0 billion at June 30, 2013. Both segments of CI have seen growth in assets, primarily from fund performance, but also from significant net sales over the past year. CI's market share is approximately 9% and CI continues to be the third-largest investment fund company in Canada with AUM of \$99.9 billion and AUA of \$28.9 billion at June 30, 2014, as shown in Table 2.

**TABLE 2: TOTAL ASSETS**

(in billions)	As at June 30, 2014	As at June 30, 2013	% change
Assets under management	\$99.9	\$81.6	22
Assets under administration*	28.9	24.4	18
Total assets	\$128.8	\$106.0	22

\*Includes \$15.4 billion and \$12.2 billion of managed assets in CI and United funds in 2014 and 2013, respectively.

The change in AUM during each of the past five quarters is detailed in Table 3. Fund performance of over 17% contributed \$14.0 billion of the \$18.3 billion increase in AUM from \$81.6 billion at the end of June 2013. Gross sales for the second quarter were 3% higher than those of the prior year while redemptions increased slightly, net sales were flat. Ending assets for the second quarter were up 3.6% from the end of the first quarter.

CI's average assets in the second quarter of 2014 increased 19.8% from the same period in 2013 and 4.7% from the prior quarter. The ending AUM for the second quarter was 2.0% higher than the average, leaving CI well positioned for the third quarter.

**TABLE 3: CHANGE IN ASSETS UNDER MANAGEMENT**

(in billions)	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013
Assets under management, beginning	\$96.4	\$91.1	\$85.6	\$81.6	\$80.5
Gross sales	3.5	4.4	3.5	3.2	3.4
Redemptions	2.5	2.7	2.8	2.3	2.4
Net sales	1.0	1.7	0.7	0.9	1.0
Fund performance	2.5	3.6	4.8	3.1	0.1
Assets under management, ending	\$99.9	\$96.4	\$91.1	\$85.6	\$81.6
Average assets under management for the period	\$97.895	\$93.488	\$88.558	\$84.125	\$81.691

## RESULTS OF OPERATIONS

For the quarter ended June 30, 2014, CI reported net income of \$127.8 million (\$0.45 per share), an increase of 23% from \$104.0 million (\$0.37 per share) for the quarter ended June 30, 2013 and up 5% from \$121.7 million (\$0.43 per share) for the quarter ended March 31, 2014. For the six months ended June 30, 2014, CI reported net income of \$249.5 million (\$0.88 per share), an increase of 23% from \$202.5 million (\$0.71 per share) for the same period last year.

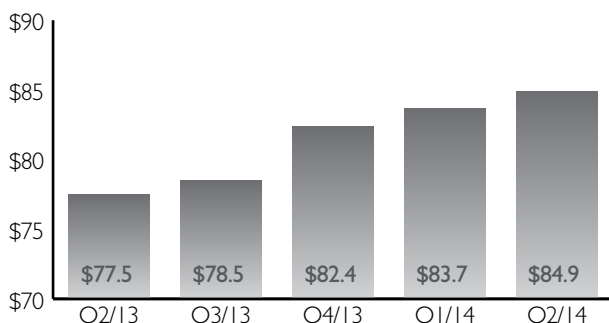
For the second quarter of 2014, CI recorded \$47.9 million in income tax expense for an effective tax rate of 27.2%, compared to \$44.5 million in the first quarter of 2014 for an effective tax rate of 26.7%. CI's statutory rate for 2014 is 26.5%. In the second quarter of 2013, CI recorded \$38.5 million in income tax expense, for an effective tax rate of 27.0%.

The increases in net income have been primarily driven by and are generally in line with the increases in average AUM for these periods. However, to the extent that certain revenues or expenses do not vary with the level of AUM, CI's net income will experience positive or negative operating leverage. The most significant of these types of revenue are redemption fees, the sales commissions earned and reported within administration fees, and other income. These revenue items have generally not increased over the past year at the same rate as AUM and therefore reduced the growth rate of CI's net income relative to AUM growth. The most significant expenses that do not vary with the level of average AUM are the fixed components within SG&A, amortization of deferred sales commissions, and interest expense. These expense items have remained relatively flat or decreased over the past year and therefore increased the rate of growth of CI's net income relative to AUM growth.

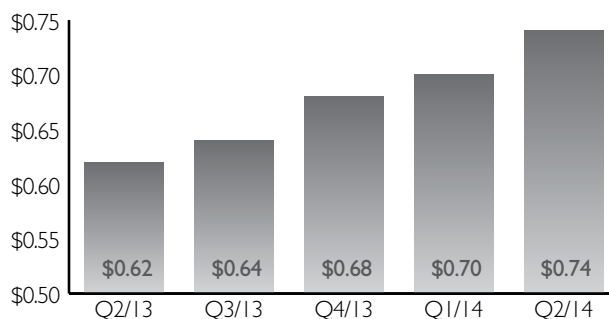
Total revenues increased 17% in the second quarter of 2014 to \$464.7 million compared with \$397.2 million in the same period in 2013. The main contributor to this change was the 18% increase in management fee revenues, as average AUM jumped 20%. However, administration fee revenue from third-party fund companies grew 5%, representing the growth in Assante's revenues net of intercompany eliminations. Redemption fee revenue declined 7% as deferred load business continues to decline and CI has fewer and older assets subject to redemption fees. Other income grew by 40% primarily due to the inclusion of Marret Asset Management Inc.'s ("Marret") revenues that CI began to include in other revenue with the closing of the acquisition of 65% of Marret in December 2013. Total revenues increased 4% from the prior quarter, again primarily due to the increase in management fee revenues, which were up 5.4% on the strength of a 4.7% increase in average AUM, and to having one additional day in the quarter.

The second quarter of 2014 included SG&A expenses of \$84.9 million, a 10% increase from \$77.5 million for the same period in 2013 and half of the 20% increase in average AUM. This level of spend is only a 1.4% increase from \$83.7 million in the first quarter of 2014 and compares favourably to the 4.7% increase in average AUM for the quarter. Included in SG&A expenses are portfolio management fees, which are largely driven by the level of average AUM; however, CI has also added staff to its in-house portfolio management teams and increased the amount of discretionary spend on sales and marketing. While SG&A has increased in dollar terms because of this, as a percentage of average AUM, the level of SG&A spend declined to 34.8 basis points from 38.0 basis points in the second quarter of 2013 and 36.3 basis points in the first quarter of this year.

SG&A EXPENSE (MILLIONS)



PRE-TAX OPERATING EARNINGS PER SHARE



Amortization of deferred sales commissions (DSC) and fund contracts was \$39.2 million in the second quarter of 2014, down \$0.4 million from the second quarter of 2013 and down \$0.1 million from the prior quarter. Amortization of DSC represents the average amount of deferred sales commissions paid in the last seven years plus a small amount of accelerated amortization as deferred load units are redeemed ahead of their seven-year scheduled term. The level of spending on deferred sales commissions has generally declined over the past several years as a smaller proportion of sales have been deferred load funds versus front-end load funds.

TABLE 4: PRE-TAX OPERATING EARNINGS

CI uses pre-tax operating earnings to assess its underlying profitability. CI defines pre-tax operating earnings as income before income taxes less redemption fee revenue, non-recurring items, performance fees and investment gains, plus amortization of deferred sales commissions and fund contracts.

(in millions)	Quarter ended Jun. 30, 2014	Quarter ended Mar. 31, 2014	Quarter ended Jun. 30, 2013	Six months ended Jun. 30, 2014	Six months ended Jun. 30, 2013
Income before income taxes	\$176.0	\$166.4	\$142.5	\$342.3	\$276.2
Add:					
Amortization of DSC and fund contracts	39.2	39.3	39.6	78.5	79.8
Less:					
Redemption fees	5.2	5.3	5.6	10.5	12.1
Gain (loss) on marketable securities	—	0.2	1.0	0.1	1.0
Non-controlling interest	0.5	0.4	—	1.0	—
Pre-tax operating earnings	\$209.5	\$199.8	\$175.5	\$409.3	\$342.9
per share	\$0.74	\$0.70	\$0.62	\$1.44	\$1.21

Interest expense of \$4.5 million was recorded for the quarter ended June 30, 2014 compared with \$4.9 million for the quarter ended June 30, 2013 and \$4.6 million for the quarter ended March 31, 2014. The decrease in interest expense from the prior-year period reflected lower average debt levels as discussed under “Liquidity and Capital Resources.”

As shown in Table 4, pre-tax operating earnings were \$209.5 million (\$0.74 per share) in the second quarter of 2014, an increase of 19% from the same quarter of 2013 and an increase of 5% from the prior quarter. These changes primarily reflect the change in average AUM, which was up 20% from the second quarter of 2013 and up 5% from the prior quarter. For the six months ended June 30, 2014, pre-tax operating earnings were \$409.3 million (\$1.44 per share) up 19% from \$342.9 (\$1.21 per share) for the same period a year ago. This change is also primarily driven by the change in average AUM.

As illustrated in Table 5, EBITDA for the quarter ended June 30, 2014 was \$221.5 million (\$0.78 per share) compared with \$189.6 million (\$0.67 per share) for the quarter ended June 30, 2013 and \$212.2 million (\$0.75 per share) for the quarter ended March 31, 2014. The 17% year-over-year increase in quarterly EBITDA primarily reflects the 20% increase in average AUM, offset by administration fee, redemption fee and other revenues that do not vary directly with the level of average AUM. For the six months ended June 30, 2014, EBITDA was \$433.6 million (\$1.52 per share) compared with \$370.9 million (\$1.31 per share) for the same period last year. This 17% increase primarily related to a 19% rise in average AUM.

