



2006 ANNUAL REPORT

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CI Financial Income Fund is a diversified wealth management firm and Canada's third-largest investment fund company. Independent and Canadian-owned, CI provides a comprehensive and innovative selection of top-quality investment products and services. CI has over two million clients and more than \$83 billion in fee-earning assets (at February 28, 2007). The company operates primarily through subsidiaries CI Investments Inc., which offers the industry's broadest selection of investment funds, and Assante Wealth Management (Canada) Ltd., which provides financial advisory services through a national network of about 1,000 advisors. CI is listed on the Toronto Stock Exchange under the symbol CIX.UN and is a member of the S&P/TSX Composite Index.

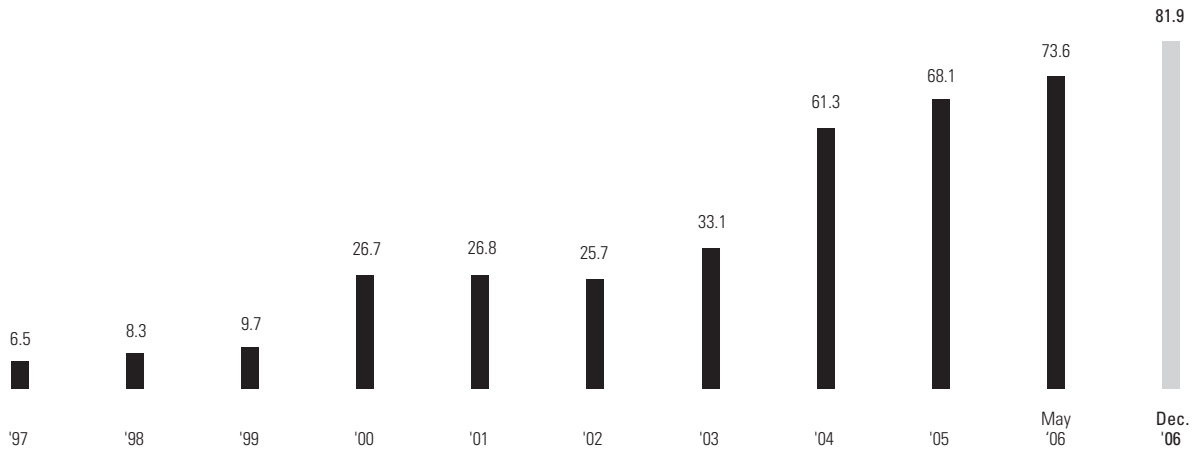


FINANCIAL HIGHLIGHTS

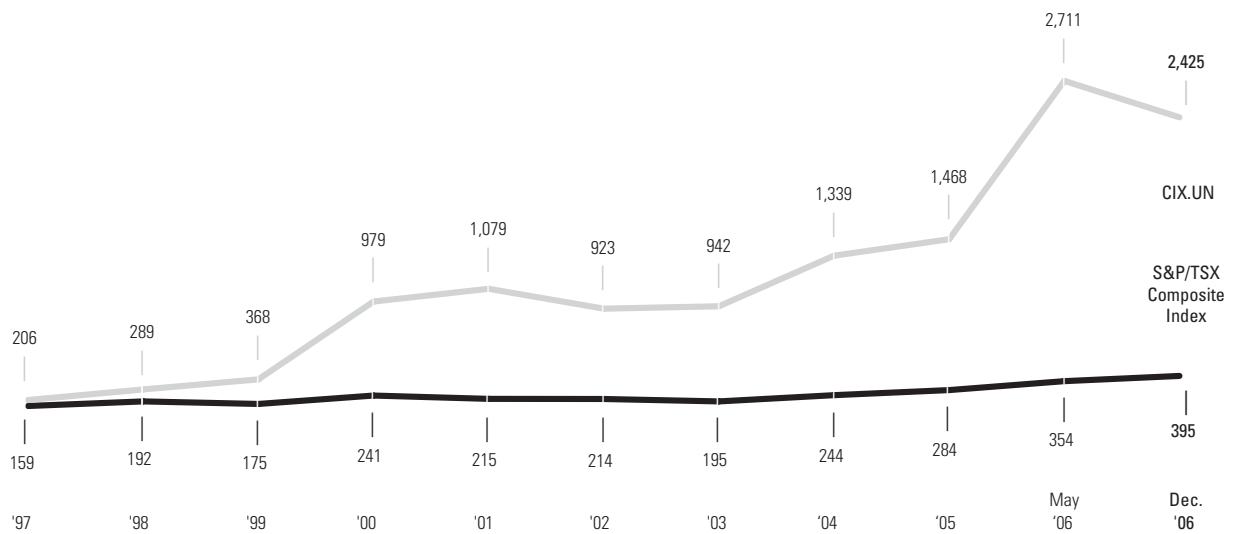
<i>(millions of dollars, except per unit amounts)</i>	As at December 31, 2006	As at December 31, 2005	% change
Assets under management	62,737	54,341	15
Fee-earning assets	81,857	71,665	14
Units outstanding	280,132,687	285,679,447	(2)
	For the six months ended December 31, 2006	For the six months ended November 30, 2005	% change
Average assets under management	59,188	51,506	15
Management fees	600.5	537.6	12
Total revenues	696.0	649.0	7
SG&A	130.3	160.0	(19)
Trailer fees	166.9	138.7	20
Net income	288.3	166.7	73
Earnings per unit	1.02	0.58	76
EBITDA*	348.8	301.5	16
EBITDA* per unit	1.23	1.05	17
Distributions per unit	1.005	0.340	196
Average units outstanding	282,842,784	286,179,964	(1)

**EBITDA (Earnings before interest, taxes, depreciation and amortization) is a non-GAAP (generally accepted accounting principals) earnings measure; however, management believes that most of its unitholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results.*

Fee-earning Assets as at May 31, except Dec. 31, 2006; \$billions



CIX.UN vs S&P/TSX Composite Index Total Return as at May 31, except Dec. 31, 2006; June 1994 = 100





WILLIAM T. HOLLAND, Chief Executive Officer



STEPHEN A. MACPHAIL, President and Chief Operating Officer

LETTER TO UNITHOLDERS

Dear Unitholders,

We are pleased to report that your company achieved exceptional results in 2006. CI Financial ended the year having set new records for assets, revenues, earnings, and distributions to unitholders.

Our primary operating companies, CI Investments Inc. and Assante Wealth Management (Canada) Limited, built on their leading positions in their respective market segments. CI Investments posted impressive sales, ranking first among the non-bank fund companies and third overall with net sales of mutual and segregated funds of \$2.2 billion for the calendar year. Two products introduced in 2006 – a global equity fund and a new wrap program – attracted more than \$580 million in assets by the end of the year.

Assante already sets the standard in Canada for the services and products it provides to its advisors and, in 2006, it enhanced that high level of support. More importantly, Assante's growth strategy paid off handsomely, as the firm recruited 45 highly regarded and established advisors, who brought a combined total of \$1.3 billion in assets to the firm.

On a corporate level, the most significant development in 2006 was, of course, CI's conversion from a corporation to an income trust. We made the move in June, after tax cuts on dividends and the election of a new federal government appeared to settle the uncertainty over the future of the income trust structure. Unfortunately, CI and other income trusts, along with their investors, received a rude Halloween surprise when Ottawa announced a plan to eliminate the tax advantages of existing trusts by 2011.

This news had an immediate effect on our unit price, but the momentum continued in our business. We have demonstrated that the income trust structure does indeed provide a platform for growth. We have proven this through our results in 2006 and in our proposed takeover of Rockwater Capital Corporation. This acquisition will expand the scope and scale of our operations while growing our total fee-earning assets to nearly \$100 billion. At the time of writing, our acquisition of Rockwater was scheduled to close in early April. We will discuss the benefits of this acquisition later.

You may have noted that when we converted to an income trust, CI's year-end changed from May 31 to December 31. This Annual Report includes our financial results for the seven-month period ending December 31, 2006. However, this letter and the operating review that follows will discuss our achievements for the entire calendar year.

Income Trust Conversion

Our decision to convert to an income trust was driven largely by the fact that for many years, CI has been generating much higher levels of cash than it needs to finance its growth. Our policy has been to return cash to shareholders through dividends and share buybacks.

Extensive study convinced us that the income trust structure would be suitable and beneficial for CI by eliminating the double taxation of our earnings and dividends, as well as providing other significant benefits. Indeed, this has been the case.

As an income trust, CI paid \$302 million in distributions in the last seven months of 2006. That compares with dividends of \$200 million for the entire 12 months ending May 31, 2006.

With the conversion, CI's units have been accorded a higher valuation, benefiting unitholders and strengthening the value of CI units as "currency" in making acquisitions. (Although our unit price dropped sharply after the government's October 31 announcement, it had rebounded nicely to \$27.45 by March 29, 2007.) And, as an income trust, CI has experienced continued growth.

Many investors have asked about CI's response to the plan to tax income trusts. At this time, the proposal is still before Parliament. On behalf of our unitholders and the investors in our funds, we have provided support to a new group, the Canadian Association of Income Trust Investors, which is lobbying against the legislation. Should the proposal become law in its current form, we expect to take advantage of the benefits of being a trust for as long as possible, before converting back to a corporation.

Financial Achievements

CI posted excellent growth in calendar 2006, with assets reaching record levels. Our total fee-earning assets at the end of the year were \$81.9 billion, an increase of \$10.2 billion or 14% from a year earlier. Assets under management, meanwhile, were up 15%, increasing \$8.4 billion to \$62.7 billion – maintaining our position as one of the dominant players in the investment fund industry.

These gains stemmed from excellent fund performance and solid sales. Gross sales in 2006 were \$10.4 billion and net sales were \$2.1 billion, down from \$2.7 billion in 2005 but up from \$1.6 billion in 2004. Overall industry net sales of mutual funds declined in 2006 by \$1.8 billion to \$20.8 billion, as reported by the Investment Funds Institute of Canada (IFIC). Our market share of net sales in 2006 was about 10%.

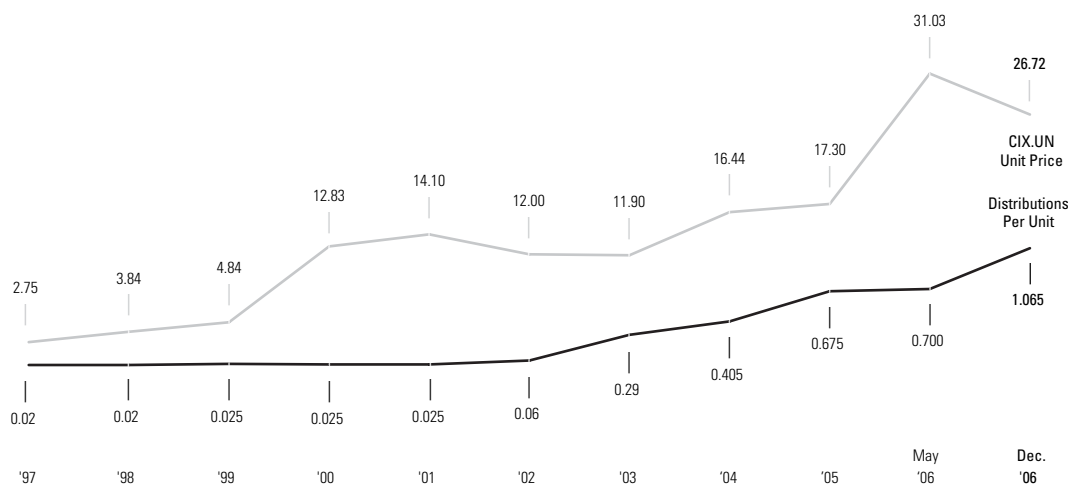
There are a few things to note in the industry sales trends. Total net sales declined in 2006, even though global equities markets were in the fourth year of a bull run, with the S&P/TSX Composite Index marking its fourth straight year of double-digit returns. This provides more evidence that, although the investment funds business continues to offer opportunity, it is a maturing business that is facing an ever-increasing assortment of competing products.

Another noteworthy fact is how the banks are inexorably increasing their dominance of our industry. The big banks have made full use of their extensive coast-to-coast branch networks and improved their product lineups. Three banks were among the top five firms for net sales in 2006, with the top two accounting for about half of the industry's total net sales. Our ranking in the top three speaks to the success of our ongoing strategy to expand our scale, our product lineup and our distribution channels.

In looking at other financial highlights, the change in our year-end does not provide for easy comparisons to previous periods, so we will focus on the quarter ending December 31, 2006. The results were outstanding. Revenues for the quarter were \$359.0 million, an increase of 14% over the quarter ending November 30, 2005. Net income was \$149.9 million for the quarter, an increase of 98% over a year earlier. Net income per unit was \$0.53, up 104% from \$0.26.

Much of the increase in CI's profitability was because of the decline in income taxes that resulted from our conversion to an income trust. To illustrate the underlying profitability of the company, we calculate pre-tax operating earnings, which adjusts for taxes and other items such as redemption fees. In the three months ending December 31, 2006, pre-tax operating earnings were \$162.1 million, up 13% from \$143.4 million in the quarter ended November 30, 2005. In a nutshell, this shows that CI increased its earnings in line with its asset growth.

CIX.UN Unit Price and Distributions Per Unit years ended May 31, except seven months ended Dec. 31, 2006 (adjusted for stock splits) : \$



We have always believed that the most important measure of financial performance is the return to shareholders. On this score, CI continues to excel. Over the past four years, we have consistently increased the payout of the company's earnings to its investors through share buybacks and a steadily rising dividend. Upon our conversion to an income trust, we boosted the payout dramatically. For the seven months ending December 31, 2006, the distribution per unit amounted to \$1.065 per unit, versus dividends per share of \$0.70 for the entire 12 months ending May 31, 2006. The yield at December 31 on a unit price of \$26.72 was 8.1%.

Recognition of this growth is found in our status as a "Mergent Canadian dividend achiever," which denotes companies and trusts that have had five or more years of consecutive regular annual dividend increases.

During the seven months ending December, we bought back 5,553,300 units at an average price of \$25.75. We will continue to buy back units if we believe it is beneficial to unitholders.

We believe that the most tax-efficient way to return cash to shareholders is through our monthly distribution. In keeping with that goal, in the fourth quarter we announced an increase in the distribution to \$0.18 per unit per month, effective January 2007. This reflects the growing levels of cash produced by the company. We want to emphasize that we are pursuing a prudent distribution policy, paying out approximately 90% of our distributable cash with no return of capital.

These results continue CI's long-term track record of producing stellar returns for its investors. An investment in CI from the date it went public in June 1994 to December 31, 2006, has provided a total return of 2,325%, versus a total return of 295% for the S&P/TSX Composite Index. That performance is equivalent to a compound annual growth rate of 29% (versus 12% for the index) and makes CI the sixth-best performing company on the S&P/TSX during that period.

Here's another way of looking at it. At the initial public offering, CI issued \$25 million in shares to the public and since that time has paid out \$1.7 billion in dividends, distributions and share buybacks.

Operational Achievements

In 2006, CI continued to enhance all aspects of its operations and build on its competitive advantages. These achievements are described in more detail in the following sections. We will touch on a few key issues here.

Central to CI's strategy is offering a broad selection of top-performing products and services. One measurement of our success is the rankings by Morningstar Canada, a leading investment fund research firm. At December 31, 2006, CI led the industry, as we have for the last four years, with the

most mutual and segregated funds with a five-star rating. CI had 45 funds with the top rating, compared with 24 for the second-place company. In total, CI had 164 funds with a four or five-star rating, double that of the next competitor.

Another area of competitive advantage for CI is the efficient management of our business and our funds. Over the years, CI has steadily reduced the operating expenses of its funds to levels we believe are the lowest in the industry. In September 2005, we decided to lock in these low expenses on behalf of our investors in the CI funds and the United Financial pools, and introduced an unprecedented initiative in which CI would pay all of the operating expenses of the funds while charging investors a fixed administration fee. The fixed fee, which was set at a level that was lower than the previous year's operating expenses, provides fund investors with savings and transparency, as they know their costs of investing in advance.

The fixed fee means that the expenses paid by CI's fund investors in 2006 were at their lowest level ever – a weighted average of about 18 basis points across all funds. Also in 2006, we obtained permission from the regulators to report our management expense ratios on a monthly basis rather than annually, so that investors would have the most up-to-date information about their funds.

These initiatives have received positive feedback from investors and advisors and reflect our commitment to our fiduciary duty to the investors in our funds. It's important to note that our competitors generally charge higher operating expenses to their clients, being unwilling or unable to follow CI's lead. As the issue of fees and expenses becomes more prominent in our industry – and we believe it will – CI is well placed to compete on this basis.

On a corporate level, CI continues to be diligent in controlling costs, with expenses growing a much lower rate than our growth in assets under management.

Strategy

Behind CI's success in 2006 and previous years is a consistent strategy that focuses on four key elements:

- A broad and diverse lineup of products and services. This attracts customers because of the choice and support offered by CI's firms, and provides diversification in our sales and revenues.
- The achievement of scale. This allows us to invest more resources in technology, administration, sales, product development and other aspects of our business, while reaping the benefits of economies of scale.
- The development of multiple distribution channels. Distribution has become the key to growth in our industry and CI has expanded its distribution channels through products such as segregated funds and fund-linked notes, our participation in third-party programs at other financial institutions,

our relationship with Sun Life Financial and its Clarica dealership, and our ownership of distributors such as Assante.

- Operational excellence. This encompasses our ability to operate our business and our funds with industry-leading efficiency, while offering superior levels of service, performance and support to our clients.

Our Plans for 2007

CI begins 2007 well positioned for another successful year. The sales strength of 2006 has carried into the new year, with both the overall industry and CI recording solid sales. By mid-March, CI had gross sales of \$2.9 billion and net sales of about \$800 million. Fee-earning assets grew to \$83.4 billion and assets under management reached \$63.8 billion at February 28, 2007, representing increases of 1.9% and 1.7%, respectively, over year-end.

CI Investments and Assante Wealth Management continue to execute their strategies, with plans for new products and other improvements to better meet the needs of clients. Most notably, CI Investments will introduce a series of enhancements to its SunWise Elite Segregated Funds, which are operated in partnership with Sun Life Financial. The enhancements include the guaranteed minimum withdrawal benefit, a product category that is relatively new to Canada but has been very successful in the United States, attracting an estimated \$400 billion. We are very excited about this product, to be called SunWise Elite Plus, because of the potential for growth in this category and the interest it has already generated among advisors.

In February, we agreed to acquire Rockwater for approximately \$233 million in cash and units and the assumption of about \$18 million in debt. Rockwater's businesses include KBSH Capital Management, an asset manager with a focus on institutional and high net worth clients, and Lakeview Asset Management, which manages a family of seven mutual funds. Together, they have about \$4 billion in assets under management. Rockwater's other key business is Blackmont Capital Inc., a full-service brokerage and investment dealer. Blackmont operates through a wealth management division, which includes about 180 investment advisors with about \$9.4 billion in assets under administration, and a capital markets division, which provides investment banking services, research and trade execution.

The addition of Rockwater will add to the scale of our asset management business and extends our reach in distribution. Blackmont's advisors are first-rate, with average assets under administration of \$52 million. Blackmont also will provide CI with an entry into the capital markets business – an attractive platform for growth.

The Rockwater bid reflects our commitment to achieving growth through acquisition, as well as through our existing operations. We have demonstrated the ability to quickly integrate the companies we acquire and to grow their assets. We will continue to seek acquisitions that offer strategic benefits for CI, as we believe that size is a prerequisite to compete effectively and profitably in our industry.

As we enter a new year, CI continues to evolve, building on its competitive position and seeking new opportunities for growth. As always, we are guided by our commitment to offering advisors and their clients superior products and services and to creating value for unitholders.

In closing, we thank our employees, the advisors who partner with our firms, our unitholders, and our clients for their trust and support.



William T. Holland
Chief Executive Officer



Stephen A. MacPhail
President and Chief Operating Officer

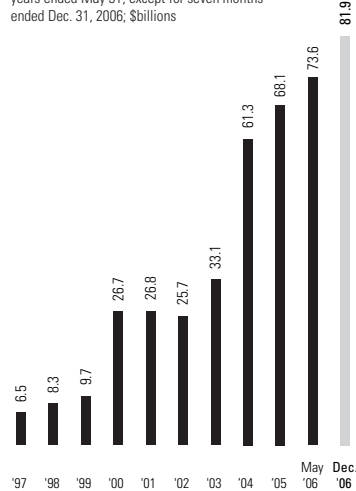
HISTORICAL FINANCIAL HIGHLIGHTS

<i>(millions of dollars, except per unit amounts)</i>	Seven Months Ended Dec. 31, 2006	2006	Years Ended May 31	
			2005	2004
Assets under management, end of year	62,737	56,905	49,243	49,310
Administered and other assets	19,120	16,714	18,810	12,033
Total fee-earning assets	81,857	73,619	68,053	61,343
Net sales of funds	437	3,111	1,734	920
Management fees	693.8	1,110.0	994.6	820.7
Other income	111.2	213.4	200.5	133.7
Total revenues	805.0	1,323.4	1,195.1	954.4
Selling, general and administrative	147.8	353.6	328.1	256.8
Trailer fees	193.3	291.0	250.7	197.8
Other expenses	140.3	204.2	168.4	108.1
Total expenses	481.4	848.8	747.2	562.7
Income taxes	(31.1)	165.6	163.2	170.7
Net income before amortization of goodwill	354.7	309.0	284.7	221.0
Net income	354.7	309.0	284.7	221.0
EBITDA*	403.5	577.4	529.5	442.2
Earnings per unit	1.25	1.08	0.97	0.82
EBITDA* per unit	1.42	2.02	1.81	1.65
Distributions per unit**	1.065	0.700	0.680	0.410
Unitholders' equity, end of year	1,371.1	1,545.0	1,472.8	1,533.9
Units outstanding, end of year**	280,132,687	285,680,519	286,643,091	295,199,027

*EBITDA (Earnings before interest, taxes, depreciation and amortization) is a non-GAAP (generally accepted accounting principles) earnings measure, however, management believes that most of its unitholders, creditors, other stakeholders and investment analysts prefer to include the use of this performance measure in analyzing CI's results.

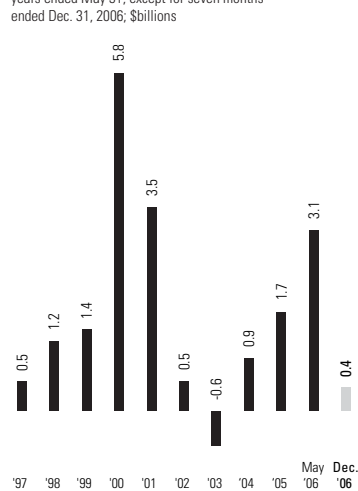
Fee-earning Assets

years ended May 31, except for seven months ended Dec. 31, 2006; \$billions



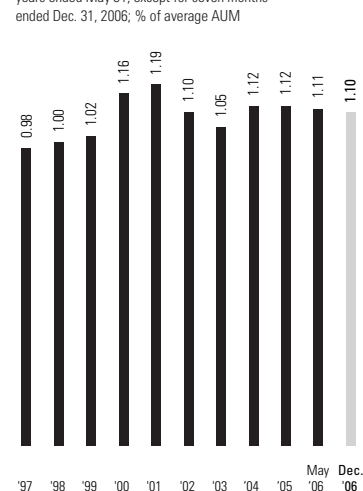
Net Sales

years ended May 31, except for seven months ended Dec. 31, 2006; \$billions



Net Operating Margin

years ended May 31, except for seven months ended Dec. 31, 2006; % of average AUM

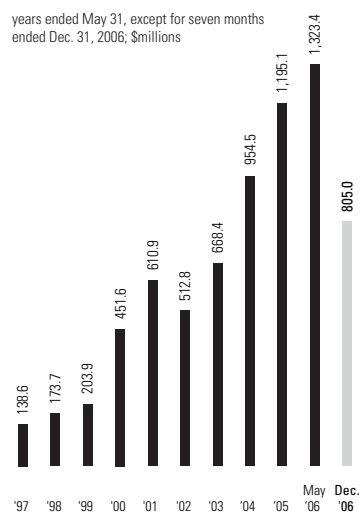


								Years Ended May 31	
2003	2002	2001	2000	1999	1998	1997	1996		
32,257	24,876	25,817	25,503	9,511	8,166	6,414	5,419		
827	837	1,017	1,175	189	136	102	50		
33,084	25,713	26,834	26,678	9,700	8,302	6,516	5,469		
(596)	481	3,468	5,843	1,369	1,189	461	537		
595.8	446.5	538.0	384.0	186.1	169.2	139.4	116.6		
72.7	66.3	72.9	67.5	17.8	4.5	(0.8)	(2.6)		
668.5	512.8	610.9	451.5	203.9	173.7	138.6	114.0		
203.3	119.8	141.2	111.9	66.4	62.8	53.8	45.7		
147.4	97.8	115.6	79.1	37.0	34.9	28.9	24.0		
197.8	236.4	229.7	152.4	79.3	59.7	38.4	25.3		
548.5	454.0	486.5	343.4	182.7	157.4	121.1	95.0		
49.0	22.0	34.3	51.3	12.4	7.7	8.0	8.5		
71.0	36.8	90.1	56.8	8.8	8.6	9.5	10.5		
71.0	(61.4)	11.5	(2.1)	8.7	8.6	9.5	10.5		
297.4	265.5	319.9	236.9	91.2	65.6	45.9	32.8		
0.32	(0.35)	0.06	(0.01)	0.06	0.06	0.07	0.08		
1.32	1.51	1.75	1.38	0.64	0.46	0.35	0.25		
0.290	0.060	0.025	0.025	0.025	0.020	0.020	0.020		
632.7	56.8	260.8	292.1	126.6	140.2	55.8	50.8		
235,525,648	170,785,428	180,684,728	182,829,928	144,220,460	147,486,888	131,139,160	131,838,104		

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

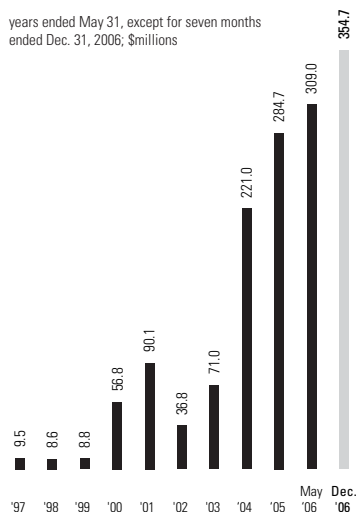
Total Revenues

years ended May 31, except for seven months ended Dec. 31, 2006; \$millions



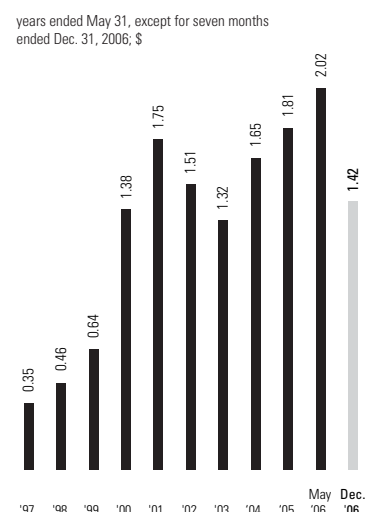
Income Before Amortization of Goodwill

years ended May 31, except for seven months ended Dec. 31, 2006; \$millions



EBITDA* Per Unit

years ended May 31, except for seven months ended Dec. 31, 2006; \$





PETER W. ANDERSON, Chief Executive Officer



DEREK J. GREEN, President and National Sales Manager

Our Company

CI Investments is one of Canada's largest investment management companies, with \$52.8 billion in assets under management as of December 31, 2006. CI offers the industry's most comprehensive lineup of investment products and services, including mutual funds, segregated funds, managed solutions, and alternative investments such as fund-linked notes and other structured products. These investment vehicles are marketed under the CI, Harbour, Signature, Synergy, Portfolio Series, Portfolio Select Series, CI Guaranteed Investment Funds and SunWise Elite brands.

Strategy

In general, our goal is to build scale within our business by offering a broad range of investment products, marketing them to a growing number of Canadian investors, and by operating our company efficiently. Some of the significant building blocks of this strategy include:

- Providing investors with access to an extensive selection of top-ranked portfolio managers and a wide choice of mandates diversified by region, asset class, industry and investment style, and offered through a variety of product platforms.
- Expanding the distribution of our products and services by building on our existing relationships with financial advisors and developing new relationships with advisors, their firms and other institutions.
- A commitment to operational excellence, including strength in sales and marketing, and administrative efficiency in the operation of our company and our funds, which controls costs for our clients.