EBITDA as a percentage of total revenues (EBITDA margin) for the second quarter of 2014 was 47.8%, up from 47.7% in the second quarter of 2013 and up from 47.7% in the prior quarter. The EBITDA margin was positively impacted by lower SG&A expenses.

**TABLE 5: EBITDA and EBITDA Margin**

CI uses EBITDA (earnings before interest, taxes, depreciation and amortization) to assess its underlying profitability prior to the impact of its financing structure, income taxes and the amortization of deferred sales commissions, fund contracts and capital assets. This also permits comparisons of companies within the industry, before any distortion caused by different financing methods, levels of taxation and mix of business between front-end and back-end sales commission assets under management. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

(in millions)	Quarter ended Jun. 30, 2014	Quarter ended Mar. 31, 2014	Quarter ended Jun. 30, 2013	Six months ended Jun. 30, 2014	Six months ended Jun. 30, 2013
Net income	\$128.1	\$121.9	\$104.0	\$250.0	\$202.5
Add:					
Interest expense	4.5	4.6	4.9	9.1	9.9
Income tax expense	47.9	44.5	38.5	92.4	73.7
Amortization of DSC and fund contracts	39.2	39.3	39.6	78.5	79.8
Amortization of other items	2.3	2.3	2.6	4.6	5.0
Non-controlling interest	(0.5)	(0.4)	—	(1.0)	—
<b>EBITDA</b>	<b>\$221.5</b>	<b>\$212.2</b>	<b>\$189.6</b>	<b>\$433.6</b>	<b>\$370.9</b>
per share	\$0.78	\$0.75	\$0.67	\$1.52	\$1.31
<b>EBITDA margin (as a % of revenue)</b>	<b>47.8%</b>	<b>47.7%</b>	<b>47.7%</b>	<b>47.7%</b>	<b>47.6%</b>

## ASSET MANAGEMENT SEGMENT

The Asset Management segment is CI's principal business segment and includes the operating results and financial position of CI Investments and CIPC.

**TABLE 6: RESULTS OF OPERATIONS – ASSET MANAGEMENT SEGMENT**

(in millions)	Quarter ended Jun. 30, 2014	Quarter ended Mar. 31, 2014	Quarter ended Jun. 30, 2013	Six months ended Jun. 30, 2014	Six months ended Jun. 30, 2013
Management fees	\$415.6	\$394.4	\$351.0	\$810.0	\$686.9
Other revenue	9.3	11.1	9.2	20.4	18.3
<b>Total revenue</b>	<b>\$424.9</b>	<b>\$405.5</b>	<b>\$360.2</b>	<b>\$830.4</b>	<b>\$705.2</b>
Selling, general and administrative	\$68.8	\$68.3	\$62.8	\$137.1	\$124.3
Trailer fees	132.8	125.2	109.3	258.0	213.0
Amortization of deferred sales commissions and intangibles	39.9	40.0	40.2	79.8	81.1
Other expenses	2.8	2.4	0.4	5.3	0.8
<b>Total expenses</b>	<b>\$244.3</b>	<b>\$235.9</b>	<b>\$212.7</b>	<b>\$480.2</b>	<b>419.2</b>
Less:					
Non-controlling interest	0.5	0.4	—	1.0	—
<b>Income before taxes and non-segmented items</b>	<b>\$180.1</b>	<b>\$169.2</b>	<b>\$147.5</b>	<b>\$349.2</b>	<b>\$286.0</b>

## REVENUES

Revenues from management fees were \$415.6 million for the quarter ended June 30, 2014, an increase of 18% from \$351.0 million for the quarter ended June 30, 2013 and an increase of 5% from \$394.4 million for the quarter ended March 31, 2014. The changes were mainly attributable to changes in average AUM, which were up 20% from the second quarter of last year and up 5% from the prior quarter. As well, the average management fee rate declined from 1.724% to 1.703% over the year as a result of changes in the asset mix of CI's funds. This trend continued over the most recent quarter, with the average management fee declining from 1.711% to 1.703%.

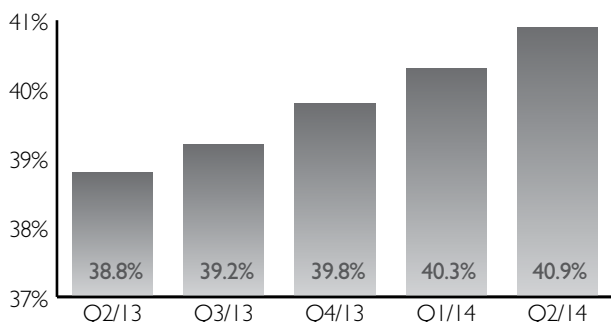
CI has experienced two trends that have lowered its average management fee rate. First, a greater percentage of AUM is in Class F, Class I and separately managed accounts, which have lower management fees than Class A funds. This trend is expected to continue as CI expands its institutional business and as more advisors transition into fee-based operating models and move their clients into products that have lower management fees or do not pay a trailer fee. Second, as CI and its distribution partners attract mass affluent and high net worth clients and as existing clients' assets increase beyond certain key thresholds, they are able to move away from typical retail funds into affluent and high net worth products that also generally pay a lower management fee. This trend is also expected to continue as this area of CI's business grows.

For the quarter ended June 30, 2014, other revenue was \$9.3 million versus \$9.2 million and \$11.1 million for the quarters ended June 30, 2013 and March 31, 2014, respectively. Included in other revenue are redemption fees, which were \$5.2 million for the quarter ended June 30, 2014 compared with \$5.6 million and \$5.3 million for the quarters ended June 30, 2013 and March 31, 2014, respectively. The decrease in redemption fees over time is a result of the trend towards more front-end load funds being sold versus deferred load funds, where redemption fees are levied on early redemptions. Other revenue has included the revenue from Marret since December 2013.

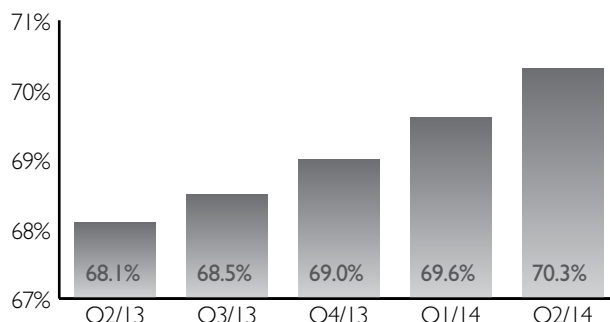
CI assesses the overall performance of this segment using an asset management margin where trailer fees, SG&A expenses and amortization of DSC are deducted from management fees, measured as a percentage of management fees. This margin removes any distortion caused by other revenues and expenses, eliminates the financing impact of back-end load funds because it is net of trailers and DSC and it also eliminates revenue mix variances because it is measured as a percentage of management fees and not average AUM.

As set out in Table 7, the asset management margin has increased steadily over the past five quarters as CI has retained an increasing proportion of its management fee revenues.

**TABLE 7: ASSET MANAGEMENT MARGIN**



**TABLE 8: SG&A EFFICIENCY MARGIN**



**EXPENSES**

Selling, general and administrative (“SG&A”) expenses for the Asset Management segment were \$68.8 million for the quarter ended June 30, 2014, up from \$62.8 million for the second quarter of 2013 and \$68.3 million for the quarter ended March 31, 2014. As a percentage of average AUM, SG&A expenses were 0.282% for the quarter ended June 30, 2014, down from 0.308% for the quarter ended June 30, 2013 and down from 0.296% for the prior quarter. CI has controlled increases in spending at a rate below the growth in its average assets under management.

Another measure that CI uses to assess its spend is the SG&A efficiency margin. This is calculated by subtracting trailer fees, SG&A expenses and amortization of DSC from management fees, measured as a percentage of management fees less trailer fees and amortization of DSC. This margin removes the impact of trailer fees and the amortization of DSC, which are not controllable by CI, and shows the balance remaining after SG&A spend.

Table 8 shows that this efficiency margin has climbed over the past five quarters as CI has spent a declining proportion of the amount available after deducting trailer fees and amortization of DSC from management fees.

Trailer fees were \$132.8 million for the quarter ended June 30, 2014 compared with \$109.3 million for the quarter ended June 30, 2013 and \$125.2 million for the quarter ended March 31, 2014. Net of inter-segment amounts, this expense was \$127.4 million for the quarter ended June 30, 2014 versus \$104.9 million for the second quarter of 2013 and \$120.1 million for the first quarter of 2014. The increase from the prior quarters was primarily due to the increase in average AUM.

Amortization of deferred sales commissions and intangibles was \$39.9 million for the quarter ended June 30, 2014, down \$0.3 million from the same period in 2013 and down \$0.1 million from the previous quarter. This remains consistent with the amount of deferred sales commissions paid in recent years, along with accelerated amortization related to redemptions of deferred load funds.

Other expenses were \$2.8 million for the quarter ended June 30, 2014 compared to \$0.4 million in the quarter ended June 30, 2013 and \$2.4 million in the prior quarter. Other expenses have included the expenses of Marret since December 2013.

Income before income taxes and interest expense for CI's principal segment was \$180.1 million for the quarter ended June 30, 2014 compared with \$147.5 million in the same period in 2013 and \$169.2 million in the previous quarter. The increases from the comparable periods are primarily due to the increase in average AUM. For the six months ended June 30, 2014, income before income taxes and interest expense was \$349.2 million compared with \$286.0 million for the first half of 2013.

## ASSET ADMINISTRATION SEGMENT

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries.