Highlights of 2006

Sales and Assets

In the past year, CI Investments continued to build on its competitive advantages, setting record highs in assets under management, expanding its reach among Canadian investors, improving its product lineup and fine-tuning operational efficiency.

We operated against a backdrop of positive market performance in 2006, although volatility increased during the year. The bull market, entering its fourth consecutive year, started 2006 on a positive note, but suffered a setback in May and June that erased much of the year-to-date gains. Equity markets rallied through the rest of the year to post new highs by year-end.

Although balanced funds continued to dominate sales, Canadian investors became more aware of the need for global diversification, and we saw a distinct increase in the purchases of foreign equity funds later in the year. Figures from the Investment Funds Institute of Canada (IFIC) show that balanced funds accounted for more than 64% of total industry mutual fund sales for the year, followed by foreign equity funds at 29%.

Investors continued their quest for yield, as sales of Canadian income funds started 2006 on a strong note. However, sales of these funds were dampened by the federal government's income trust tax proposal announced in October, which will eliminate the tax advantages of the income trust structure over the next four years.

CI Investments recorded gross sales of \$9.3 billion and net sales of \$2.2 billion in 2006, ranking us third overall for sales of mutual and segregated funds and the number one non-bank firm for the second consecutive year. Our net sales represented approximately 11% of industry net sales of \$20.8 billion as reported by IFIC. CI Investments' assets under management grew to \$52.8 billion in 2006, representing an 16.4% increase over 2005 and solidifying our position as the third-largest investment fund company in Canada.

Products

CI Investments has been successful because of its responsiveness to the changing needs of Canadian investors and our ability to introduce innovative new products. In 2006, our new products included CI Global High Dividend Advantage Fund and Portfolio Select Series.

CI Global High Dividend Advantage Fund fulfilled the continuing appetite for income as well as the trend to global diversification by offering access to an attractive portfolio of dividend-paying global companies. This fund, launched in January 2006 and managed by Wall Street veteran William Priest of Epoch Investment Partners, attracted \$353 million of assets during its first 11 months in operation and continues to be a top-selling fund.

Portfolio Select Series also made its debut in January. Building on our experience with the successful Portfolio Series program, Portfolio Series Select is a sophisticated wrap program aimed at higher net worth investors. The program, which combines the benefits of our tax-efficient Corporate Class program with unique portfolio customization options and other features, had \$230 million in assets by the end of the calendar year.

In addition, CI Investments brought a series of deposit notes to market over the course of the year. Deposit notes are linked to a fund or a basket of funds or other securities and offer features such as principal protection. Such notes have become increasingly popular in recent years and we continue to be successful in this market.

Portfolio Management

The foundation of our product lineup is the strength of our portfolio management expertise. CI Investments offers a diverse selection of money managers representing all disciplines, from value to growth. The high quality of our products and managers stretches across our lineup and can be seen in their performance and other measures.

For example, 83% of our assets had first or second-quartile performance records over five years ending December 31, 2006. CI continued to lead the industry with 45 funds with the top five-star rating from Morningstar Canada and we had 164 funds, representing 75% of our assets, rated four or five stars.

CI Investments also received several honours at the 2006 Canadian Investment Awards, including the prestigious Analysts' Choice Investment Fund Company of the Year. This follows a similar honour in 2005, when CI Investments was named Advisors' Choice Favourite Investment Fund Company of the Year. Two CI funds were cited for their quality in 2006 – Harbour Growth & Income Fund was named Best Canadian Balanced Fund and, for the second year in a row, CI American Value Fund was named Best U.S. Equity Pooled Fund.

Our strategy of maintaining an investment management lineup of such depth and breadth ensures we do not become overly dependent on one manager or team for our sales and provides us with capable replacements should the need arise. This was demonstrated in October 2006 with the resignation of Sionna Investment Managers from its CI mandates, including CI Canadian Investment Fund.

To replace Sionna, we selected top value manager Daniel Bubis of Tetrem Capital Partners to the position of portfolio advisor to CI Canadian Investment Fund. Mr. Bubis has managed the Canadian Equity Value Pool for our affiliate, United Financial Corporation, since 1993. He has an outstanding long-term track record and a substantially similar value-based investment style to the previous manager. Our advisor and investor community responded very positively to the change and redemptions have been limited.

CI's money managers consist of in-house portfolio management teams augmented by top-quality independent firms, which provide diversification by specialization and investment style. CI's two in-house teams – Harbour Advisors, with \$10.4 billion under management at December 31, 2006, and Signature Advisors, with \$20.3 billion – operate independently of one another. Harbour and Signature, which manage about 60% of our assets, are highly regarded within the industry and have excellent track records. Our key sub-advisors are: Altrinsic Global Advisors, LLC; Epoch Investment Partners, Inc.; Legg Mason Capital Management Inc.; Synergy Asset Management; Tetrem Capital Partners Ltd.; and Trilogy Global Advisors, LLC.



Distribution Channels

Over the past several years, CI Investments has developed an effective distribution system to ensure that our products and services reach an expanding consumer base in Canada. Financial advisors – brokers and planners – remain central to our distribution, and a large part of our business involves building and maintaining relationships with these investment professionals. CI Investments' sales and client services teams work closely with advisors to support their businesses, assist them with service issues and ensure they are brought up to date on the latest product offerings and industry developments.

CI Investments also has a preferred relationship with Sun Life Financial's Clarica sales force that began in 2002, and this arrangement has become increasingly beneficial to both CI Investments and Sun Life. We continue to develop this partnership through events such as the annual Wealth Symposium for Clarica advisors, which was designed to expand and enhance their knowledge of wealth management and CI products. In 2006, this channel accounted for 19% of our gross sales and more than 23% of assets under management. Our other strategic connections, with Assante Wealth Management and IQON Financial Inc., are also significant to CI Investments.

We have also worked to expand our relationships with other financial institutions by seeking to have our funds and managers included in their investment programs. Third-party programs are an effective and low-cost way to expand our distribution channels and help to raise awareness of the CI brand. We view these programs as an important strategic mechanism for growth. Total assets in institutional programs increased 33% year over year in 2006 to \$5.5 billion, and now account for more than 10% of CI's mutual and segregated fund assets.

Our sales efforts are supported by a wide variety of marketing programs. One initiative of note in 2006 was the complete redesign of the CI website, www.ci.com. It includes new fund profile pages, developed in partnership with Globefund, as well as improved graphics, more information, customization options and easier navigation. The new ci.com is a wealth of information for both advisors and investors.

Efficiency

The fixed administration fees adopted by CI Investments in September 2005 have resulted in lower costs and greater certainty and transparency for investors. These fixed fees – a first in the Canadian mutual fund industry – are a direct result of CI Investments' dedication to operational efficiency. As our assets under management have grown, we have kept costs under control, making CI Investments a low-cost leader in its industry.

In 2006, CI Investments achieved another industry first when it gained permission from securities regulators to publish management expense ratios that are updated monthly. This measure ensures that CI investors have timely information on the true costs of investing, and helps to set us apart from our competitors.

In previous years, CI Investments has been active in streamlining its lineup to eliminate overlapping mandates that resulted from the acquisition of other fund companies. We continue to seek opportunities to reduce duplication and increase efficiency and, in 2006, we merged six funds into other similar funds.

Also during the year, Skylon Advisors Inc. was amalgamated into CI Investments as part of CI Financial's conversion to an income trust. The development of new deposit notes and other products continues under CI Investments, which is now the manager of the Skylon group of closed-end funds.

Leadership

In response to the continued growth of the company, CI Investments made a change in the roles of its leadership team in 2006. Derek J. Green was promoted to the position of President and National Sales Manager. Mr. Green, who focuses on CI Investments' sales and marketing, has more than 20 years of investment industry experience and has been a senior member of CI's sales team since 1993. Peter W. Anderson, who held the position of President and Chief Executive Officer, continues to lead the company as Chief Executive Officer. Mr. Anderson is also Executive Vice-President of CI Financial and a key member of its executive team.

Our Plans for 2007

Global markets have posted solid performance over the past four years and although we expect continued volatility over the next year, the consensus investment outlook remains positive. Canadian investment fund sales for the first two months of 2007 were strong, and CI Investments had posted gross sales of \$2.6 billion and net sales of about \$765 million by mid-March.

CI Investments will continue to introduce new products and services designed to meet the evolving financial needs of Canadians. In February 2007, we introduced Signature Global Income & Growth Fund, an income-oriented global balanced fund designed to provide investors with monthly income, increased diversification and the expertise of our Signature Advisors team. We also introduced a corporate class version of the fund, along with CI Global High Dividend Advantage Corporate Class.

This spring will see the launch of an important new product – SunWise Elite Plus. It is being offered in partnership with Sun Life Financial and introduces the guaranteed minimum withdrawal benefit to our popular family of SunWise Elite Segregated Funds. The guaranteed minimum withdrawal benefit has been very successful in the United States, but is new to Canada. We expect SunWise Elite Plus to be a successful entrant in this fast-growing market segment and a significant contributor to our sales this year.

CI Investments remains poised for excellence in 2007. We will continue to build on our existing strengths and seek new opportunities for growth. We are confident the results will be positive for both our clients and our company.



JOSEPH C. CANAVAN, Chairman and Chief Executive Officer



STEVEN J. DONALD, President and Chief Operating Officer

Our Company

Assante Wealth Management is a leading, fully integrated professional services wealth management firm. We are one of Canada's largest independent advisory networks, with approximately 1,000 advisors in nearly 400 locations across the country. We serve over 300,000 clients, administering \$27.4 billion in assets on their behalf as of December 31, 2006.

We are distinguished by the professionalism of our advisors and their focus on meeting client needs. Our advisors administer significantly more assets on average than advisors at other major independent firms – a powerful indication of their proficiency and the trust they have earned from their clients.

Our services are offered through **Assante Capital Management**, an investment dealer, and **Assante Financial Management**, a mutual fund dealer, which together operate under the brand name Assante Wealth Management. **IQON Financial**, a mutual fund dealer, provides services under the IQON umbrella. **Stonegate Private Counsel** provides wealth planning and inter-generational financial services to high net worth individuals and families. **Assante Estate and Insurance Services** offers comprehensive insurance advice and sophisticated insurance-based business and estate planning solutions. Assante has a close operating relationship with **United Financial Corporation**, an affiliated asset management company that offers its investment solutions exclusively through Assante and IQON advisors.



Assante

Strategy

Assante was a pioneer and continues to be an industry trendsetter in providing integrated wealth management solutions. In our business model, the advisor is the “Chief Wealth Management Officer” for clients – overseeing all aspects of their financial affairs. We support advisors in this critical role by providing them with an industry-leading suite of products and services – including access to investment analysts, portfolio managers, lawyers, accountants, estate and insurance specialists, and wealth planners.

In providing this high level of support, Assante has achieved growth by attracting experienced advisors with affluent clients. We will continue to grow by assisting our advisors in growing their businesses and recruiting established, professional advisors to join our company.

Highlights of 2006

Growth in assets

Assante’s assets under administration increased by \$2.8 billion or 11% to \$27.4 billion at December 31, 2006. Our average assets per advisor increased to \$29.9 million from \$26.1 million a year earlier – almost twice the average of advisors at competing independent firms.

The number of clients we serve increased to more than 300,000 by year-end, compared with 250,000 a year earlier.

Advisor recruitment and building our brand

A key part of our growth strategy is our highly successful advisor recruitment effort. In 2006, we attracted 45 experienced advisors, who brought with them \$1.3 billion in assets under administration.

This achievement underlines the appeal of Assante’s full-service business model, our leadership and the stability afforded by a financially strong parent in CI Financial. Our recruitment efforts are supported by a dedicated recruitment services team, who identify qualified advisors and assist them in making a smooth transition to Assante, and by a trade advertising campaign. This advertising uses the theme of *The New Assante*, emphasizing the benefits of Assante support and services and our focus on integrated wealth management.

We continued to build public awareness of the Assante brand by supporting events and advertising sponsored by our advisors, and through our own national retail advertising campaign, *Advantage: Assante*. These campaigns build greater awareness of Assante and create recognition of our firm that helps to build confidence in the company and strengthen the relationship between advisors and their clients.

Supporting our advisors

To add regional support, we added several dedicated field specialists for tax, estate and wealth management. We believe this expertise, together with resources of United Financial's Wealth Planning Group, is a significant competitive advantage.

As part of our efforts to foster loyalty and a company-wide culture, we relaunched *Assante Life* magazine. The quarterly publication, which has been very well received, allows advisors and our employees to share news, success stories and practice management ideas.

Educational and professional development

Initiatives such as our Business Partnership Program demonstrate our commitment to the educational and professional development of our advisors. The program helps advisors identify opportunities to expand their businesses and successfully manage their practices to a higher level. In 2006, nearly 100 advisors participated across Canada.

At our annual National Wealth Management Conference in May, over 500 advisors heard from top money managers, analysts, economists and other leading speakers. This conference, with its exceptional educational content, is one of the best of its kind in the industry.

Our Plans for 2007

Our initiatives in 2006 and into 2007 emphasize our mission of delivering integrated wealth management solutions for professional advisors that support creating wealth and prosperity for Canadian families who entrust us with their affairs.

Recruitment will continue to be a priority in 2007 and we expect to welcome a significant number of advisors to our firm. Our industry continues to consolidate and we believe that advisors will align with a financially strong partner that can support them in growing their businesses over the long term.

As part of our brand-building plans, we are continuing the *Advantage: Assante* campaign.

A key focus in 2007 will be helping advisors build their practices. Professional support and services will continue to be bolstered by additional wealth planning and estate planning consultants. As part of a major commitment to training and development, the reach of our Business Partnership Program will be expanded.

We are strengthening our ability to offer clients one-stop financial solutions through strategic alliances by offering GICs and high interest savings accounts, RRSP loans and discount brokerage services. In February 2007, we announced a new mortgage referral program. These partnerships, which allow our advisors to be competitive in offering a full range of financial services, will continue to be refined and expanded.

IQON to amalgamate with Assante

Since our founding in 1995, Assante has offered enhanced services and support to our advisors to more effectively address the increasing complexity of our clients' needs. Thanks to our size, our advisors and their clients have benefited from the economies of scale because it has allowed us to operate efficiently and offer a broader range of products and services. Advisors have benefited from our strong and growing reputation and brand name.