**TABLE 9: RESULTS OF OPERATIONS – ASSET ADMINISTRATION SEGMENT**

(in millions)	Quarter ended Jun. 30, 2014	Quarter ended Mar. 31, 2014	Quarter ended Jun. 30, 2013	Six months ended Jun. 30, 2014	Six months ended Jun. 30, 2013
Administration fees	\$68.0	\$68.8	\$60.0	\$136.8	\$120.2
Other revenue	5.2	4.9	4.0	10.1	7.9
<b>Total revenue</b>	<b>\$73.2</b>	<b>\$73.7</b>	<b>\$64.0</b>	<b>\$146.9</b>	<b>\$128.1</b>
Selling, general and administrative	\$16.1	\$15.3	\$14.7	\$31.5	\$29.3
Investment dealer fees	54.8	55.3	47.7	110.2	95.5
Amortization of intangibles	0.6	0.6	0.6	1.1	1.1
Other expenses	1.8	0.9	1.2	2.6	2.1
<b>Total expenses</b>	<b>\$73.3</b>	<b>\$72.1</b>	<b>\$64.2</b>	<b>\$145.4</b>	<b>\$128.0</b>
Income (loss) before taxes and non-segmented items	(\$0.1)	\$1.6	(\$0.2)	\$1.5	\$0.1

## REVENUES

Administration fees are primarily generated from ongoing advisor services that are driven by the level of AUA. They also include commissions on new sales of investment and insurance products. Administration fees were \$68.0 million for the quarter ended June 30, 2014, an increase of 13% from \$60.0 million for the same period last year and down 1% from \$68.8 for the prior quarter. Net of inter-segment amounts, administration fee revenue was \$34.7 million for the quarter ended June 30, 2014, up 5% from \$33.0 million for the quarter ended June 30, 2013 and down 1% from \$35.1 million in the previous quarter. The 19% increase in AUA over the past year contributed to the increase in revenues as approximately 75% of administration fee revenues are ongoing service fees.

Other revenues earned by the Asset Administration segment are generally derived from non-advisor related activities. For the quarter ended June 30, 2014, other revenues were \$5.2 million, up \$0.3 million from last quarter and \$1.2 million from the second quarter last year.

## EXPENSES

Investment dealer fees, which represent the payout to advisors on revenues they generate, were \$54.8 million for the quarter ended June 30, 2014 compared to \$47.7 million for the second quarter last year and \$55.3 million for the quarter ended March 31, 2014.



As detailed in Table 10, dealer gross margin was \$13.2 million or 19.4% of administration fee revenue for the quarter ended June 30, 2014 compared to \$12.3 million or 20.5% for the second quarter of 2013 and \$13.5 million or 19.6% for the previous quarter. For the six months ended June 30, 2014, dealer gross margin was \$26.6 million or 19.5% of administration fee revenue compared to \$24.7 million or 20.5% for the same period last year. The changes in gross margin from the comparable quarters correspond to the level of payout to financial advisors on their 12-month rolling administration fee revenues and the mix of revenue between sales commissions, trailer fees, insurance commissions and other revenues.

SG&A expenses for the segment were \$16.1 million for the quarter ended June 30, 2014 compared to \$14.7 million in the second quarter of 2013 and \$15.3 million in the first quarter of 2014. In the second quarter this year, there was an increase in the level of discretionary spend on sales and marketing.

The Asset Administration segment had income (loss) before income taxes and non-segmented items of (\$0.1) million for the quarter ended June 30, 2014, up from (\$0.2) million for the second quarter of 2013 and down from \$1.6 million in the prior quarter. In the second quarters of 2013 and 2014, AWM recognized an increase in the level of legal provisions booked within other expenses. For the six-month period, income before income taxes and non-segmented items was \$1.5 million in 2014 versus \$0.1 in 2013.

**TABLE 10: DEALER GROSS MARGIN**

CI monitors its operating profitability on the revenues earned within its Asset Administration segment by measuring the dealer gross margin, which is calculated as administration fee revenue less investment dealer fees, divided by administration fee revenue. CI uses this measure to assess the margin remaining after the payout to advisors.

(in millions)	Quarter ended Jun. 30, 2014	Quarter ended Mar. 31, 2014	Quarter ended Jun. 30, 2013	Six months ended Jun. 30, 2014	Six months ended Jun. 30, 2013
Administration fees	\$68.0	\$68.8	\$60.0	\$136.8	\$120.2
Less:					
Investment dealer fees	54.8	55.3	47.7	110.2	95.5
	\$13.2	\$13.5	\$12.3	\$26.6	\$24.7
Dealer gross margin	19.4%	19.6%	20.5%	19.5%	20.5%

## LIQUIDITY AND CAPITAL RESOURCES

As detailed in Table 11, CI generated \$332.8 million of operating cash flow in the six months ended June 30, 2014, up \$43.0 million from \$289.8 million in the same period of 2013. CI measures its operating cash flow before the change in working capital and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Working capital is affected by seasonality, interest is primarily paid semi-annually, and tax instalments paid may differ materially from the cash tax accrual. CI's main uses of capital are the financing of deferred sales commissions, the payment of dividends on its shares, the funding of capital expenditures and the repurchase of shares through its normal course issuer bid program. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and pay down debt.

**TABLE 11: SUMMARY OF CASH FLOWS**

(in millions)	Six months ended Jun. 30, 2014	Six months ended Jun. 30, 2013
Operating Cash Flow	\$332.8	\$289.8
Less:		
Deferred sales commissions paid	71.7	77.0
Marketable securities, net	4.6	(2.3)
Capital expenditures	1.5	2.6
Share repurchases	14.4	—
Dividends paid	163.9	143.0
Debt repaid	—	68.0
Working capital and other	22.2	(6.3)
	278.3	282.0
Net change in cash	54.5	7.8
Cash at January 1	118.8	24.1
Cash at June 30	\$173.3	\$31.9

CI paid sales commissions of \$71.7 million in the first half of 2014 compared to \$77.0 million in the first half of last year. The decrease in sales commissions from the prior year is consistent with the longer term decline in deferred load fund sales.

CI invested \$5.3 million in marketable securities in the first half of 2014. During the same period, CI received proceeds of \$0.7 million from the disposition of marketable securities. The fair value of marketable securities at June 30, 2014 was \$84.0 million. Marketable securities are comprised of seed capital investments in its funds and strategic investments.

During the six months ended June 30, 2014, CI incurred capital expenditures of \$1.5 million, primarily relating to leasehold improvements and investments in technology.

During the first half of 2014, CI repurchased 0.4 million shares under its normal course issuer bid at a total cost of \$14.4 million or \$34.15 per share. CI paid dividends of \$163.9 million, which represented 66% of net income for the six months. CI's most recent dividend payment was \$0.10 per share per month, or approximately \$341 million per year.

The statement of financial position for CI at June 30, 2014 reflects total assets of \$3.153 billion, an increase of \$59 million from \$3.094 billion at December 31, 2013. This change can be attributed to an increase in current assets of \$64.2 million and a decrease in long-term assets of \$5.7 million.

CI's cash and cash equivalents increased by \$54.5 million to \$173.3 million in the first half of 2014 due to the items set out in Table 11. Marketable securities increased by \$9.6 million on the net purchase of \$4.6 million in securities and unrealized gains recorded as a result of positive market performance during the quarter. Accounts receivable and prepaid expenses increased by \$3.8 million to \$85.9 million, primarily because receivables balances have grown with the level of revenues.

Deferred sales commissions decreased \$4.9 million to \$428.4 million as a result of \$71.7 million in sales commissions paid offset by \$76.6 million in amortization expense. Capital assets decreased \$2.3 million during the quarter as a result of \$3.8 million amortized during the year offset by \$1.5 million in capital additions.

Total liabilities decreased by \$17.0 million during the first half of 2014 to \$1.253 billion at June 30, 2014. The primary contributors to this change were a \$7.3 million decrease in accounts payable and a \$7.7 million decrease in income taxes payable.

At June 30, 2014 and December 31, 2013, CI had \$500 million in outstanding debentures at an average interest rate of 3.50% with a carrying value of \$499.1 million at June 30, 2014, and a carrying value of \$498.9 million of debt outstanding at an average rate of 3.50% at December 31, 2013. Net of excess cash and marketable securities, debt was \$252.6 million at June 30, 2014, down from \$315.3 million at December 31, 2013. The average debt level for the six months ended June 30, 2014 was approximately \$500 million compared to \$590 million for the same period last year.

At June 30, 2014, CI was undrawn against its \$250 million credit facility. Principal repayments on any drawn amounts are only required should the bank decide not to renew the facility on its anniversary, in which case 6.25% of the principal would be repaid at each calendar quarter-end, with the balance payable at the end of the credit facility term (March 12, 2017). These payments would be payable beginning March 31, 2015 should the bank not renew the facility.

CI's current ratio of debt (net of excess cash) to EBITDA is at 0.28 to 1, well below CI's long-term target of 1 to 1. CI expects that, absent acquisitions and share repurchases in which debt is increased, excess cash flow will be used to pay down debt and the ratio of debt to EBITDA will trend lower. CI is within its financial covenants with respect to its credit facility, which requires that the debt-to-EBITDA ratio remain below 2.5 to 1, and AUM not fall below \$40 billion, based on a rolling 30-day average.

Shareholders' equity reached \$1.894 billion at June 30, 2014, an increase of \$75.1 million during the first six months of 2014 that approximates net income less dividends and share repurchases.

## **RISK MANAGEMENT**

There is risk inherent in the conduct of a wealth management business. Some factors which introduce or exacerbate risk are within the control of management and others are by their nature outside of direct control but must still be managed. Effective risk management is a key component to achieving CI's business objectives. It requires management to identify and anticipate risks in order to develop strategies and procedures which minimize or avoid negative consequences. Management has developed an approach to risk management that involves executives in each core business unit and operating area of CI. These executives identify and evaluate risks, applying both a quantitative and a qualitative analysis and then assess the likelihood of occurrence of a particular risk. The final step in the process is to identify mitigating factors or strategies and a course for implementing mitigation procedures.