In keeping with this strategy, we plan to amalgamate IQON with Assante Financial Management, effective May 31, 2007, subject to regulatory approval. IQON has operated as a separate subsidiary of Assante since it was acquired by CI Financial in 2004. The merger will provide greater support and services to IQON advisors and access to additional programs currently available only to Assante advisors. The amalgamation was announced in December 2006 following extensive consultations with advisors.



UNITED FINANCIAL

United Financial Corporation

United Financial manages more than \$10 billion in market-leading managed solutions – Private Client Managed Portfolios, Optima Strategy, Institutional Managed Portfolios and Artisan Portfolios – which are distributed exclusively through Assante and IQON advisors.

For our programs, we have retained the best available portfolio managers from around the world – partners such as AllianceBernstein L.P., Cohen & Steers Capital Management, Inc. and Epoch Investment Partners, Inc. More than 70% of UFC's assets are sub-advised by third parties unrelated to Assante or CI Financial. Our in-house experts monitor the portfolio advisors to ensure they are meeting the standards set by United Financial.

United Financial's programs have been created so that advisors can provide a customized investment solution for their clients. We also support advisors by creating comprehensive wealth planning strategies by drawing on our highly regarded teams of lawyers, accountants and estate planning specialists. We continually enhance our solutions to ensure they meet and exceed the needs of our advisors and their clients.

Highlights of 2006

In 2006, United Financial experienced strong asset growth, as assets under management grew 10% to \$10.0 billion in response to excellent investment performance. We recorded gross sales of \$1.1 billion and net redemptions of \$95 million. Our best-selling program was the Institutional Managed Portfolios, which saw assets reach \$540.0 million by year-end, up from \$123.3 million a year earlier. The program was launched in July 2005.

Assante is a proud sponsor of Raise-a-Reader®

We recognize that the ability to read is fundamental to a child's confidence and a cornerstone of success in life. We are a proud sponsor of CanWest Raise-a-Reader because we know this national initiative helps people by increasing awareness and raising money for family literacy programs. Over a three-year period, Assante and its advisors have gifted well over \$600,000 to various literacy organizations.

Our advisors and employees are helping to enrich the lives of many Canadians, not only through the creation of wealth and prosperity, but also through initiatives such as Raise-a-Reader.



During the year, enhancements included the introduction of a new purchase option for Optima Strategy and the expansion of the Real Estate Investment Pool's investment mandate to allow broader international holdings. We are one of the few asset managers to offer a dedicated real estate pool as part of our managed solutions.

Most importantly, 2006 was the third year in a row that investors benefited from reductions in operating costs for their investment programs. As part of this, in September 2005, we implemented an innovative plan in which we pay all of the operating expenses, while charging a fixed administration fee. The fixed fee was set at a level that was lower than the previous year's operating expenses, reducing costs and introducing greater certainty and transparency for investors. This means that the operating expenses for our Artisan Portfolios and United Pools have declined by as much as 27 basis points or 57% over the last three years, and are now among the lowest in the industry.

Our Plans for 2007

In 2007, United Financial will continue to build assets under management through enhancements and by marketing to advisors through our dedicated sales staff and through initiatives such as Window on the Market, a national series of presentations by our portfolio managers. The focus of our marketing is to emphasize the distinct quality of our solutions, our rigorous oversight of the programs, and the world-class expertise of our investment managers.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated February 6, 2007 presents an analysis of CI Financial Income Fund and its subsidiaries ("CI") as at December 31, 2006 compared with May 31, 2006, and the results of operations for the three, six and seven months ended December 31, 2006 compared with the three and six months ended November 30, 2005.

Financial information, except where noted otherwise, is presented in accordance with Canadian generally accepted accounting principles ("GAAP") and amounts are expressed in Canadian dollars. The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments"), United Financial Corporation ("United") 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 United. The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM"), Assante Financial Management Ltd. ("AFM") and IQON Financial Management Inc. ("IQON").

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

CI converted to an income trust on June 30, 2006, as described in the "Overview" that follows, and all discussion and reference to CI should be considered to be a continuation of the record of the predecessor organization, CI Financial Inc. All references to "units", "unitholders" and "distributions" are subsequent to June 30, 2006 and are used to refer to "shares", "shareholders" and "dividends", respectively, prior to conversion.

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

SELECTED ANNUAL INFORMATION

<i>(millions, except per unit amounts)</i>	FISCAL YEARS ENDING		
	December 31, 2006*	May 31, 2006	May 31, 2005
Total revenues	\$805.0	\$1,323.4	\$1,195.1
Total expenses	481.4	848.8	747.2
Income before income taxes	323.6	474.6	447.9
Income taxes	(31.1)	165.6	163.2
Net income	\$354.7	\$309.0	\$284.7
Earnings per unit	\$1.25	\$1.08	\$0.97
Distributions paid per unit	\$1.065	\$0.700	\$0.675
Total assets	\$2,739.4	\$2,824.8	\$2,664.1
Total long-term debt	\$576.1	\$417.1	\$390.9
Units outstanding	280.133	285.681	286.643
Average units outstanding	283.210	285.936	293.297

*The results reflect the seven months ended December 31, 2006.

SUMMARY OF QUARTERLY RESULTS

<i>(millions, except per unit amounts)</i>	FISCAL YEARS ENDING							
	December 31, 2006		May 31, 2006			May 31, 2005		
	Q2	Q1*	Q4	Q3	Q2	Q1	Q4	Q3
Income Statement Data								
Management fees	\$306.7	\$293.8	\$294.9	\$277.5	\$267.6	\$270.0	\$261.5	\$249.2
Administration fees	37.3	31.1	34.5	35.3	31.0	30.9	30.9	28.9
Other revenues	15.0	12.1	14.6	17.6	17.2	32.3	18.1	27.9
Total revenues	359.0	337.0	344.0	330.4	315.8	333.2	310.5	306.0
Selling, general and administrative	64.1	66.2	100.0	93.6	79.8	80.2	68.0	75.2
Trailer fees	85.8	81.1	80.5	71.8	68.9	69.7	68.7	63.9
Investment dealer fees	28.5	23.9	26.1	26.6	23.4	23.3	22.4	20.9
Amortization of deferred sales commissions	25.6	24.1	22.4	20.4	18.8	17.5	16.1	14.2
Interest expense	6.6	5.4	4.5	3.2	3.0	3.2	3.7	2.0
Other expenses	2.8	2.5	3.3	2.3	3.9	2.4	2.2	5.0
Total expenses	213.4	203.2	236.8	217.9	197.8	196.3	181.1	181.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8
Income before income taxes	145.6	133.8	107.2	112.5	118.0	136.9	129.4	124.0
Income taxes	(4.3)	(4.6)	37.9	39.4	42.3	45.9	48.6	42.8
Net income	\$149.9	\$138.4	\$69.3	\$73.1	\$75.7	\$91.0	\$80.8	\$81.2
Earnings per unit	\$0.53	\$0.49	\$0.24	\$0.26	\$0.26	\$0.32	\$0.28	\$0.28
Distributions paid per unit	\$0.5025	\$0.5025	\$0.18	\$0.18	\$0.18	\$0.16	\$0.15	\$0.25

*The results reflect the three months ended September 30, 2006.

Overview

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. CI also became one of the country's largest income trusts in June 2006. The conversion changed the publicly traded entity from a corporation to a trust, but the underlying businesses and results of operations are essentially unchanged, save for a reduction in the amount of income tax expense. The conversion was completed after near-unanimous support from shareholders and the receipt of a favourable tax ruling from the Canada Revenue Agency. At the time of the conversion, management believed that the income trust structure would help increase value in several ways, including the provision of a more active and liquid market for the units of CI, a reduction in the cost of capital to CI and the provision of an attractive return through the distribution of substantially all of CI's cash flow.

The conversion to an income trust also prompted the change in CI's year-end to December 31 from May 31. Accordingly, the first year-end following CI's most recently completed May 31 financial year-end is for the seven months from June 1, 2006 to December 31, 2006. This information is provided as a matter of continuity in the public record of CI's results of operations. However, a seven-month period is not directly comparable to the immediately prior year ended May 31, 2006, or the six months ended November 30, 2005 of the prior fiscal year. In order to provide comparability of CI's operations as an income trust, results for the six months ended December 31, 2006 are also presented and discussed in this MD&A.

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 through brokers, independent financial planners and insurance advisors, including ACM, AFM and IQON 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 revenues 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 revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, and ongoing service to clients.

Fee-Earning Assets and Sales

Total fee-earning assets, which include CI mutual and segregated funds, United funds, structured products (collectively, assets under management or AUM), administered/other assets and AWM assets under administration (net of United funds) at December 31, 2006 were \$81.9 billion, an increase of 14% from \$71.7 billion at December 31, 2005. As shown in the following chart, these assets are represented by \$51.8 billion in CI mutual and segregated funds, \$10.0 billion in United funds, \$0.9 billion in structured products, \$1.8 billion in administered/ other assets such as labour-sponsored funds, and \$17.4 billion in AWM assets under administration (net of United funds previously described).

FEE-EARNING ASSETS

AS AT DECEMBER 31

<i>(in billions)</i>	2006	2005	% change
CI mutual and segregated funds	\$51.8	\$44.2	17
United funds	10.0	9.1	10
Structured products	0.9	1.0	(10)
Total assets under management	62.7	54.3	15
Administered/other funds	1.8	1.9	(5)
AWM assets under administration (net of United funds)	17.4	15.5	12
Total fee-earning assets	\$81.9	\$71.7	14

Assets under management form the majority of CI's fee-earning assets and provide most of its revenue and net income. The growth in assets under management during the three, six and seven months ended December 31, 2006 is detailed in the table below.

<i>(in billions)</i>	3 months ended December 31, 2006	6 months ended December 31, 2006	7 months ended December 31, 2006
Beginning AUM	\$58.3	\$56.9	\$56.9
Gross Sales	2.5	4.4	5.2
Redemptions	2.4	4.1	4.8
Net Sales	0.1	0.3	0.4
Market Performance	4.3	5.5	5.4
AUM at December 31, 2006	\$62.7	\$62.7	\$62.7

Average assets under management were \$59.188 billion for the six months ended December 31, 2006, an increase of 15% from \$51.506 billion for the six months ended November 30, 2005. For the seven months ended December 31, 2006, average assets under management were \$58.735 billion. Average assets under management were \$60.655 billion for the three months ended December 31, 2006, an increase of 16% from \$52.151 billion for the three months ended November 30, 2005. As most of CI's revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results. The increase in CI's average assets was the result of strong market performance and positive sales of CI's funds.

Gross sales of CI's managed funds were \$2.5 billion for the respective three months ended December 31, 2006 and November 30, 2005. Net sales (gross sales less redemptions) were \$55.1 million for the quarter, compared with \$465.3 million for the quarter ended November 30, 2005. For the respective six and seven months ended December 31, 2006, gross sales of CI's managed funds were \$4.4 billion and \$5.2 billion, compared with \$5.1 billion for the six months ended November 30, 2005. Net sales were

\$310.9 million and \$437.1 million for the six and seven months ended December 31, 2006, respectively, compared with \$1.3 billion for the six months ended November 30, 2005. Despite strong relative fund performance, CI's net sales declined, as did overall industry sales.

Net sales of mutual funds reported by the Investment Funds Institute of Canada ("IFIC") were down \$1.4 billion for the seven months ended December 31, 2006 from industry net sales of \$12.2 billion for the same seven-month period last year. Though sales and assets reported by IFIC do not give a comprehensive view of CI's sales and assets, they are helpful as an indicator of trends affecting a significant portion of CI's business.

Fee-earning assets at January 31, 2007 totalled \$82.9 billion, an increase of \$1.0 billion during the month. These assets are represented by \$52.7 billion in CI mutual and segregated funds, \$10.1 billion in United funds, \$0.9 billion in structured products, \$1.8 billion in administered/other assets such as labour-sponsored funds, and \$17.4 billion in AWM assets under administration (net of United funds).

Results of Operations

CI reported net income of \$149.9 million for the three months ended December 31, 2006, an increase of 98% compared with \$75.7 million reported for the three months ended November 30, 2005. Net income for the seven months ended December 31, 2006 was \$354.7 million. CI reported net income of \$288.3 million for the six months ended December 31, 2006, an increase of 73% compared with \$166.7 million for the six months ended November 30, 2005. On a per unit basis, CI earned \$0.53 in the three months ended December 31, 2006, an increase of 104% compared with \$0.26 reported for the three months ended

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 and investment gains, plus equity-based compensation expense and amortization of deferred sales commissions and fund contracts.

<i>(in millions, except per unit amounts)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
Income before income taxes	\$145.6	\$118.0	\$323.6	\$279.4	\$254.9
Less:					
Redemption fees	9.4	10.8	19.9	17.2	21.1
Gain on marketable securities	—	1.3	—	—	18.0
Add (deduct):					
Amortization of DSC and fund contracts	26.4	19.6	59.3	51.2	37.8
Equity-based compensation expense	(0.5)	17.9	(3.8)	2.8	26.8
Pre-tax operating earnings	\$162.1	\$143.4	\$359.2	\$316.2	\$280.4
per unit	\$0.58	\$0.50	\$1.27	\$1.12	\$0.98

November 30, 2005. CI earned \$1.25 per unit in the seven months ended December 31, 2006, \$0.13 of which is due to a future income tax rate change that was effected in June. CI earned \$1.02 per unit in the six months ended December 31, 2006, up 76% from \$0.58 per share in the six months ended November 30, 2005. The key reason for the significant increase in the year-over-year comparisons is the reduction in income tax expense that resulted from the income trust conversion. In the quarter ended December 31, 2006, an income tax recovery of \$4.3 million was recorded, compared with a provision for income taxes of \$42.3 million in the quarter ended November 30, 2005. An income tax recovery of \$31.1 million and \$8.9 million was recorded in the respective seven and six months ended December 31, 2006, compared with a provision for income taxes of \$88.2 million for the six months ended November 30, 2005.

The results of operations include amounts recorded for equity-based compensation expense, which varies from period to period based on CI's unit price and the price at which exercises were made during the period. Earnings for the three months ended December 31, 2006, were increased by the recovery of equity-based compensation expenses of \$0.5 million (\$0.3 million after-tax). In comparison, for the three months ended November 30, 2005, earnings were reduced by equity-based compensation expenses of \$17.9 million (\$11.5 million after-tax). Earnings for the seven months ended December 31, 2006, were increased by the recovery of equity-based compensation of \$3.8 million (\$2.4 million after-tax). For the six months ended December 31, 2006 and November 30, 2005, earnings were reduced for equity-based compensation expenses of \$2.8 million (\$1.8 million after-tax) and \$26.8 million (\$17.1 million after-tax), respectively. The six months ended November 30, 2005 included an \$18.0 million gain (\$14.8 million after-tax) primarily relating to the sale of Amvescap shares.

CI's pre-tax operating earnings, as set out in the table above, adjust for the impact of equity-based compensation and the gain described earlier. Redemption fee revenue and the amortization of deferred sales commissions and fund contracts are also removed in order to correct the distortion of back-end financed assets under management.

Redemption fee revenue declined \$3.9 million from \$21.1 million in the six months ended November 30, 2005 to \$17.2 million in the six months ended December 31, 2006. Redemption fee revenue is lower as a result of a decline in back-end load assets under management. In addition, these back-end assets are aging, and therefore pay a lower redemption fee rate when redeemed.

Amortization of deferred sales commissions and fund contracts increased to \$26.4 million and \$51.2 million in the respective three and six months ended December 31, 2006 from \$19.6 million and \$37.8 million in the respective three and six months ended November 30, 2005. Amortization of deferred sales commissions is increasing as a result of the change in the accounting estimate of the useful life for deferred sales commissions effective June 2003. The switch from 36 months to 84 months meant that the balance of deferred sales commissions at that time was no older than three years and its amortization would now be extended another four years. This caused an immediate drop in the amortization expense for that first period after the change in accounting estimate. The amortization expense now grows each period as no deferred sales commission will be fully amortized until June 2007, four years after the date of the accounting estimate change.

Pre-tax operating earnings per unit increased 16% and 14% for the three and six months ended December 31, 2006 compared with the respective three and six months ended November 30, 2005, while average assets under management increased 16% and 15%, respectively.

As shown in the table that follows, EBITDA increased to \$348.8 million in the six months ended December 31, 2006 from \$301.5 million in the six months ended November 30, 2005, an increase of 16%. The increase was 23% when adjusted for the \$18.0 million gain which arose primarily from the sale of the Amvescap shares in the prior year. The increase in EBITDA was primarily the result of higher average assets under management and a steady margin on those assets, even as redemption fees and other revenues decreased.

In addition to the factors pertaining to the difference between net income and pre-tax operating earnings, the increase in EBITDA, as compared with net income, was impacted by an increase in the amortization of capital assets, which is contained in amortization of other items. The completion of leasehold improvements was the primary reason for the increase in amortization.

Interest expense increased due to higher debt levels, as discussed under "Liquidity and Capital Resources". CI repurchased 5,553,300 units during the seven months ended December 31, 2006 at a cost of \$143.0 million. This change to CI's capital structure results in increased financing charges and is the type of event that EBITDA is designed to disregard in order to provide information on results of operations prior to the impact of financing activities.

EBITDA

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 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- and back-end sales commission assets under management.

<i>(in millions, except per unit amounts)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
Net income	\$149.9	\$75.7	\$354.7	\$288.3	\$166.7
Add (deduct):					
Interest expense	6.6	3.0	13.6	12.0	6.2
Income tax expense (recovery)	(4.3)	42.3	(31.1)	(8.9)	88.2
Amortization of DSC and fund contracts	26.4	19.6	59.3	51.2	37.8
Amortization of other items	3.1	1.4	7.0	6.2	2.6
EBITDA	\$181.7	\$142.0	\$403.5	\$348.8	\$301.5
per unit	\$0.65	\$0.50	\$1.42	\$1.23	\$1.05

Asset Management Segment

The Asset Management segment of the business includes the operating results and financial position of CI Investments and United.

Investment Product Management

In order to offer a broad range of investment products, CI retains the services of a significant number of investment managers. CI uses both external sub-advisors and internal portfolio managers to ensure it can attract and maintain the investment management expertise CI believes is necessary to meet investors' needs.

CI maintains sub-advisory agreements with independent investment managers who are compensated on the basis of assets under management, as detailed in the chart below.

CI INVESTMENTS & UNITED SUB-ADVISORS

ASSETS AT DECEMBER 31, 2006

(millions)

AGF Funds Inc.	\$562
AIC Limited	25
AIM Funds Management Inc.	414
Alliance Bernstein, L.P.	841
Altrinsic Global Advisors, LLC	1,978
Brandes Investment Partners & Co.	28
Cohen & Steers Capital Management Inc.	843
Connor, Clark & Lunn Investment Management Ltd.	165
Deutsche Investment Management Americas Inc.	1,341
Epoch Investment Partners, Inc.	1,847
Fidelity Investments Canada Limited	432
Franklin Templeton Investments Corp.	29
Legg Mason Capital Management, Inc.	1,271
Goodman & Company, Investment Counsel Ltd.	44
Mackenzie Financial Corporation	113
Marret Asset Management Inc.	172
MFC Global Investment Management (Canada)	150
Pacific Investment Management Company, LLC	123
Picton Mahoney Asset Management	3,459
QVGD Investors Inc.	421
TD Asset Management Inc.	153
Tetrem Capital Partners Ltd.	8,202
Trident Investment Management, LLC	119
Trilogy Global Advisors, LLC	5,594
Wellington Management Company, LLP	139
Total	\$28,465

CI also employs portfolio managers directly. At December 31, 2006, CI managed \$34.3 billion in a diversified mix of funds using value and growth-oriented investment approaches. CI's in-house investment teams operate under the Harbour Funds, Signature Funds and CI Funds brands and include well-known money managers such as Gerry Coleman and Eric Bushell.

Investment Product Distribution

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

United has its own suite of products known as the United Pools, Institutional Managed Portfolios and the Artisan Portfolios distributed primarily through AWM financial advisors. These products allow AWM advisors to provide their clients with a comprehensive investment program that includes strategic asset allocation, portfolio monitoring and rebalancing and effective reporting. Distribution of these funds is supported by an extensive number of staff specific to the AWM operations whose experience includes all aspects of fund support, as well as knowledge in dealership, compliance, estate, trust, tax and insurance matters. United also offers its exclusive Private Client Managed Portfolios discretionary account management service to high net worth investors and their families.

Investment Product Administration

Providing investors and distributors of CI funds with accurate and timely information on purchases, redemptions, transfers, switches and holdings requires a highly efficient administration operation. CI has made extensive investments in technology to enable its clients to receive information quickly and in a cost-efficient manner, ensuring that CI continues to be one of the most efficient fund administrators in the industry. CI believes that the cost it incurs to administer its funds are among the lowest in the industry as a percentage of assets and that low operating costs will continue to be a competitive advantage. In September 2005, CI implemented fixed administration fees for its mutual funds and in return, CI bears all operating expenses of the fund (other than taxes and new governmental fees). This effectively caps the funds' management expense ratios as CI will absorb any operating expenses that exceed the fixed administration rate. This provides transparency of costs to security-holders of CI's funds at attractive levels relative to competitor's funds, in turn enhancing the appeal of CI's products.

The table below depicts the reduction in costs CI has achieved over the past eight years in the administration of CI funds, culminating with the average fixed administration fee charged to the funds at the end of 2006. (Note that this table does not include the operating costs of the funds of companies acquired by CI until those funds have been integrated into CI and, therefore, have operating costs consistent with CI funds).

FUND OPERATING EXPENSES

Fiscal Year	as a % of assets (in basis points)
1999	39.6
2000	34.4
2001	31.1
2002	30.5
2003	31.4
2004	27.5
2005	21.5
2006 (Dec)	18.5

CI believes that it holds a competitive advantage in its ability to consolidate fund operations onto its administrative platform and achieve significant cost savings in the administration of financial products. This results in enhanced service and significant cost savings in the operations of these funds, which directly benefits their investors.

A key strength of CI is its ability to quickly provide administrative capacity for new products in a cost-effective manner. In recent years, CI has successfully launched numerous new products that have had the appropriate administrative support to achieve market penetration and have contributed to CI's assets under management. These include Portfolio Select Series, launched in January 2006, as well as several series of fund-linked note programs in conjunction with Canadian chartered banks and segregated funds in conjunction with Sun Life Financial.

Results of Operations

The table that follows presents the operating results for the Asset Management segment:

ASSET MANAGEMENT SEGMENT

SUMMARY OF OPERATING RESULTS

<i>(in millions)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
Management fees	\$306.7	\$267.6	\$693.8	\$600.5	\$537.6
Other revenue	13.0	15.6	27.0	23.2	45.5
Total revenue	319.7	283.2	720.8	623.7	583.1
Selling, general and administrative	52.4	69.8	119.3	106.8	136.9
Trailer fees	89.1	72.8	200.9	173.5	146.5
Amortization of deferred sales					
commissions and fund contracts	26.6	19.7	59.7	51.6	37.9
Other	2.0	3.0	6.0	3.6	4.6
Total expenses	170.1	165.3	385.9	335.5	325.9
Income before income taxes and non-segmented items	\$149.6	\$117.9	\$334.9	\$288.2	\$257.2

Income before income taxes and interest expense for CI's principal segment was \$149.6 million for the three months ended December 31, 2006, an increase of 27% compared with \$117.9 million for the three months ended November 30, 2005. For the six months ended December 31, 2006, income before income taxes and interest expense for the Asset Management segment was \$288.2 million, an increase of 12% compared with \$257.2 million for the six months ended November 30, 2005.

Revenues

Revenues from management fees were \$306.7 million for the three months ended December 31, 2006, an increase of 15% compared with the three months ended November 30, 2005. Management fee revenue for the six months ended December 31, 2006 were \$600.5 million, an increase of \$62.9 million or 12% compared with the six months ended November 30, 2005.

The increase was mainly attributable to higher average assets under management, which were 16% and 15% higher for the three and six months ended December 31, 2006 than the comparative asset levels for the respective periods ended November 30, 2005. As a percentage of average assets under management, management fees were 2.01% for the respective three, six and seven months ended December 31, 2006, down from 2.06% and 2.08% in the respective three and six months ended November 30, 2005.

Management fees have decreased as a result of a continuing trend towards a higher proportion of CI's assets being Class F and Class I funds, which have lower management fees. Class F funds pay no trailer fees to advisors, who typically charge their clients a flat or asset-based fee. Class I funds have reduced management fees for institutional clients with large holdings. At December 31, 2006, there were \$658.4 million and \$5.5 billion in Class F and Class I funds, respectively, compared with \$410.9 million and \$3.9 billion at November 30, 2005.

Other revenue was \$13.0 million for the three months ended December 31, 2006, a decrease of \$2.6 million compared with the three months ended November 30, 2005. Other revenue was \$23.2 million for the six months ended December 31, 2006, a decrease of \$22.3 million compared with the six months ended November 30, 2005. The six-month period ended November 30, 2005 included an \$18.0 million gain on the sale of marketable securities and foreign exchange.

The largest component of other revenue is redemption fees. Redemption fees were \$9.4 million and \$17.2 million for the respective three and six months ended December 31, 2006. In comparison, redemption fees were \$10.8 million and \$21.1 million for the three and six months ended November 30, 2005. The decrease in redemption fees over the comparative periods was a result of the decreased level of assets that are subject to redemption fees, and the aging of assets, which results in lower applicable redemption fee rates.

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were \$52.4 million for the three months ended December 31, 2006, a decrease of 25% from \$69.8 million for the three months ended November 30, 2005. SG&A expenses were \$119.3 million for the seven months and \$106.8 million for the six months ended December 31, 2006, compared with \$136.9 million in the six months ended November 30, 2005. Included in SG&A are expenses relating to CI's equity-based compensation plan. A recovery of \$0.5 million was recorded for the three months ended December 31, 2006, compared with an expense of \$17.9 million for the three months ended November 30, 2005. A recovery of \$3.8 million was recorded for the seven months ended December 31, 2006. The equity-based compensation expense was \$2.8 million for the six months ended December 31, 2006, compared with an expense of \$26.8 million for the six months ended November 30, 2005.

At May 31, 2006, based on the price of CI common shares of \$31.03 per share, the potential payment on all vested equity-based compensation outstanding, plus the proportion of unvested amounts, was \$94.2 million. Based on the price of CI trust units at December 31, 2006 of \$26.72 per unit, the equity based compensation liability declined to \$43.0 million. Though CI acknowledges that the equity-based compensation expense is clearly a cost of business that is tied to the performance of CI's trust unit price, the financial results presented hereinafter both include and exclude the expense to aid the reader in conducting a comparative analysis.

SG&A expenses net of the amount related to equity-based compensation ("net SG&A") were \$52.9 million for the three months ended December 31, 2006 and \$51.9 million for the three months ended November 30, 2005. For the seven months ended December 31, 2006, net SG&A was \$123.1 million. Net SG&A expenses for the six months ended December 31, 2006 were \$104.0 million, down from \$110.1 million for the six months ended November 30, 2005.

As a percentage of average assets under management, net SG&A expenses were 0.35% in the three and six months ended December 31, 2006, respectively. This is down from 0.40% and 0.42% for the three and six months ended November 30, 2005, respectively. This indicates that CI contained spending growth significantly below growth in assets under management.

Trailer fees increased from \$72.8 million for the three months ended November 30, 2005 to \$89.1 million for the three months ended December 31, 2006. Net of intersegment amounts, this expense increased from \$68.9 million for the three months ended November 30, 2005 to \$85.8 million for the three months ended December 31, 2006. Similarly, trailer fees increased from \$146.5 million in the six months ended November 30, 2005 to \$173.5 million and \$200.9 million for the respective six and seven months ended December 31, 2006. Net of intersegment amounts, this expense increased from \$138.7 million for the six months ended November 30, 2005 to \$166.9 million and \$193.3 million for the respective six and seven months ended December 31, 2006.

The overall increase in trailer fees was consistent with the increase in assets under management. Also contributing to higher trailer fees is the movement towards a greater percentage of funds being sold on a front-end sales charge basis and a higher percentage of equity funds. For both of these types of funds, CI pays a higher trailer fee rate. In addition, there has been the conversion of older deferred sales charge assets to front-end. As a percentage of average assets, trailer fees were 0.56% for the three, six and seven months ended December 31, 2006, compared with 0.53% and 0.54% in the respective three and six months ended November 30, 2005.

For the three, six and seven months ended December 31, 2006, CI's operating profit margin on the Asset Management segment, as a percentage of average assets under management and adjusted for the equity-based compensation expense (recovery) as discussed above, was 1.10%, down slightly from 1.13% and 1.12% for the respective three and six months ended November 30, 2005. This was a result of lower management fees and higher trailer fees offset by lower selling, general and administrative expenses.