The disclosures below provide a summary of the key risks and uncertainties that affect CI's financial performance. For a more complete discussion of the risk factors which may adversely impact CI's business, please refer to the "Risk Factors" section of CI's Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com).

## MARKET RISK

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity and commodity prices.

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in prices and volatility of individual equity instruments and equity indexes.

CI's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect CI's AUM, management fees and revenues, which would reduce cash flow to CI and ultimately impact CI's ability to pay dividends.

### *Asset Management Segment*

CI is subject to market risk throughout its Asset Management business segment. CI has a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's compliance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk.

At June 30, 2014, approximately 24% of CI's AUM were held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 50 basis point change in interest rates would cause a change of approximately \$4 million in annual pre-tax earnings in the Asset Management segment.

At June 30, 2014, about 53% of CI's AUM were based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, at the same time, approximately 26% of CI's AUM were based in U.S. currency. Any change in the value of the Canadian dollar relative to U.S. currency will cause fluctuations in CI's AUM upon which CI's management fees are calculated. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of approximately \$26 million in the Asset Management segment's annual pre-tax earnings.

About 66% of CI's AUM were held in equity securities at June 30, 2014, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the prices of equity indexes would cause a change of approximately \$66 million in annual pre-tax earnings.

### *Asset Administration Segment*

CI's Asset Administration business is exposed to market risk. The following is a description of how CI mitigates the impact this risk has on its financial position and results of operations.

Risk management for administered assets is the responsibility of the Chief Compliance Officer and senior management. Responsibilities include ensuring policies, processes and internal controls are in place and in accordance with regulatory requirements. CI's internal audit department reviews CI's adherence to these policies and procedures.

Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of less than \$2 million to the Asset Administration segment's annual pre-tax earnings.

## **CREDIT RISK**

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. CI is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries, as well as issuers whose securities are held by CI. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and by holding collateral where appropriate.

One of the primary sources of credit risk arises when CI extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. CI faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if CI is unable to recover sufficient value from the collateral held. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties. CI has concluded that current economic and credit conditions have not significantly impacted its financial assets.

## **LIQUIDITY RISK**

Liquidity risk is the risk that CI may not be able to generate sufficient funds and within the time required in order to meet its obligations as they come due. While CI currently has access to financing, unfavourable market conditions may affect the ability of CI to obtain loans or make other arrangements on terms acceptable to CI.

## **STRATEGIC RISKS**

Strategic risks are risks that directly impact the overall direction of CI and the ability of CI to successfully implement proposed strategies. The key strategic risk is the risk that management fails to anticipate, and respond to changes in the business environment including demographic and competitive changes. CI's performance is directly affected by financial market and business conditions, including the legislation and policies of the governments and regulatory authorities having jurisdiction over CI's operations. These are beyond the control of CI; however, an important part of the risk management process is the on-going review and assessment of industry and economic trends and changes. Strategies are then designed to mitigate the impact of any anticipated changes, including the introduction of new products and cost control strategies.

## **DISTRIBUTION RISK**

CI distributes its investment products through a number of distribution channels including brokers, independent financial planners and insurance advisors. CI's access to these distribution channels is impacted by the strength of the relationship with certain business partners and the level of competition faced from the financial institutions that own those channels. While CI continues to develop and enhance existing relationships, there can be no assurance that CI will continue to enjoy the level of access that it has in the past, which would adversely affect its sales of investment products.

## OPERATIONAL RISKS

Operational risks are risks related to the actions, or failure in the processes, that support the business including administration, information technology, product development and marketing. The administrative services provided by CI depend on software supplied by third-party suppliers. Failure of a key supplier, the loss of these suppliers' products, or problems or errors related to such products would have a material adverse effect on the ability of CI to provide these administrative services. Changes to the pricing arrangement with such third-party suppliers because of upgrades or other circumstances could have an adverse effect upon the profitability of CI. There can be no assurances that CI's systems will operate or that CI will be able to prevent an extended systems failure in the event of a subsystem component or software failure or in the event of an earthquake, fire or any other natural disaster, or a power or telecommunications failure. Any systems failure that causes interruptions in the operations of CI could have a material adverse effect on its business, financial condition and operating results. CI may also experience losses in connection with employee errors. Although expenses incurred by CI in connection with employee errors have not been significant in the past, there can be no assurances that these expenses will not increase in the future.

## CYBER RISK

The Corporation is exposed to cyber threats that are becoming more sophisticated and pervasive. These risks from a cyber breach include unauthorized access to sensitive information, theft and operational disruption. The Corporation is actively monitoring this risk and has in place controls to help mitigate this risk.

## TAXATION RISK

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency, and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment.

## COMPETITION

CI operates in a highly competitive environment, with competition based on a variety of factors, including the range of products offered, brand recognition, investment performance, business reputation, financing strength, the strength and continuity of institutional, management and sales relationships, quality of service, level of fees charged and level of commissions and other compensation paid. CI competes with a large number of mutual fund companies and other providers of investment products, investment management firms, broker-dealers, banks, insurance companies and other financial institutions. Some of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than CI. The trend toward greater consolidation within the investment management industry has increased the strength of a number of CI's competitors. Additionally, there are few barriers to entry by new investment management firms, and the successful efforts of new entrants have resulted in increased competition. CI's competitors seek to expand market share by offering different products and services than those offered by CI. While CI continues to develop and market new products and services, there can be no assurance that CI will maintain its current standing or market share, and that may adversely affect the business, financial condition or operating results of CI.

## REGULATORY AND LEGAL RISK

Certain subsidiaries of CI are heavily regulated in all jurisdictions where they carry on business. Laws and regulations applied at the national and provincial level generally grant governmental agencies and self-regulatory bodies broad administrative discretion over the activities of CI, including the power to limit or restrict business activities as well as impose additional disclosure requirements on CI products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of CI's business segments or its key personnel or financial advisors, and the imposition of fines and censures. It is also possible that the laws and regulations governing a subsidiary's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to CI. To the extent that existing or future regulations affecting the sale or offering of CI's product or services or CI's investment strategies cause or contribute to reduced sales of CI's products or lower margins or impair the investment performance of CI's products, CI's aggregate AUM and its revenues may be adversely affected.

Certain subsidiaries of CI are subject to minimum regulatory capital requirements. This may require CI to keep sufficient cash and other liquid assets on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may subject it to fines, suspension or revocation of registration by the relevant securities regulator. A significant operating loss by a registrant subsidiary or an unusually large charge against regulatory capital could adversely affect the ability of CI to expand or even maintain its present level of business, which could have a material adverse effect on CI's business, results of operations, financial condition and prospects.

Given the nature of CI's business, CI may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing CI, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's subsidiaries' right to carry on their existing business. CI may incur significant costs in connection with such potential liabilities.

## COMMITMENT OF FINANCIAL ADVISORS AND OTHER KEY PERSONNEL

The success of CI is also dependent upon, among other things, the skills and expertise of its human resources including the management and investment personnel and its personnel with skills related to, among other things, marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These individuals play an important role in developing, implementing, operating, managing and distributing CI's products and services. Accordingly, the recruitment of competent personnel, continuous training and transfer of knowledge are key activities that are essential to CI's performance. In addition, the growth in total AUM in the industry and the reliance on investment performance to sell financial products have increased the demand for experienced and high-performing portfolio managers. Compensation packages for these managers may increase at a rate well in excess of inflation and well above the rates of increase observed in other industries and the rest of the labour market. CI believes that it has the resources necessary for the operation of CI's business. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could adversely affect CI's business.

The market for financial advisors is extremely competitive and is increasingly characterized by frequent movement by financial advisors among different firms. Individual financial advisors of AWM have regular direct contact with clients, which can lead to a strong and personal client relationship based on the client's trust in the individual financial advisor. The loss of a significant number of financial advisors could lead to the loss of client accounts which could have a material adverse effect on the results of operations and prospects of AWM, and, in turn, CI. Although AWM uses or has used a combination of competitive compensation structures and equity with vesting provisions as a means of seeking to retain financial advisors, there can be no assurance that financial advisors will remain with AWM.

## INFORMATION REGARDING GUARANTORS

The following tables provide unaudited consolidated financial information for CI, CI Investments and non-guarantor subsidiaries for the periods identified below, presented with a separate column for: (i) CI; (ii) CI Investments, (iii) the non-guarantor subsidiaries of CI on a combined basis [the “Other Subsidiaries”]; (iv) consolidating adjustments; and (v) the total consolidated amounts.

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30 (unaudited)

(in millions of dollars)	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	87.0	117.7	411.5	350.4	123.6	106.6	(157.4)	(177.5)	464.7	397.2
Net income	85.3	115.8	116.5	92.8	11.3	11.5	(85.0)	(116.1)	128.1	104.0
Net income attributable to shareholders	85.3	115.8	116.5	92.8	10.7	11.5	(84.7)	(116.1)	127.8	104.0

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30 (unaudited)

(in millions of dollars)	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	178.1	187.7	809.4	691.4	269.2	221.8	(346.4)	(321.8)	910.3	779.1
Net income	174.5	183.6	232.0	186.2	46.8	32.5	(203.3)	(199.8)	250.0	202.5
Net income attributable to shareholders	174.5	183.6	232.0	186.2	46.0	32.5	(203.0)	(199.8)	249.5	202.5

### BALANCE SHEET DATA AS AT JUNE 30, 2014 AND DECEMBER 31, 2013 (UNAUDITED)

(in millions of dollars)	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Current assets	216.2	214.2	337.0	277.0	212.6	209.7	(296.1)	(295.4)	469.7	405.5
Non-current assets	1,982.6	1,902.4	2,897.7	2,882.9	257.9	248.7	(2,455.3)	(2,345.5)	2,682.9	2,688.5
Current liabilities	260.6	254.6	162.1	163.3	160.7	169.1	(44.0)	(31.8)	539.4	555.2
Non-current liabilities	11.4	11.5	1,117.2	1,119.6	5.7	4.5	(420.4)	(420.5)	713.9	715.1

## SHARE CAPITAL

As at June 30, 2014, CI had 284,423,806 shares outstanding.