Generally, the trend in CI's margins has been downward. Increasing competition and changes in the product platforms through which an increasing amount of funds are sold have pushed management fee rates lower. The increase in trailer fees also contributed to the decline in the margin. While CI has been able to reduce SG&A expenses in the past in order to maintain its margins, there can be no assurance that it can continue to do so.

Commissions paid from CI's cash resources on the sale of funds on a deferred sales charge basis are, for financial reporting purposes, amortized evenly over the 84 months immediately following the sale of the funds. The actual cash payment in any period is reported in the Consolidated Statements of Cash Flows under Investing Activities. Amortization of deferred sales

Operating Profit Margin

CI monitors its operating profitability on assets under management within its Asset Management segment by measuring the operating profit margin, which is defined as management fees from funds less trailer fees and SG&A expenses net of equity-based compensation expense, calculated as a percentage of average assets under management. CI uses this measure to manage profitability so that when changes in the market value of assets under management affect revenue flows, CI may adjust discretionary expenditures to maintain its margins.

<i>(as a % of average AUM)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
Management fees	2.01%	2.06%	2.01%	2.01%	2.08%
Less:					
Trailer fees	0.56%	0.53%	0.56%	0.56%	0.54%
Net SG&A expenses	0.35%	0.40%	0.35%	0.35%	0.42%
Operating profit margin	1.10%	1.13%	1.10%	1.10%	1.12%

commissions was \$25.6 million for the three months ended December 31, 2006, compared with \$18.8 million for the three months ended November 30, 2005. Amortization of deferred sales commissions was \$49.7 million for the six months ended December 31, 2006, compared with \$36.3 million in the six months ended November 30, 2005. The increase is consistent with the increase in deferred sales commissions paid in the last three fiscal years and the change in amortization period from 36 to 84 months beginning in June 2003.

Other expenses decreased to \$2.0 million and \$3.6 million for the respective three and six month periods ended December 31, 2006 from \$3.0 million and \$4.6 million for the respective three and six months ended November 30, 2005. For the seven months ended December 31, 2006, other expenses were \$6.0 million and included \$2.0 million in expenses associated with CI's conversion to an income trust. Included in other expenses are distribution fees to limited partnerships, which decreased to \$0.8 million for the three months ended December 31, 2006 from \$0.9 million for the three months ended November 30, 2005. Distribution fees were \$1.9 million and \$1.6 million for the respective seven and six months ended December 31, 2006 compared with \$1.9 million for the six months ended November 30, 2005.

Asset Administration Segment

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including ACM, AFM and IQON.

Investment Advisory Services

CI provides investment advisory services to clients through financial advisors at AWM and IQON. The level of services provided range from offering basic financial advisory services focusing on products such as mutual funds, segregated funds and other insurance products to a full suite of financial advisory services, including portfolio management, investment advice, distribution of securities, insurance products, banking products and financial, tax, succession, wealth and estate planning.

At December 31, 2006, AWM and IQON had 915 financial advisors with a total of \$27.4 billion under administration, resulting in average assets under administration of \$29.9 million per financial advisor, up from \$26.1 million per advisor at May 31, 2006. In order to support the distribution of financial advisory services by AWM and IQON financial advisors, CI's focus is on providing services such as compliance oversight, support for tax and legal services, portfolio management services, product review of third-party products, a centralized dealership administrative operation, product design, insurance administration, marketing and educational support, financing and other related services.

Results of Operations

The table that follows presents the operating results for the Asset Administration segment:

ASSET ADMINISTRATION SEGMENT

SUMMARY OF OPERATING RESULTS

<i>(in millions)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
Administration fees	\$63.2	\$56.5	\$139.0	\$119.4	\$113.3
Other revenue	2.0	1.6	4.4	3.9	4.0
Total revenue	65.2	58.1	143.4	123.3	117.3
Selling, general and administrative	11.7	10.0	28.5	23.4	23.2
Investment dealer fees	50.2	43.8	110.9	95.2	87.7
Amortization of deferred sales					
commissions and fund contracts	0.3	0.4	0.9	0.8	0.8
Other	0.1	0.1	0.2	0.2	0.2
Total expenses	62.3	54.3	140.5	119.6	111.9
Income before income taxes and non-segmented items	\$2.9	\$3.8	\$2.9	\$3.7	\$5.4

The Asset Administration segment had income before income taxes and non-segmented items of \$2.9 million for the three months ended December 31, 2006, down from \$3.8 million for the three months ended November 30, 2005. Income before income taxes and non-segmented items was \$2.9 million and \$3.7 million for the respective seven and six months ended December 31, 2006, down from \$5.4 million for the six months ended November 30, 2005.

Revenues

Administration fees are fees earned on assets under administration in the AWM business and fees earned from the administration of third-party business. These fees were \$63.2 million for the three months ended December 31, 2006, compared with \$56.5 million for the three months ended November 30, 2005. Administration fees were \$139.0 million for the seven months ended December 31, 2006. For the six months ended December 31, 2006, administration fees were \$119.4 million, an increase of 5% from \$113.3 million for the six months ended November 30, 2005. Net of intersegment amounts, administration fee revenue was \$37.3 million for the three months ended December 31, 2006, compared with \$31.0 million for the three months ended November 30, 2005. Net administration fee revenue was \$68.4 million for the six months ended December 31, 2006, an increase of 11% from \$61.9 million for the six months ended November 30, 2005. Administration fees should be considered in conjunction with investment dealer fees, an offsetting expense that represents the payout to financial advisors.

Other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances and fees related to registered accounts. For the three months ended December 31, 2006, other revenues were \$2.0 million, compared with \$1.6 million for the three months ended November 30, 2005. Other revenues remained relatively flat at \$4.4 million and \$3.9 million for the respective seven and six months ended December 31, 2006, compared with \$4.0 million for the six months ended November 30, 2005.

Expenses

Selling, general and administrative ("SG&A") expenses for the segment were \$11.7 million for the three months ended December 31, 2006, an increase of 17% from \$10.0 million for the three months ended November 30, 2005. For the six months ended December 31, 2006, SG&A expenses remained flat at \$23.4 million, compared with \$23.2 million for the six months ended November 30, 2005.

Investment dealer fees are the direct costs attributable to the operation of the AWM dealerships, including payments to financial advisors based on the revenues generated from assets under administration. These fees were \$50.2 million for the three months ended December 31, 2006, an increase of 15% from \$43.8 million for the three months ended November 30, 2005. For the three months ended December 31, 2006, dealer gross margin was \$13.0 million or 21%, compared with \$12.7 million or 22% for the three months ended November 30, 2005. For the seven months ended December 31, 2006, the gross margin was \$28.1 million or 20%. For the six months ended December 31, 2006, investment dealer fees were \$95.2 million on revenues of \$119.4 million, for a margin of \$24.2 million or 20%, down from a margin of 23% in the six months ended November 30, 2005. The decline in gross margin as detailed in the table above represents higher payouts to financial advisors. AWM has seen advisors with large books of business joining its ranks as well as consolidation of books of business. The increase in average payout to advisors is consistent with the growth in average book size. CI has made significant progress towards streamlining the dealer operations and improved net margins may be achieved if SG&A spending grows at a slower rate than revenues.

Liquidity and Capital Resources

The balance sheet for CI at December 31, 2006 reflects total assets of \$2.74 billion, a decrease from \$2.82 billion at May 31, 2006. This is represented by a decline in current assets of \$120.7 million and an increase in long-term assets of \$35.2 million. CI's cash balance decreased by \$76.4 million in the seven months ended December 31, 2006, as regulatory capital needs were reduced. The decrease in cash was used to fund deferred sales commissions and to repurchase units and common shares through the issuer bid program.

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.

<i>(in millions)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
Administration fees	\$63.2	\$56.5	\$139.0	\$119.4	\$113.3
Less:					
Investment dealer fees	50.2	43.8	110.9	95.2	87.7
	\$13.0	\$12.7	\$28.1	\$24.2	\$25.6
Dealer gross margin	20.6%	22.5%	20.2%	20.3%	22.6%

CI generates significant cash flows from its operations. Cash flow provided by operating activities was \$297.9 million and \$254.4 million for the respective seven and six months ended December 31, 2006. Excluding the change in working capital, cash flow from operations was \$319.7 million and \$305.0 million for the respective seven and six-month periods. This level of cash flow was sufficient to meet distributions during the periods.

CI disposed of marketable securities for net proceeds of \$12.5 million in the seven months ended December 31, 2006. As a result, total marketable securities decreased from \$27.1 million at May 31, 2006 to \$14.6 million at December 31, 2006. Marketable securities are comprised of seed capital investments in its funds and other portfolio investments.

Accounts receivable and prepaid expenses decreased \$6.3 million in conjunction with the switch to a calendar quarter-end, reflecting the timing of fee revenue received quarterly that no longer is shown as a receivable at the period-end. The future income tax asset decreased \$21.4 million during the period, in line with the reduction in the equity-based compensation liability. The increase in long-term assets resulted primarily from a \$28.9 million increase in deferred sales commissions, reflecting new sales commissions incurred of \$86.4 million net of \$57.5 million of amortization during the seven month period ended December 31, 2006.

Liabilities increased \$88.4 million during the seven months ended December 31, 2006. Significant changes included an increase of \$83.7 million in distributions payable representing declared and unpaid distributions on CI's units. In addition, provisions for income taxes were impacted by CI's conversion to an income trust and cuts to future tax rates implemented by the federal government. Current income taxes payable decreased \$29.1 million as CI made payments in relation to its last fiscal year-end and accrued a significantly lower amount on December 31, 2006 because of its new income trust structure. Future income taxes payable decreased \$81.5 million as future tax rates were cut by as much as 4%. In addition, the equity-based compensation liability decreased \$51.2 million, reflecting fewer options outstanding and a decline in CI's unit price by \$4.31 during the period.

CI drew \$158.9 million on its credit facility during the seven months ended December 31, 2006, increasing long-term debt. At December 31, 2006, CI had drawn \$576.1 million at an average rate of 4.60%, compared with \$417.1 million drawn at an average rate of 4.48% at May 31, 2006. Net of cash and marketable securities, debt was \$539.3 million at December 31, 2006, versus \$291.4 million at May 31, 2006. Interest expenses of \$6.6 million were recorded for the three months ended December 31, 2006, compared with \$3.0 million for the three months ended November 30, 2005. For the seven and six months ended December 31, 2006, interest expense recorded was \$13.6 million and \$12.0 million respectively, up from \$6.2 million in the six months ended November 30, 2005. This increase in interest expenses reflects higher average debt levels and higher interest rates. Principal repayments are only required under the facility should the bank decide not to renew the facility on its anniversary,

in which case, the principal would be repaid in 48 equal monthly instalments. Payments on the increased obligation would be payable beginning June 2007 should the bank not renew the existing facility.

CI's working capital was impacted by the conversion to an income trust and by the changes in the equity-based compensation liability, as discussed above. Generally, CI's working capital needs are not seasonal and should remain relatively flat as they pertain to its underlying business.

CI's main uses of capital are the financing of deferred sales commissions, the payment of distributions on its Exchangeable LP units and trust units, the funding of capital expenditures and the repurchase of trust units through its issuer bid program.

CI financed sales commissions of \$86.4 million and \$73.9 million in the respective seven and six months ended December 31, 2006. This compares to \$75.5 million in the six months ended November 30, 2005. Sales commissions of \$38.4 million were financed in the three months ended December 31, 2006, compared with \$38.8 million in the three months ended November 30, 2005. The amount of deferred sales commissions incurred is consistent with steady sales of back-end load units of funds in these periods of approximately \$250 million per month.

During the seven months ended December 31, 2006, CI incurred capital expenditures of \$4.8 million, primarily for leasehold improvements.

Unitholders' equity decreased \$173.8 million as CI bought back \$143.0 million of capital through its issuer bid program and declared distributions and dividends of \$385.6 million (\$301.9 million paid) during the seven-month period that exceeded net income by \$30.9 million. CI repurchased 1,286,200 common shares during June 2006 at a total cost of \$38.4 million, or an average price of \$29.89 per share. In the six months ended December 31, 2006, CI repurchased 4,267,100 trust units at a total cost of \$104.6 million, or an average price of \$24.51 per unit.

Distributable Cash

CI determines the amount of cash it will distribute after considering a number of factors. Cash flow from operating activities is the primary measure of how much cash is being generated by the business. On this basis, the cash flow from operating activities for the six months ended December 31, 2006 of \$254.4 million is less than the \$284.8 million paid out to unitholders. However, cash flow before the net change in non-cash working capital balances was \$305.0 million, indicating that prior to reported working capital requirements, there was sufficient cash flow to fund distributions. Within the change to working capital there may be specific events that cause large fluctuations. As such, cash flow from operating activities may not always be a reliable measure for underlying cash flow. In the table that follows, the use of EBITDA less interest expense is meant to

eliminate any distortions within operating cash flow caused by the timing of working capital outflows. EBITDA has been reconciled to net income in the table on page 32.

Cash flow from operating activities was impacted during the six months ended December 31, 2006 by the payment of \$40.2 million in corporate income and capital taxes that pertained to the period prior to CI's conversion to an income trust. This payment reduced CI's change in working capital and its cash flow from operating activities.

The change in the accrual for equity-based compensation can also significantly impact cash flow from operating activities. The six months ended December 31, 2006 shows a \$29.6 million deduction from operating cash flow for equity-based compensation that represents the change in accrual for the period. This is deducted although net income already includes the \$2.8 million (\$1.8 million after-tax) of equity-based compensation expense for the period because \$17.6 million in cash was paid out to settle option exercises. Again, EBITDA is used in place of cash flow from operating activities to measure distributable cash in order to eliminate the impact of cash settlement of options, which is viewed as a capital activity.

To the extent distributions are greater than cash flow from operations, external financing was used to increase working capital items. It is expected that distributions will be financed from cash flow from operations, external financing will be used to fund capital expenditures and deferred sales commissions required for growth and that the ratio of debt to EBITDA will, absent acquisitions or growth significantly above forecast, not grow above 1:1.

Distributable Cash

CI calculates distributable cash as an indicator of how much cash is available to be paid out. Comparing this amount to the actual amount distributed provides a payout ratio. CI defines distributable cash as EBITDA less interest expense, maintenance capital expenditures and maintenance deferred sales commissions. Maintenance capital expenditures are average annual amounts that CI estimates must be spent on replacement capital assets over the next five years to maintain its existing infrastructure due to disposal of capital assets. Maintenance deferred sales commissions are average annual amounts that CI estimates will be spent on sales commissions over the next five years to maintain its existing level of assets under management due to redemption of assets under management.

<i>(in millions, except per unit amounts)</i>	For the three months ended December 31, 2006	For the three months ended November 30, 2005	For the seven months ended December 31, 2006	For the six months ended December 31, 2006	For the six months ended November 30, 2005
EBITDA	\$181.7	\$142.0	\$403.5	\$348.8	\$301.5
Less:					
Interest expense	6.6	3.0	13.6	12.0	6.2
Maintenance capital expenditures	2.0	2.0	4.7	4.0	4.0
Maintenance deferred sales commissions	15.0	15.0	35.0	30.0	30.0
Distributable cash	\$158.1	\$122.0	\$350.2	\$302.8	\$261.3
per unit	\$0.56	\$0.43	\$1.24	\$1.07	\$0.91
Distributed cash	\$141.9	\$51.5	\$301.9	\$284.8	\$97.4
per unit	\$0.5025	\$0.18	\$1.065	\$1.005	\$0.34
Payout ratio	89.7%	41.9%	85.9%	93.9%	37.4%

Financial Instruments

The fair value of certain financial instruments approximates carrying value at December 31, 2006. This is the case for cash, accounts receivable and prepaid expenses, accounts payable and long-term debt. Marketable securities have a fair value based on quoted market prices, where available, for portfolio investments and seed capital. CI entered into a total return unit swap to mitigate its exposure to the price of its trust units and fluctuations in its equity-based compensation. The total return unit swap was measured at fair value and any resulting gains or losses were recognized in income. The nature of the swap is discussed under "Off-Balance Sheet Arrangements".

FINANCIAL INSTRUMENTS

<i>(millions)</i>	As at December 31, 2006		As at May 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	\$22.2	\$22.2	\$98.6	\$98.6
Marketable securities	14.6	14.2	27.1	26.7
Accounts receivable and prepaid expenses	85.6	85.6	91.9	91.9
	\$122.4	\$122.0	\$217.6	\$217.2
Accounts payable and accrued liabilities	\$115.2	\$115.2	\$101.8	\$101.8
Distributions payable	100.9	100.9	17.1	17.1
Long-term debt	576.1	576.1	417.1	417.1
	\$792.2	\$792.2	\$536.0	\$536.0
Off Balance Sheet Arrangements	\$ Nil	\$ Nil	\$ Nil	\$ Nil

Risk Factors

Changes in Economic, Political and Market Conditions

CI's performance is directly affected by conditions in the financial markets and political conditions including the legislation and policies of governments. The financial markets and businesses operating in the securities industry are volatile and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond the control of CI. There can be no assurance that financial market performance will be favourable in the future. 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 assets under management, fees and/or revenues, which would reduce cash flow to CI.

Investment Performance of the Funds

If the funds managed by CI are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by CI's competitors, such funds may not attract assets through gross sales or may experience redemptions, which may have a negative impact on CI's assets under management. This would have a negative impact on CI's revenue and profitability.

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 has resulted in increased competition. CI's competitors seek to expand market share by offering different products and services than those offered by CI. There can be no assurance that CI will maintain its current standing in the market or its current market share, and that may adversely affect the business, financial condition or operating results of CI.

Management Fees and Other Costs

CI's ability to maintain its management fee structure will be dependent on its ability to provide investors with products and services that are competitive. There can be no assurance that CI will not come under competitive pressure to lower the fees charged or that it will be able to retain the current fee structure, or with such fee structure, retain its investors in the future. Changes to management fees, commission rates, structures or service fees related to the sale of mutual funds and closed-end funds could have an adverse effect on CI's operating results. By reason of CI's implementation in 2005 of fixed management expense ratios for its mutual funds, a significant decrease in the value of the relevant funds, in combination with the fixed administration fees, could reduce margins and have an adverse effect on CI's operating results.

Regulation of CI

Certain subsidiaries of CI are heavily regulated in almost 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. 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 assets under management and its revenues may be adversely affected.

General Business Risk and Liability

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 trustees, 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.

Off-Balance Sheet Arrangements

CI sometimes uses derivative contracts to mitigate its exposure to the price of its trust units and fluctuations in its equity-based compensation. On June 30, 2006, CI entered into a total return swap transaction agreement with a Canadian chartered bank. Under the agreement, if the price of the units increased, the bank paid CI for capital appreciation plus distributions paid on the units net of funding costs. If the price of the units decreased, CI paid the bank for capital depreciation plus funding costs less any distributions paid on the units. The total return swap was recorded as a hedge for accounting purposes and the units under the transaction agreement effectively offset the income and balance sheet effect for an equal number of options to acquire CI trust units. On September 11 and October 11, 2006, CI entered into interim settlements of its total return swap and terminated the agreement on November 8, 2006. The settlements and termination of the agreement resulted in a decrease in the equity-based compensation liability of \$10.0 million (three months ended December 31, 2006 - decrease of \$14.3 million), a decrease in cash of \$9.7 million and an increase in income of \$0.3 million.

Debt outstanding is borrowed at a floating interest rate. The existing credit facility provides CI with the option of fixing interest rates, should CI change its view on its exposure to rising interest rates. Based on the amount borrowed under the facility on December 31, 2006, each 1% increase in interest rates would cost CI an additional \$5.8 million of interest expense annually.

Related Party Transactions

Sun Life Financial Inc. ("Sun Life") is a related party as a result of its 36.5% ownership of CI's outstanding units. In fiscal 2003, in conjunction with the acquisition of Spectrum Investment Management Limited ("Spectrum") and Clarica Diversico Ltd. ("Diversico"), CI and Sun Life entered into an arrangement whereby, among other things, Sun Life would distribute CI's funds through Sun Life's Clarica sales force on a preferred basis and that CI would perform essentially all administrative and management services to Sun Life's Clarica and SunWise segregated funds. These activities are in the normal course of business for CI and Sun Life is compensated at normal commercial rates as a distributor of fund products as disclosed in the funds' prospectus or other offering documents. These payments are in the form of commissions on sales of funds on a deferred sales charge basis (\$20.3 million for the seven months ended December 31, 2006 versus \$17.3 million for the six months ended

November 30, 2005) and trailer fees (\$50.9 million for the seven months ended December 31, 2006 versus \$37.2 million for the six months ended November 30, 2005). In addition, Sun Life has agreed to reimburse CI for a portion of potential losses on certain investments related to the acquisition of IQON. Based on the estimated fair value of these investments as at December 31, 2006, CI's portion of the estimated losses is not significant to its financial position or results of operations.

Unit Capital

As at December 31, 2006, CI had 133,673,930 trust units and 146,458,757 Exchangeable LP units outstanding. The Exchangeable LP units may be exchanged for trust units at any time.

At December 31, 2006, 4,539,300 options to purchase trust units were outstanding of which 1,773,744 options were exercisable.

Critical Accounting Estimates

Goodwill and Intangible Assets

At the time of acquisition, intangible assets are determined using estimates of fair value and goodwill is recorded as the excess of purchase price over identifiable assets acquired. CI performs impairment tests for goodwill and intangible assets at least annually. These tests involve estimates and assumptions. At December 31, 2006, there was no impairment to the carrying amounts nor would a reasonably likely change to material assumptions result in impairment. As well, the useful life of intangible assets is periodically reassessed and it has been determined that no change is required.

Income Taxes

The current and future income tax assets and liabilities are recorded based on interpretation of tax legislation and assumptions about the realization and timing of future benefits and costs. A difference in interpretation by tax authorities or a change in timing or realization of reversals could result in higher or lower tax provisions.

Deferred Sales Commissions

The commission paid on sales of deferred load or back-end products are deferred and amortized over 84 months. This estimate matches the period over which redemption fees are payable by the investor in this type of product. The sum of these potential redemption fees, the terminal redemption value, is significantly greater than the balance of unamortized deferred sales commissions.

Distributable Cash Estimates

Maintenance Capital Expenditures

The amount of capital expenditures required over the next five years to maintain the current level of operations is estimated based on current levels of capital expenditures, capital assets currently in use and management's foreseeable plans for the business. A

significant change from management's current plans for the business, such as an acquisition of another business or growth that deviates strongly from current forecasts, could cause a material change in the amount of estimated capital expenditures.

Maintenance Deferred Sales Commissions

The amount of deferred sales commissions required over the next five years to maintain the current level of back-end financed assets under management is estimated based on current redemption levels of assets under management, the trend in these redemption levels, the mix between front-end and back-end financed redemptions, the trend in this redemption mix, the current mix between front-end and back-end financed new sales of assets under management and the trend in this sales mix. A significant change in the trend of redemption and sales levels and the mix of business could cause a material change in the amount of estimated deferred sales commissions.

Contractual Obligations

This table summarizes CI's contractual obligations at December 31, 2006.

PAYMENTS DUE BY PERIOD

<i>(millions)</i>	Total	Less than 1 year	2	3	4	5	5 or more years
Long-term debt	\$576.1	\$84.0	\$144.0	\$144.0	\$144.0	\$60.1	\$-
Operating leases	46.5	15.2	11.1	6.5	4.8	2.3	6.6
Total	\$622.6	\$99.2	\$155.1	\$150.5	\$148.8	\$62.4	\$6.6

Change in Accounting Policies

CI did not make any changes to its accounting policies from those reported at May 31, 2006.

Subsequent Changes in Accounting Policies

On January 1, 2007, CI adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865, "Hedges", and Section 1530, "Comprehensive Income". The impact of these new standards on CI's consolidated financial statements is not yet fully determinable but based on preliminary analysis, it is not expected to have a material effect on the financial position and results of operations.

Disclosure Controls and Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with management, have designed and evaluated the effectiveness of CI's disclosure controls and procedures and have designed internal controls over financial reporting as at

December 31, 2006. They have concluded that they are reasonably assured these disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, were effective and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated and concluded that there were no changes that materially affect, or are reasonably likely to materially affect, CI's design of internal controls over financial reporting during the quarter ended December 31, 2006.

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.

Management's Report To Unitholders

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

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

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

Management recognizes its responsibility to conduct the Fund's affairs in the best interests of its unitholders.



William T. Holland
Chief Executive Officer



Douglas J. Jamieson
Chief Financial Officer

February 12, 2007

Auditors' Report

To the Unitholders of
CI Financial Income Fund (formerly CI Financial Inc.)

We have audited the consolidated balance sheets of **CI Financial Income Fund** ("CI") as at December 31, 2006 and May 31, 2006 and the consolidated statements of income and deficit and cash flows for the seven-month period ended December 31, 2006 and the year ended May 31, 2006. These financial statements are the responsibility of CI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CI as at December 31, 2006 and May 31, 2006 and the results of its operations and its cash flows for the seven-month period ended December 31, 2006 and the year ended May 31, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
February 6, 2007
(except for note 16, which is as of February 12, 2007).

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED BALANCED SHEETS
(in thousands of dollars)

	As at December 31, 2006 \$	As at May 31, 2006 \$
■ ASSETS		
Current		
Cash	22,210	98,648
Client and trust funds on deposit <i>[note 2]</i>	76,058	78,750
Marketable securities <i>[note 3]</i>	14,595	27,113
Accounts receivable and prepaid expenses	85,588	91,916
Income taxes recoverable	–	1,299
Future income taxes <i>[note 11]</i>	14,572	35,960
Total current assets	213,023	333,686
Capital assets <i>[note 5]</i>	32,728	34,355
Deferred sales commissions, net of accumulated amortization of \$458,706 [May 31, 2006 - \$401,180] <i>[note 10]</i>	480,388	451,520
Fund contracts <i>[notes 4]</i>	1,003,022	1,004,774
Goodwill	951,026	951,026
Other assets <i>[notes 6 and 8[c]]</i>	59,215	49,469
	2,739,402	2,824,830
■ LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities <i>[notes 10]</i>	115,241	101,779
Distribution payable <i>[notes 9]</i>	100,848	17,141
Client and trust funds payable <i>[note 2]</i>	76,058	78,750
Income taxes payable	13,452	42,567
Equity-based compensation <i>[note 8[b][e]]</i>	42,998	94,187
Deferred revenue	–	3,199
Current portion of long-term debt <i>[note 7]</i>	84,009	–
Total current liabilities	432,606	337,623
Long-term debt <i>[note 7]</i>	492,054	417,129
Future income taxes <i>[note 11]</i>	443,614	525,114
Total liabilities	1,368,274	1,279,866
Unitholders' equity		
Unit capital <i>[note 8[a]]</i>	1,652,472	1,685,073
Deficit	(281,344)	(140,109)
Total unitholders' equity	1,371,128	1,544,964
	2,739,402	2,824,830

(see accompanying notes)

On behalf of the Board of Trustees:



William T. Holland
Trustee



G. Raymond Chang
Trustee

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

(in thousands of dollars, except per unit amounts)

	Seven-month period ended December 31, 2006	Year ended May 31, 2006
	\$	\$
REVENUE		
Management fees	693,759	1,110,019
Administration fees	79,805	131,781
Redemption fees	19,909	40,165
Gain (loss) on sale of marketable securities	(19)	12,983
Other income <i>[note 6]</i>	11,515	28,480
	804,969	1,323,428
EXPENSES		
Selling, general and administrative <i>[notes 8[b]]</i>	147,795	353,622
Trailer fees <i>[note 10]</i>	193,348	290,982
Investment dealer fees	61,183	99,347
Amortization of deferred sales commissions and fund contracts	59,278	82,021
Interest <i>[note 7]</i>	13,600	13,932
Other <i>[note 6]</i>	6,153	8,882
	481,357	848,786
Income before income taxes	323,612	474,642
Provision for (recovery of) income taxes <i>[note 11]</i>		
Current	29,055	146,378
Future	(60,112)	19,226
	(31,057)	165,604
Net income for the period	354,669	309,038
Deficit, beginning of period	(140,109)	(217,901)
Cost of units repurchased in excess of stated value <i>[note 8[a]]</i>	(110,262)	(13,841)
Distributions declared <i>[note 9]</i>	(385,642)	(217,405)
Deficit, end of period	(281,344)	(140,109)
Earnings per unit <i>[note 8[d)]</i>	\$1.25	\$1.08

(see accompanying notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	Seven-month period ended December 31, 2006 \$	Year ended May 31, 2006 \$
■ OPERATING ACTIVITIES		
Net income for the period	354,669	309,038
Add (deduct) items not involving cash		
Loss (gain) on sale of marketable securities	19	(12,983)
Gain on sale of fund contracts	–	(2,100)
Equity-based compensation	(41,197)	38,743
Amortization of deferred sales commissions and fund contracts	59,278	82,021
Amortization of other	7,029	6,820
Future income taxes	(60,112)	19,226
	319,686	440,765
Net change in non-cash working capital balances related to operations	(21,834)	(23,022)
Cash provided by operating activities	297,852	417,743
■ INVESTING ACTIVITIES		
Purchase of marketable securities	(11,680)	(65,834)
Proceeds on sale of marketable securities	24,179	128,858
Additions to capital assets	(4,785)	(21,198)
Deferred sales commissions paid	(86,394)	(181,142)
Additions to other assets	(9,746)	(14,584)
Cash used in investing activities	(88,426)	(153,900)
■ FINANCING ACTIVITIES		
Increase in long-term debt	158,934	26,195
Repurchase of unit capital <i>[note 8[a]]</i>	(143,020)	(19,551)
Issuance of unit capital <i>[note 8[a]]</i>	157	120
Distributions paid to unitholders	(301,935)	(200,264)
Cash used in financing activities	(285,864)	(193,500)
Net increase (decrease) in cash during the period	(76,438)	70,343
Cash, beginning of period	98,648	28,305
Cash, end of period	22,210	98,648
■ SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	13,934	13,288
Income taxes paid	59,496	124,766

(see accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

December 31, 2006 and May 31, 2006

On June 30, 2006, CI Financial Inc. converted, by way of a Plan of Arrangement (the "Conversion"), to an income trust known as CI Financial Income Fund ("CI"). CI is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 18, 2006. Under the Conversion, shareholders of CI Financial Inc. exchanged each of their common shares for one trust unit ("Trust unit") of CI; or one Class B limited partner unit of Canadian International LP ("Exchangeable LP unit") and one special voting unit of CI. Each Exchangeable LP unit is exchangeable into one Trust unit.