At June 30, 2014, 5.7 million options to purchase shares were outstanding, of which 1.5 million options were exercisable.



## CONTRACTUAL OBLIGATIONS

The table that follows summarizes CI's contractual obligations at June 30, 2014.

### PAYMENTS DUE BY YEAR

(millions of dollars)	Total	1 year or less	2	3	4	5	More than 5 years
Debentures	500.0	200.0	—	300.0	—	—	—
Operating leases	91.3	10.1	9.8	9.4	8.4	8.3	45.3
Total	591.3	210.1	9.8	309.4	8.4	8.3	45.3

## SIGNIFICANT ACCOUNTING ESTIMATES

The June 30, 2014 Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, please refer to Note 1 of the December 31, 2013 Notes to the Consolidated Financial Statements. Included in the December 31, 2013 Notes to the Consolidated Financial Statements is Note 5 which provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

CI carries significant goodwill and intangible assets on its balance sheet. CI uses valuation models that use estimates of future market returns and sales and redemptions of investment products as the primary determinants of fair value. CI also uses a valuation approach based on a multiple of AUM and assets under administration for each of CI's operating segments. The multiple used by CI reflects recent transactions and research reports by independent equity research analysts. CI has renewed these key variables in light of the current economic climate. Estimates of sales and redemptions are very likely to change as economic conditions either improve or deteriorate, whereas estimates of future market returns are less likely to do so. The models are most sensitive to current levels of AUM and administration as well as estimates of future market returns. While these balances are not currently impaired, a decline of 20% in the fair value of certain models may result in an impairment of goodwill or other intangibles recorded on the statement of financial position.

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with management, are responsible for the design of CI's disclosure controls and procedures. Management has evaluated, with participation of the CEO and CFO, the effectiveness of the disclosure controls and procedures as at June 30, 2014. Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these Disclosure Controls and Procedures were effective and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

Management, under the supervision of the CEO and CFO, is responsible for the design and maintenance of adequate internal controls over financial reporting for the purposes of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to its inherent limitations, internal controls over financial reporting can only provide reasonable, not absolute, assurance that the financial statements are free of misstatements. The COSO framework was used to assist management, along with the CEO and CFO, in the evaluation of these internal control systems. Management, under the direction of the CEO and CFO, have concluded that the internal controls over financial reporting are effective. Management used various tools to evaluate internal controls over financial reporting which included interaction with key control systems, review of policy and procedure documentation, observation or reperformance of control procedures to evaluate the effectiveness of controls and concluded that these controls are effective. For the quarter ended June 30, 2014, there have been no changes to the internal controls over financial reporting that have materially affected, or are reasonably likely to affect, internal controls over financial reporting.

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*Additional information relating to CI, including the most recent audited financial statements, management information circular and annual information form are available on SEDAR at [www.sedar.com](http://www.sedar.com).*





# Condensed Consolidated Financial Statements

Quarter ended June 30, 2014 (unaudited)

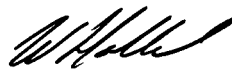
CI Financial Corp.

# Consolidated Statements of Financial Position (unaudited)

<i>[in thousands of Canadian dollars]</i>	As at June 30, 2014 \$	As at December 31, 2013 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	173,297	118,812
Client and trust funds on deposit	126,610	130,194
Marketable securities	83,953	74,403
Accounts receivable and prepaid expenses	85,852	82,065
<b>Total current assets</b>	<b>469,712</b>	<b>405,474</b>
Capital assets, net	40,444	42,717
Deferred sales commissions, net of accumulated amortization of \$468,049 [December 31, 2013 – \$484,142]	428,388	433,314
Intangibles	2,188,977	2,191,248
Other assets	25,033	21,216
<b>Total assets</b>	<b>3,152,554</b>	<b>3,093,969</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	143,195	150,546
Provision for other liabilities [note 3]	1,427	2,334
Dividends payable [note 5]	56,887	54,143
Client and trust funds payable	125,495	128,274
Income taxes payable	12,529	20,209
Current portion of long-term debt [note 2]	199,883	199,765
<b>Total current liabilities</b>	<b>539,416</b>	<b>555,271</b>
Deferred lease inducement	15,027	15,816
Long-term debt [note 2]	299,249	299,107
Provision for other liabilities [note 3]	21,746	20,302
Deferred income taxes	377,892	379,851
<b>Total liabilities</b>	<b>1,253,330</b>	<b>1,270,347</b>
<b>Equity</b>		
Share capital [note 4(a)]	1,987,667	1,987,642
Contributed surplus	7,891	8,350
Deficit	(111,959)	(183,349)
Accumulated other comprehensive income	10,837	6,684
<b>Shareholders' equity</b>	<b>1,894,436</b>	<b>1,819,327</b>
<b>Non-controlling interests</b>	<b>4,788</b>	<b>4,295</b>
<b>Total equity</b>	<b>1,899,224</b>	<b>1,823,622</b>
<b>Total liabilities and equity</b>	<b>3,152,554</b>	<b>3,093,969</b>

(see accompanying notes)

On behalf of the Board of Directors:



William T. Holland  
Director



Paul Derksen  
Director

# Consolidated Statements of Income and Comprehensive Income (unaudited)

for the three-month period ended June 30

<i>[in thousands of Canadian dollars, except per share amounts]</i>	2014 \$	2013 \$
<b>REVENUE</b>		
Management fees	415,609	351,038
Administration fees	34,707	32,992
Redemption fees	5,184	5,546
Gain on sale of marketable securities	—	1,019
Other income	9,242	6,627
	<b>464,742</b>	<b>397,222</b>
<b>EXPENSES</b>		
Selling, general and administrative	84,906	77,459
Trailer fees	127,399	104,919
Investment dealer fees	27,738	25,904
Amortization of deferred sales commissions	38,251	39,033
Amortization of intangibles	1,208	800
Interest <i>[note 2]</i>	4,545	4,884
Other	4,733	1,715
	<b>288,780</b>	<b>254,714</b>
<b>Income before income taxes</b>	<b>175,962</b>	<b>142,508</b>
<b>Provision for income taxes</b>		
Current	51,028	38,313
Deferred	(3,120)	229
	<b>47,908</b>	<b>38,542</b>
<b>Net income for the period</b>	<b>128,054</b>	<b>103,966</b>
<b>Net income attributable to non-controlling interests</b>	<b>287</b>	<b>—</b>
<b>Net income attributable to shareholders</b>	<b>127,767</b>	<b>103,966</b>
<b>Other comprehensive income (loss), net of tax</b>		
Unrealized gain (loss) on available-for-sale financial assets, net of income taxes of \$332 [2013 – (\$603)]	2,175	(3,952)
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of nil [2013 – \$224]	—	1,468
Total other comprehensive income (loss), net of tax	2,175	(2,484)
<b>Comprehensive income for the period</b>	<b>130,229</b>	<b>101,482</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>287</b>	<b>—</b>
<b>Comprehensive income attributable to shareholders</b>	<b>129,942</b>	<b>101,482</b>
<b>Basic and diluted earnings per share attributable to shareholders <i>[note 4(c)]</i></b>	<b>\$0.45</b>	<b>\$0.37</b>

(see accompanying notes)

# Consolidated Statements of Income and Comprehensive Income (unaudited)

for the six-month period ended June 30

<i>[in thousands of Canadian dollars, except per share amounts]</i>	2014 \$	2013 \$
<b>REVENUE</b>		
Management fees	809,989	686,866
Administration fees	69,811	66,106
Redemption fees	10,525	12,037
Gain on sale of marketable securities	123	1,030
Other income	19,856	13,089
	<b>910,304</b>	<b>779,128</b>
<b>EXPENSES</b>		
Selling, general and administrative	168,589	153,614
Trailer fees	247,499	204,507
Investment dealer fees	55,774	51,895
Amortization of deferred sales commissions	76,632	78,692
Amortization of intangibles	2,416	1,596
Interest <i>[note 2]</i>	9,128	9,872
Other	7,920	2,769
	<b>567,958</b>	<b>502,945</b>
<b>Income before income taxes</b>	<b>342,346</b>	<b>276,183</b>
<b>Provision for income taxes</b>		
Current	94,979	72,485
Deferred	(2,593)	1,233
	<b>92,386</b>	<b>73,718</b>
<b>Net income for the period</b>	<b>249,960</b>	<b>202,465</b>
<b>Net income attributable to non-controlling interests</b>	<b>493</b>	<b>—</b>
<b>Net income attributable to shareholders</b>	<b>249,467</b>	<b>202,465</b>
<b>Other comprehensive income, net of tax</b>		
Unrealized gain on available-for-sale financial assets, net of income taxes of \$648 [2013 – \$157]	4,247	1,029
Reversal of (gains) losses to net income on available-for-sale financial assets, net of income taxes of (\$14) [2013 – \$224]	(94)	1,468
Total other comprehensive income, net of tax	4,153	2,497
<b>Comprehensive income for the period</b>	<b>254,113</b>	<b>204,962</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>493</b>	<b>—</b>
<b>Comprehensive income attributable to shareholders</b>	<b>253,620</b>	<b>204,962</b>
<b>Basic earnings per share attributable to shareholders <i>[note 4(c)]</i></b>	<b>\$0.88</b>	<b>\$0.71</b>
<b>Diluted earnings per share attributable to shareholders <i>[note 4(c)]</i></b>	<b>\$0.87</b>	<b>\$0.71</b>

(see accompanying notes)

# Consolidated Statements of Changes in Shareholders' Equity (unaudited)

for the six-month period ended June 30

<i>[in thousands of Canadian dollars]</i>	Share capital <i>[note 4(a)]</i> \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total shareholders' equity \$	Non- controlling interests \$	Total equity \$
<b>Balance, January 1, 2014</b>	1,987,642	8,350	(183,349)	6,684	1,819,327	4,295	1,823,622
Comprehensive income	—	—	249,467	4,153	253,620	493	254,113
Dividends declared <i>[note 5]</i>	—	—	(166,625)	—	(166,625)	—	(166,625)
Shares repurchased	(2,947)	—	(11,452)	—	(14,399)	—	(14,399)
Issuance of share capital							
on exercise of options	2,972	(2,905)	—	—	67	—	67
Compensation expense							
for equity-based plans	—	2,446	—	—	2,446	—	2,446
Change during the period	25	(459)	71,390	4,153	75,109	493	75,602
<b>Balance, June 30, 2014</b>	1,987,667	7,891	(111,959)	10,837	1,894,436	4,788	1,899,224
<b>Balance, January 1, 2013</b>	1,964,433	14,511	(303,126)	170	1,675,988	—	1,675,988
Comprehensive income	—	—	202,465	2,497	204,962	—	204,962
Dividends declared <i>[note 5]</i>	—	—	(148,832)	—	(148,832)	—	(148,832)
Issuance of share capital							
on exercise of options	8,343	(8,318)	—	—	25	—	25
Compensation expense							
for equity-based plans	—	2,205	—	—	2,205	—	2,205
Change during the period	8,343	(6,113)	53,633	2,497	58,360	—	58,360
<b>Balance, June 30, 2013</b>	1,972,776	8,398	(249,493)	2,667	1,734,348	—	1,734,348

(see accompanying notes)



# Consolidated Statements of Cash Flows (unaudited)

for the three-month period ended June 30

<i>[in thousands of Canadian dollars]</i>	2014 \$	2013 \$
<b>OPERATING ACTIVITIES (*)</b>		
Net income	128,054	103,966
Add (deduct) items not involving cash		
Gain on sale of marketable securities	—	(1,019)
Equity-based compensation	1,381	1,102
Amortization of deferred sales commissions	38,251	39,033
Amortization of intangibles	1,208	800
Amortization and depreciation of other	2,034	2,326
Deferred income taxes	(3,120)	229
Cash provided by operating activities before changes in operating assets and liabilities	167,808	146,437
Net change in non-cash working capital balances	30,218	14,112
<b>Cash provided by operating activities</b>	<b>198,026</b>	<b>160,549</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of marketable securities	(682)	(20,509)
Proceeds on sale of marketable securities	1	22,835
Additions to capital assets	(828)	(673)
Deferred sales commissions paid	(29,930)	(32,215)
Decrease (increase) in other assets	179	(73)
Additions to intangibles	(16)	(45)
<b>Cash used in investing activities</b>	<b>(31,276)</b>	<b>(30,680)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt	—	(66,000)
Repurchase of share capital	(5,430)	—
Issuance of share capital	—	6
Dividends paid to shareholders	(82,605)	(73,681)
<b>Cash used in financing activities</b>	<b>(88,035)</b>	<b>(139,675)</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>78,715</b>	<b>(9,806)</b>
Cash and cash equivalents, beginning of period	94,582	41,698
<b>Cash and cash equivalents, end of period</b>	<b>173,297</b>	<b>31,892</b>
<b>(*) Included in operating activities are the following:</b>		
Interest paid	8,870	8,272
Income taxes paid	44,459	36,052
<i>(see accompanying notes)</i>		

# Consolidated Statements of Cash Flows (unaudited)

for the six-month period ended June 30

<i>[in thousands of Canadian dollars]</i>	2014 \$	2013 \$
<b>OPERATING ACTIVITIES (*)</b>		
Net income	249,960	202,465
Add (deduct) items not involving cash		
Gain on sale of marketable securities	(123)	(1,030)
Equity-based compensation	2,446	2,205
Amortization of deferred sales commissions	76,632	78,692
Amortization of intangibles	2,416	1,596
Amortization and depreciation of other	4,070	4,603
Deferred income taxes	(2,593)	1,233
Cash provided by operating activities before changes in operating assets and liabilities	332,808	289,764
Net change in non-cash working capital balances	(18,265)	6,045
<b>Cash provided by operating activities</b>	<b>314,543</b>	<b>295,809</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of marketable securities	(5,352)	(20,716)
Proceeds on sale of marketable securities	712	22,967
Additions to capital assets	(1,537)	(2,586)
Deferred sales commissions paid	(71,706)	(76,966)
Decrease (increase) in other assets	(3,817)	367
Additions to intangibles	(145)	(114)
<b>Cash used in investing activities</b>	<b>(81,845)</b>	<b>(77,048)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt	—	(68,000)
Repurchase of share capital	(14,399)	—
Issuance of share capital	67	25
Dividends paid to shareholders	(163,881)	(143,031)
<b>Cash used in financing activities</b>	<b>(178,213)</b>	<b>(211,006)</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>54,485</b>	<b>7,755</b>
Cash and cash equivalents, beginning of period	118,812	24,137
<b>Cash and cash equivalents, end of period</b>	<b>173,297</b>	<b>31,892</b>
<b>(*) Included in operating activities are the following:</b>		
Interest paid	9,210	9,029
Income taxes paid	102,719	63,889

(see accompanying notes)

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

CI Financial Corp. ["CI"] is incorporated under the laws of the Province of Ontario. CI's primary business is the management and distribution of a broad range of financial products and services, including mutual funds, segregated funds, financial planning, insurance, investment advice, wealth management and estate and succession planning.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of CI have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ["IAS 34"] as issued by the International Accounting Standards Board ["IASB"] and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2013.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of CI on August 7, 2014.

### BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements of CI have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements have been prepared on a going concern basis. CI's presentation currency is the Canadian dollar. The functional currency of CI and its subsidiaries is also the Canadian dollar. The notes presented in these unaudited interim condensed consolidated financial statements include, in general, only significant changes and transactions occurring since CI's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2013.

### BASIS OF CONSOLIDATION

The unaudited interim condensed consolidated financial statements include the accounts of CI, CI Investments Inc. ["CI Investments"] and Assante Wealth Management (Canada) Ltd. ["AWM"] and their subsidiaries, which are entities over which CI has control. Control exists when CI has the power, directly or indirectly, to govern the financial and operating policies of an entity, is exposed to variable returns from its activities, and is able to use its power to affect such variable returns to which it is exposed. Hereinafter, CI and its subsidiaries are referred to as CI.

CI holds a controlling 65% interest in Marret Asset Management Inc. ["Marret"]. A non-controlling interest is recorded in the unaudited interim condensed consolidated statement of income and comprehensive income to reflect the non-controlling interest's share of the net income and comprehensive income, and a non-controlling interest is recorded within equity in the unaudited interim condensed consolidated statement of financial position to reflect the non-controlling interest's share of the net assets of Marret.

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

## 2. LONG-TERM DEBT

Long-term debt consists of the following:

	As at June 30, 2014 \$	As at December 31, 2013 \$
<b>Debentures</b>		
\$200 million, 4.19%, due December 16, 2014	199,883	199,765
\$300 million, 3.94% until December 13, 2015 and floating rate until December 14, 2016	299,249	299,107
	499,132	498,872
<b>Long-term debt</b>	<b>499,132</b>	<b>498,872</b>
<b>Current portion of long-term debt</b>	<b>199,883</b>	<b>199,765</b>

### *Credit facility*

Effective February 14, 2014, CI renewed its revolving credit facility with two chartered banks. There were no amendments made to the financial terms of the credit facility.

### *Debentures*

On December 16, 2009, CI entered into an interest rate swap agreement with a Canadian chartered bank to swap the fixed rate payments on the 2014 Debentures for floating rate payments. As at June 30, 2014, the fair value of the interest rate swap was an unrealized gain of \$1,324 [December 31, 2013 – unrealized gain of \$2,672] and is included in long-term debt in the consolidated statements of financial position.

## 3. PROVISION FOR OTHER LIABILITIES AND CONTINGENCIES

CI is a party to a number of claims, proceedings and investigations, including legal, regulatory and tax, in the ordinary course of its business. In addition, CI has provided for contingent consideration payable as discussed in Note 3 of the 2013 Consolidated Financial Statements. Due to the inherent uncertainty involved in these matters, it is difficult to predict the final outcome or the amount and timing of any outflow related to such matters. Based on current information and consultations with advisors, CI does not expect the outcome of these matters, individually or in aggregate, to have a material adverse effect on its financial position or on its ability to continue normal business operations.

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013

*[in thousands of dollars, except per share amounts]*

CI has made provisions based on current information and the probable resolution of any such contingent consideration, claims, proceedings and investigations. The movement in amounts provided for contingent liabilities and related expenses during the six months ended June 30, 2014 and year ended December 31, 2013, are as follows:

	6 months 2014 \$	Year 2013 \$
<b>Provision for other liabilities, beginning of period</b>	<b>22,636</b>	7,708
Additions (*)	1,855	17,323
Amounts used	(1,307)	(2,062)
Unused amounts reversed	(11)	(333)
<b>Provision for other liabilities, end of period</b>	<b>23,173</b>	22,636
<b>Current portion of provision for other liabilities</b>	<b>1,427</b>	2,334

(\*) 2013 includes contingent consideration of \$12,500 related to Marret acquisition.

CI maintains insurance policies that may provide coverage against certain claims. Amounts receivable under these policies are not accrued for unless the realization of income is virtually certain. During the three and six months ended June 30, 2014, CI received insurance proceeds of \$499 related to the settlement of legal claims [Year 2013 – \$501]. As at June 30, 2014 and December 31, 2013, CI has accrued \$841 and \$792, respectively, for amounts to be received under insurance policies, which is included in accounts receivable.

## Litigation

CI is a defendant to certain lawsuits of which two are class action lawsuits related to events and transactions that gave rise to a settlement agreement with the Ontario Securities Commission in 2004. Although CI continues to believe that this settlement fully compensated investors affected by frequent trading activity, a provision has been made based on the probable resolution of these claims and related expenses.

## Taxation

CI is subject to various uncertainties concerning the interpretation and application of Canadian tax laws. If tax authorities disagree with CI's application of such tax laws, CI's profitability and cash flows could be adversely affected. CI Investments is considered a large case file by the Canada Revenue Agency, and as such, is subject to audit each year. There is a significant lag between the end of a fiscal year and when such audits are completed. Therefore, at any given time, several years may be open for audit and/or adjustment.

## Contingent consideration

CI entered into an acquisition agreement with the shareholders of Marret that provides for contingent consideration to be paid. Details of this agreement and the basis of calculation of the fair value of the contingent consideration are summarized in Note 3 of the 2013 Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

## 4. SHARE CAPITAL

A summary of the changes to CI's share capital for the period is as follows:

### [A] AUTHORIZED AND ISSUED

	Number of shares [in thousands]	Stated value \$
<b>Authorized</b>		
An unlimited number of common shares of CI		
<b>Issued</b>		
<b>Common shares, balance, December 31, 2012</b>	<b>282,915</b>	<b>1,964,433</b>
Issuance of share capital on exercise of share options	1,123	10,709
Issued for acquisition	358	12,500
<b>Common shares, balance, December 31, 2013</b>	<b>284,396</b>	<b>1,987,642</b>
Issuance of share capital on exercise of share options	389	2,636
Share repurchase	(265)	(1,852)
<b>Common shares, balance, March 31, 2014</b>	<b>284,520</b>	<b>1,988,426</b>
Issuance of share capital on exercise of share options	60	336
Share repurchase	(156)	(1,095)
<b>Common shares, balance, June 30, 2014</b>	<b>284,424</b>	<b>1,987,667</b>

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

## [B] EMPLOYEE INCENTIVE SHARE OPTION PLAN

CI has an employee incentive share option plan [the “Share Option Plan”], as amended and restated, for the executives and key employees of CI.

CI granted 259,542 and 1,963,719 options during the three months ended June 30 and March 31, 2014, respectively [three months ended June 30 and March 31, 2013 – 125,000 and 1,994,850 options, respectively] to employees. The fair value method of accounting is used for the valuation of the 2014 and 2013 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate of 0% and 1.5% for the options issued during the three months ended June 30 and March 31, 2014, respectively [three months ended June 30 and March 31, 2013 – 0% and 1.3%, respectively], with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to share capital. The fair value of the 2014 and 2013 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year of grant	2014	2014	2013	2013
# of options grants [in thousands]	260	1,964	125	1,995
Vesting terms	1/3 at end of each year	1/3 at end of each year	1/3 at end of each year	1/3 at end of each year
Dividend yield	4.033% – 4.286%	3.911% – 4.156%	4.013% – 4.308%	4.265% – 4.550%
Expected volatility	15.5%	15.5%	16%	16%
Risk-free interest rate	1.499% – 1.718%	1.477% – 1.773%	1.536% – 1.739%	1.509% – 1.692%
Expected life [years]	2.8 – 3.9	2.8 – 3.9	2.7 – 4.0	2.7 – 4.0
Forfeiture rate	0%	1.5%	0%	1.3%
Fair value per stock option	\$2.61 – \$2.92	\$2.71 – \$3.06	\$2.38 – \$2.68	\$2.07 – \$2.33
Exercise price	\$34.52	\$35.60	\$30.27	\$27.03

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

A summary of the changes in the Share Option Plan is as follows:

	Number of options [in thousands]	Weighted average exercise price \$
<b>Options outstanding, December 31, 2012</b>	<b>6,364</b>	<b>20.45</b>
<b>Options exercisable, December 31, 2012</b>	<b>2,418</b>	<b>18.34</b>
Options granted	2,120	27.22
Options exercised (*)	(3,629)	19.70
Options cancelled	(84)	22.35
<b>Options outstanding, December 31, 2013</b>	<b>4,771</b>	<b>24.00</b>
<b>Options exercisable, December 31, 2013</b>	<b>807</b>	<b>20.47</b>
Options granted	1,964	35.60
Options exercised (*)	(1,064)	22.15
Options cancelled	(15)	25.62
<b>Options outstanding, March 31, 2014</b>	<b>5,656</b>	<b>28.37</b>
<b>Options exercisable, March 31, 2014</b>	<b>1,487</b>	<b>23.20</b>
Options granted	260	34.52
Options exercised (*)	(152)	21.80
Options cancelled	(32)	31.85
<b>Options outstanding, June 30, 2014</b>	<b>5,732</b>	<b>28.80</b>
<b>Options exercisable, June 30, 2014</b>	<b>1,458</b>	<b>23.46</b>

(\*) Weighted-average share price of options exercised was \$34.91 and \$35.11 during the three and six months ended June 30, 2014 [year ended December 31, 2013 – \$28.79]

Options outstanding and exercisable as at June 30, 2014 are as follows:

Exercise price \$	Number of options outstanding [in thousands]	Weighted average remaining contractual life [years]	Number of options exercisable [in thousands]
19.48	17	0.9	17
21.27	164	0.7	164
21.55	262	1.6	262
21.73	166	2.9	85
21.98	1,035	2.6	422
22.45	53	1.7	53
27.03	1,706	3.6	413
30.27	125	3.9	42
34.52	260	4.9	—
35.60	1,944	4.6	—
<b>19.48 to 35.60</b>	<b>5,732</b>	<b>3.6</b>	<b>1,458</b>



# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

## [C] BASIC AND DILUTED EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share for the three and six months ended June 30:

[in thousands]	3 months ended June 30, 2014	6 months ended June 30, 2014	3 months ended June 30, 2013	6 months ended June 30, 2013
<b>Numerator:</b>				
Net income attributable to shareholders – basic and diluted	\$127,767	\$249,467	\$103,966	\$202,465
<b>Denominator:</b>				
Weighted average number of common shares – basic	284,543	284,579	283,481	283,315
Weighted average effect of dilutive stock options (*)	1,019	1,053	1,173	1,167
<b>Weighted average number of common shares – diluted</b>	<b>285,562</b>	<b>285,632</b>	284,654	284,482
<b>Net earnings per common share attributable to shareholders</b>				
<b>Basic</b>	<b>\$0.45</b>	<b>\$0.88</b>	\$0.37	\$0.71
<b>Diluted</b>	<b>\$0.45</b>	<b>\$0.87</b>	\$0.37	\$0.71

(\*) The determination of the weighted average number of common shares – diluted excludes 2,203 thousand shares related to stock options that were anti-dilutive for the three and six months ended June 30, 2014 [125 and 2,111 thousand shares for the three and six months ended June 30, 2013, respectively]

## [D] MAXIMUM SHARE DILUTION

The following table presents the maximum number of shares that would be outstanding if all the outstanding options as at July 31, 2014 were exercised:

[in thousands]	
Shares outstanding at July 31, 2014	283,741
Options to purchase shares	5,698
	289,439

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

## 5. DIVIDENDS

The following dividends were paid by CI during the three and six months ended June 30, 2014:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2013	January 15, 2014	0.095	27,072
January 31, 2014	February 14, 2014	0.095	27,099
February 28, 2014	March 14, 2014	0.095	27,105
Paid during the three months ended March 31, 2014			81,276
March 31, 2014	April 15, 2014	0.095	27,054
April 30, 2014	May 15, 2014	0.095	27,039
May 31, 2014	June 13, 2014	0.10	28,512
Paid during the three months ended June 30, 2014			82,605
Paid during the six months ended June 30, 2014			163,881

The following dividends were declared but not paid during the three months ended June 30, 2014:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
June 30, 2014	July 15, 2014	0.10	28,443
July 31, 2014	August 15, 2014	0.10	28,444
Declared and accrued as at June 30, 2014			56,887

The following dividends were paid by CI during the three and six months ended June 30, 2013:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
December 31, 2012	January 15, 2013	0.080	22,627
January 31, 2013	February 15, 2013	0.080	22,655
February 28, 2013	March 15, 2013	0.085	24,068
Paid during the three months ended March 31, 2013			69,350
March 31, 2013	April 15, 2013	0.085	24,076
April 30, 2013	May 15, 2013	0.085	24,082
May 31, 2013	June 14, 2013	0.090	25,523
Paid during the three months ended June 30, 2013			73,681
Paid during the six months ended June 30, 2013			143,031

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

The following dividends were declared but not paid during the three months ended June 30, 2013:

Record date	Payment date	Cash dividend per share \$	Total dividend amount \$
June 30, 2013	July 15, 2013	0.090	25,527
July 31, 2013	August 15, 2013	0.090	25,528
Declared and accrued as at June 30, 2013			51,055

On August 7, 2014, The Board of Directors declared monthly cash dividends of \$0.10 per share payable on September 15, October 15, and November 14, 2014 to shareholders of record on August 31, September 30, and October 31, 2014, respectively.

## 6. FINANCIAL INSTRUMENTS

Financial assets are classified at fair value through profit or loss ["FVPL"], available-for-sale ["AFS"] or loans and receivables. Financial liabilities are classified as FVPL or other.

Financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability.

CI uses valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. CI bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuation techniques with significant unobservable market inputs.

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

The carrying amounts of the financial instruments are presented in the table below and are classified according to the following categories:

	June 30, 2014 \$	December 31, 2013 \$
<b>Financial assets</b>		
<i>Fair value through profit or loss</i>		
Cash and cash equivalents	173,297	118,812
<i>Loans and receivables</i>		
Client and trust funds on deposit	126,610	130,194
Accounts receivable	73,838	73,313
Other assets	16,131	16,989
<i>Available-for-sale</i>		
Marketable securities	83,953	74,403
<b>Total financial assets</b>	<b>473,829</b>	<b>413,711</b>
<b>Financial liabilities</b>		
<i>Fair value through profit or loss</i>		
Provision for other liabilities	12,500	12,500
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	134,086	143,121
Provision for other liabilities	10,673	10,136
Dividends payable	56,887	54,143
Client and trust funds payable	125,495	128,274
Long-term debt	499,132	498,872
<b>Total financial liabilities</b>	<b>838,773</b>	<b>847,046</b>

Financial assets and liabilities classified as FVPL are measured at fair value and classified in the Level 1 fair value hierarchy.

CI's financial assets at June 30, 2014 and December 31, 2013 include CI's marketable securities which consist of investments in mutual fund securities and publicly traded companies. The fair value of publicly traded companies is determined using quoted market prices. Mutual fund securities are valued using the net asset value per unit of each fund, which represents the underlying net assets at fair values determined using closing market prices. CI considers mutual fund securities that are valued daily to be in the Level 1 fair value hierarchy and those mutual fund securities valued less frequently to be in the Level 2 fair value hierarchy. As at June 30, 2014, CI's marketable securities of \$83,953 [December 31, 2013 – \$74,403] are carried at fair value of which \$12,254 have been classified in the Level 1 fair value hierarchy and \$71,699 in the Level 2 fair value hierarchy [December 31, 2013 – \$9,410 in the Level 1 fair value hierarchy and \$64,993 in the Level 2 fair value hierarchy]. There have been no transfers between Level 1 and Level 2 during the three and six month periods.

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013

*[in thousands of dollars, except per share amounts]*

Included in provision for other liabilities, as at June 30, 2014 and December 31, 2013 is contingent consideration of \$12,500 carried at fair value and classified in the Level 3 fair value hierarchy. Long-term debt as at June 30, 2014 includes Debentures with a fair value of \$511,672 [December 31, 2013 – \$516,210], as determined by quoted market prices and have been classified in the Level 1 fair value hierarchy.

## 7. CAPITAL MANAGEMENT

CI's objectives in managing capital are to maintain a capital structure that allows CI to meet its growth strategies and build long-term shareholder value, while satisfying its financial obligations and meeting its long-term debt covenants.

CI's capital is comprised of shareholders' equity and long-term debt [including current portion of long-term debt]. CI's senior management is responsible for the management of capital.

CI and its subsidiaries are subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. As at June 30, 2014, cash and cash equivalents of \$10.0 million [December 31, 2013 - \$8.8 million] was required to be on hand for regulatory capital maintenance. Failure to maintain required regulatory capital by CI may result in fines, suspension or revocation of registration by the relevant securities regulator. CI from time to time provides loans to its subsidiaries for operating purposes and may choose to subordinate these loans in favour of general creditors. The repayment of subordinated loans is subject to regulatory approval. As at June 30, 2014 and December 31, 2013, CI met its capital requirements.

CI's capital consists of the following:

	As at June 30, 2014 \$	As at December 31, 2013 \$
Shareholders' equity	1,894,436	1,819,327
Long-term debt	499,132	498,872
Total capital	2,393,568	2,318,199

## 8. 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 financial position of CI Investments, CI Private Counsel LP and Marret which derive their revenues principally from the fees earned on the management of several families of mutual and segregated funds.

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. and Assante Financial Management Ltd. 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.

Segmented information for the three-month period ended June 30, 2014 is as follows:

	Asset Management \$	Asset Administration \$	Intersegment eliminations \$	Total \$
Management fees	415,609	—	—	415,609
Administration fees	—	68,027	(33,320)	34,707
Other revenue	9,278	5,148	—	14,426
<b>Total revenue</b>	<b>424,887</b>	<b>73,175</b>	<b>(33,320)</b>	<b>464,742</b>
Selling, general and administrative	68,788	16,118	—	84,906
Trailer fees	132,807	—	(5,408)	127,399
Investment dealer fees	—	54,811	(27,073)	27,738
Amortization of deferred sales commissions and intangibles	39,853	550	(944)	39,459
Other expenses	2,891	1,842	—	4,733
<b>Total expenses</b>	<b>244,339</b>	<b>73,321</b>	<b>(33,425)</b>	<b>284,235</b>
<b>Income before income taxes and non-segmented items</b>	<b>180,548</b>	<b>(146)</b>	<b>105</b>	<b>180,507</b>
Interest expense				(4,545)
Provision for income taxes				(47,908)
<b>Net income for the period</b>				<b>128,054</b>

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

Segmented information for the three-month period ended June 30, 2013 is as follows:

	Asset Management \$	Asset Administration \$	Intersegment eliminations \$	Total \$
Management fees	351,038	—	—	351,038
Administration fees	—	59,955	(26,963)	32,992
Other revenue	9,156	4,036	—	13,192
<b>Total revenue</b>	<b>360,194</b>	<b>63,991</b>	<b>(26,963)</b>	<b>397,222</b>
Selling, general and administrative	62,757	14,702	—	77,459
Trailer fees	109,285	—	(4,366)	104,919
Investment dealer fees	—	47,684	(21,780)	25,904
Amortization of deferred sales commissions and intangibles	40,244	550	(961)	39,833
Other expenses	453	1,262	—	1,715
<b>Total expenses</b>	<b>212,739</b>	<b>64,198</b>	<b>(27,107)</b>	<b>249,830</b>
<b>Income before income taxes and non-segmented items</b>	<b>147,455</b>	<b>(207)</b>	<b>144</b>	<b>147,392</b>
Interest expense				(4,884)
Provision for income taxes				(38,542)
<b>Net income for the period</b>				<b>103,966</b>

# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

Segmented information as at and for the six-month period ended June 30, 2014 is as follows:

	Asset Management \$	Asset Administration \$	Intersegment eliminations \$	Total \$
Management fees	809,989	—	—	809,989
Administration fees	—	136,798	(66,987)	69,811
Other revenue	20,409	10,095	—	30,504
<b>Total revenue</b>	<b>830,398</b>	<b>146,893</b>	<b>(66,987)</b>	<b>910,304</b>
Selling, general and administrative	137,127	31,462	—	168,589
Trailer fees	258,039	—	(10,540)	247,499
Investment dealer fees	—	110,160	(54,386)	55,774
Amortization of deferred sales commissions and intangibles	79,839	1,101	(1,892)	79,048
Other expenses	5,244	2,676	—	7,920
<b>Total expenses</b>	<b>480,249</b>	<b>145,399</b>	<b>(66,818)</b>	<b>558,830</b>
<b>Income before income taxes and non-segmented items</b>	<b>350,149</b>	<b>1,494</b>	<b>(169)</b>	<b>351,474</b>
Interest expense				(9,128)
Provision for income taxes				(92,386)
<b>Net income for the period</b>				<b>249,960</b>
Identifiable assets	711,496	315,835	(11,167)	1,016,164
Indefinite life intangibles				
Goodwill	944,726	192,582	—	1,137,308
Fund contracts	999,082	—	—	999,082
<b>Total assets</b>	<b>2,655,304</b>	<b>508,417</b>	<b>(11,167)</b>	<b>3,152,554</b>



# Notes to Consolidated Financial Statements

June 30, 2014 and 2013  
*[in thousands of dollars, except per share amounts]*

Segmented information for the six-month period ended June 30, 2013 is as follows:

	Asset Management \$	Asset Administration \$	Intersegment eliminations \$	Total \$
Management fees	686,866	—	—	686,866
Administration fees	—	120,189	(54,083)	66,106
Other revenue	18,286	7,870	—	26,156
<b>Total revenue</b>	<b>705,152</b>	<b>128,059</b>	<b>(54,083)</b>	<b>779,128</b>
Selling, general and administrative	124,271	29,343	—	153,614
Trailer fees	212,978	—	(8,471)	204,507
Investment dealer fees	—	95,533	(43,638)	51,895
Amortization of deferred sales commissions and intangibles	81,135	1,101	(1,948)	80,288
Other expenses	784	1,985	—	2,769
<b>Total expenses</b>	<b>419,168</b>	<b>127,962</b>	<b>(54,057)</b>	<b>493,073</b>
<b>Income before income taxes and non-segmented items</b>	<b>285,984</b>	<b>97</b>	<b>(26)</b>	<b>286,055</b>
Interest expense				(9,872)
Provision for income taxes				(73,718)
<b>Net income for the period</b>				<b>202,465</b>
<b>As at December 31, 2013</b>				
Identifiable assets	675,648	293,203	(11,272)	957,579
Indefinite life intangibles				
Goodwill	944,726	192,582	—	1,137,308
Fund contracts	999,082	—	—	999,082
<b>Total assets</b>	<b>2,619,456</b>	<b>485,785</b>	<b>(11,272)</b>	<b>3,093,969</b>

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*This 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 results to differ materially 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.*