In conjunction with the Conversion to an income trust, CI's year-end has been changed from May 31 to December 31. These consolidated financial statements have been prepared using the continuity of interest of CI in the assets, liabilities and operations of CI Financial Inc. The comparative consolidated balance sheet as at May 31, 2006 includes the assets and liabilities of CI Financial Inc. at book values. The consolidated statements of income and deficit and cash flows for the year ended May 31, 2006 and the seven-month period ended December 31, 2006 includes the results of operations and cash flows of CI Financial Inc. since its inception.

These consolidated financial statements are for CI as an income trust subsequent to June 30, 2006 and as a corporation prior to Conversion. All references to "units" refer collectively to the Trust units and the Exchangeable LP units subsequent to June 30, 2006 and to common shares prior to Conversion. All references to "unitholders" refer collectively to holders of Trust units and holders of Exchangeable LP units subsequent to June 30, 2006 and to common shareholders prior to Conversion.

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

Basis of presentation

The consolidated financial statements include the accounts of CI, CI Investments Inc. ("CI Investments"), United Financial Corporation ("United"), Assante Wealth Management (Canada) Ltd. ("AWM") and their subsidiaries. On June 1, 2006, Skylon Advisors Inc. was amalgamated into CI Investments. Hereinafter, CI and its subsidiaries are referred to as CI.

Revenue recognition

Management fees are based upon the net asset value of the respective funds and are recognized on an accrual basis. Management fees received in advance of amounts earned are disclosed separately as deferred revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Administration fees and other income are recognized as services are provided under contractual arrangements. Administration fees include commission revenue, which is recorded on a trade date basis.

Redemption fees payable by securityholders of deferred sales charge mutual funds, the sales commission of which was financed by CI, are recognized as revenue on the trade date of the redemption of the applicable mutual fund securities.

Marketable securities

Marketable securities consist of investments in mutual fund securities and units/shares of publicly traded companies. These investments are carried at the lower of cost and market value and gains or losses on their disposition are recognized using average cost.

Capital assets

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

Computer hardware	30% declining balance or straight-line over three to four years
Computer software	Straight-line over two to four years
Office equipment	20% declining balance or straight-line over five years
Leasehold improvements	Straight-line over the term of the lease
Property	Straight-line over 25 years

Deferred sales commissions

Commissions paid on sales of deferred sales charge mutual funds represent commissions paid by CI to brokers and dealers, and are recorded on the trade date of the sale of the applicable mutual fund securities. Deferred sales commissions are recorded net of any write-down for impairment. CI evaluates the carrying value of deferred sales commissions for potential impairment based on estimated discounted future cash flows from fees earned on the related mutual fund securities. Deferred sales commissions are amortized on a straight-line basis over 84 months from the date recorded.

Fund contracts

Fund administration contracts and fund management contracts (collectively, "fund contracts") are recorded net of any write-down for impairment. CI evaluates the carrying value of fund contracts for potential impairment based on estimated discounted future cash flows. These evaluations are performed on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

Fund administration contracts are amortized on a straight-line basis over 25 years. Fund management contracts with a finite life are amortized on a straight-line basis over eight years. Fund management contracts with an indefinite life are not amortized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Goodwill

Goodwill is recorded as the excess of purchase price over identifiable assets acquired. CI evaluates the carrying value of goodwill for each segment for potential impairment based on comparison to the allocated market capitalization by segment. If this test indicates a potential impairment for any segment, the carrying value of goodwill is evaluated against estimated discounted future cash flows for that segment. These evaluations are performed on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

Equity-based compensation

CI has an employee incentive unit option plan, which includes a cash settlement option. Compensation expense is recognized and recorded as a liability based upon the intrinsic value of outstanding unit options at the balance sheet date and the proportion of their vesting periods that have elapsed. On the exercise of unit options for cash, the liability recorded with respect to the options is reduced for the settlement. If unit options are exercised for units, the liability recorded with respect to the options and consideration paid by the option holders are credited to unit capital.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Earnings per unit

The treasury stock method is used in the calculation of per unit amounts. Basic and diluted per unit amounts are determined by dividing net income by the weighted average number of units outstanding during the period. There is no dilutive effect on earnings per unit as CI accounts for its unit options as a liability.

Foreign currency translation

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

2. Client and Trust Funds

Included in client and trust funds on deposit are amounts representing cash held in trust with Canadian financial institutions for clients in respect of self-administered Registered Retirement Savings Plans and Registered Retirement Income Funds, and amounts received from clients for which the settlement date on the purchase of securities has not occurred or accounts in which the clients maintain a cash balance. The corresponding liabilities are included in client and trust funds payable.

3. Financial Instruments

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

Derivative financial instruments are used to mitigate equity market and foreign exchange exposures.

On June 30, 2006, CI entered into a total return swap transaction agreement (the "Agreement") with a Canadian chartered bank to mitigate CI's exposure to the price of CI's Trust units along with fluctuations in its equity-based compensation. Under the Agreement, the bank would accumulate units of CI through purchases on the Toronto Stock Exchange and would pay CI the total return, if positive, on the stock and CI would pay the bank the total return, if negative. In addition, CI would pay the bank interest on the aggregate purchase amount at bankers' acceptance rates. The total return swap was measured at fair value and any resulting gains or losses were recognized in income.

On September 11, 2006, CI entered into an interim settlement of its total return swap, which resulted in an increase in the equity-based compensation liability and cash by \$4,267. On October 11, 2006, CI entered into another interim settlement of its total return swap which resulted in a decrease in the equity-based compensation liability and cash by \$4,872. On November 8, 2006, CI terminated the Agreement, which resulted in a decrease in the equity-based compensation liability and cash by \$9,387.

In fiscal 2005, CI had a similar total return swap transaction agreement that was terminated in March 2006, which resulted in an increase in the equity-based compensation liability and cash by \$26,718.

CI has, from time to time, entered into forward contracts to manage its foreign exchange exposure related to its investments in U.S. dollar denominated hedge funds. Forward contracts are measured at fair value and any resulting gains or losses are recognized in income. Included in income are foreign exchange gains of nil (year ended May 31, 2006 - \$5,768).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

4. Fund Contracts

Fund contracts consist of the following:

	Seven-month period ended December 31, 2006		Year ended May 31, 2006	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Fund administration contracts	37,600	4,535	37,600	3,658
Fund management contracts				
Finite life	12,000	4,625	12,000	3,750
Indefinite life	962,582	—	962,582	—
	1,012,182	9,160	1,012,182	7,408
Less accumulated amortization	9,160	—	7,408	—
Net book value	1,003,022		1,004,774	

During the year ended May 31, 2006, CI disposed of its VentureLink fund management contracts, which had a cost of \$5,000, and related accounts receivable in return for a loan and investment in the acquiring entity. In addition, CI is entitled to ongoing fees equal to a percentage of the related assets under management over an eight year period.

5. Capital Assets

Capital assets consist of the following:

	Seven-month period ended December 31, 2006		Year ended May 31, 2006	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer hardware and software	40,249	26,143	39,230	21,095
Office equipment	10,459	8,042	10,215	7,598
Leasehold improvements	21,082	4,877	17,560	3,957
	71,790	39,062	67,005	32,650
Less accumulated amortization	39,062		32,650	
Net book value	32,728		34,355	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

6. Other Assets, Income and Expenses

Other assets consist mainly of an investment in a limited partnership, long-term accounts receivable and prepaid expenses and deferred charges. Other income consists mainly of institutional management fees, custody fees, equity income and interest income. Other expenses consist mainly of institutional management expenses, distribution fees to limited partnerships and capital taxes.

7. Long-Term Debt

CI has arranged a revolving credit facility with a Canadian chartered bank for general corporate purposes for \$700,000. Amounts may be borrowed under this facility in Canadian dollars through prime rate loans, which bear interest at the greater of the bank's prime rate and one-month bankers' acceptance rates plus 0.75%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.30%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds overnight rate plus 0.75%, or LIBOR loans which bear interest at LIBOR plus 0.30%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.30% on any undrawn portion. At December 31, 2006, CI had accessed \$840 (May 31, 2006 - \$3,069) by way of letters of credit.

Loans are made by the bank under a 364-day revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, the outstanding principal amount shall be repaid in equal monthly instalments over the following four years.

The facility is collateralized by a registered general security agreement from CI and certain subsidiaries of CI, assignment of the shares in CI Investments, United, AWM, and certain subsidiaries of AWM, and assignment of the management agreements and redemption fees of CI Investments and United. The facility also requires CI to meet certain financial covenants on a quarterly basis, including a debt service ratio (EBITDA divided by interest and principal payable in current quarter) that must not be less than 1.5:1 and a funded debt to EBITDA ratio that must not be more than 2.25:1.

As at December 31, 2006, \$576,063 (May 31, 2006 - \$417,129) has been drawn on this facility in the form of bankers' acceptances at an effective interest rate of 4.60% (May 31, 2006 - 4.48%). As at December 31, 2006, nil (May 31, 2006 - \$57,861 at an effective interest rate of 3.41%) had been drawn in the form of LIBOR loans. Interest expense attributable to the long-term debt for the seven-month period ended December 31, 2006 was \$12,939 (year ended May 31, 2006 - \$12,503).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

8. Unit Capital

(a) A summary of the changes to CI's unit capital pursuant to the Conversion from a corporation to an income trust on June 30, 2006 is as follows:

Common Shares

	Number of Shares [in thousands]	Stated Value
Balance, May 31, 2005	286,643	1,690,663
Issuance of share capital	6	120
Share repurchase	(968)	(5,710)
Balance, May 31, 2006	285,681	1,685,073
Issuance of share capital	1	37
Share repurchase	(1,286)	(7,587)
Conversion to Trust units	(137,886)	(813,263)
Conversion to Exchangeable LP units	(146,510)	(864,260)
Balance, June 30, 2006	—	—

Units

	Number of Units [in thousands]	Stated Value
Trust units, Balance, June 30, 2006	—	—
Conversion from CI Financial Inc. common shares	137,886	813,263
Issuance of unit capital	4	120
Unit repurchase	(4,267)	(25,171)
Conversion from Exchangeable LP units	51	301
Trust units, Balance, December 31, 2006	133,674	788,513
Exchangeable LP units, Balance, June 30, 2006	—	—
Conversion from CI Financial Inc. common shares	146,510	864,260
Conversion to Trust units	(51)	(301)
Exchangeable LP units, Balance, December 31, 2006	146,459	863,959
Total	280,133	1,652,472

During the seven-month period ended December 31, 2006, 5,553,300 units (year ended May 31, 2006 - 968,100 units) were repurchased under a normal course issuer bid at an average cost of \$25.75 per unit (year ended May 31, 2006 - \$20.20 per unit) for a total consideration of \$143,020 (year ended May 31, 2006 - \$19,551). Deficit was increased by \$110,262 (year ended May 31, 2006 - \$13,841) for the cost of the units repurchased in excess of their stated value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

(b) Employee incentive stock option plan

CI Financial Inc. (the "Company") had an employee stock option plan (the "Plan") as amended and restated on April 9, 2003 for the executives and key employees of the Company. On June 30, 2006, as part of the Conversion, the Plan was amended and restated and all options under the Plan were exchanged for unit options (the "Unit Option Plan"). The unit options are the economic equivalent of the exchanged Company options (except that the unit options will be exercised for Trust units, rather than common shares). The Unit Option Plan contains provisions equivalent in all respects to the provisions of the Plan.

Under the Unit Option Plan, the maximum number of Trust units that may be issued is 7,001,412 (May 31, 2006 - 41,722,566 shares). As at December 31, 2006, there are 4,539,300 units (May 31, 2006 - 7,253,338 shares) reserved for issuance on exercise of unit options. These options vest over periods of up to five years, may be exercised at prices ranging from \$10.51 to \$18.15 per Trust unit with a total intrinsic value of \$47,298 as at December 31, 2006 and expire at dates up to 2010.

The option component of equity-based compensation expense recovery under the Unit Option Plan for the seven-month period ended December 31, 2006 of \$2,805 (year ended May 31, 2006 - expense of \$79,477) has been included in selling, general and administrative expenses.

The total stock-based compensation expense for the year ended May 31, 2005 of \$13,329 (2004 - \$39,988) has been included in selling, general and administrative expenses.

Details of the Unit Option Plan activity and status for the seven-month period ended December 31, 2006 and the year ended May 31, 2006 are as follows:

	Seven-month period ended December 31, 2006		Year ended May 31, 2006	
	Number of options (in thousands)	Weighted average exercise price \$	Number of options (in thousands)	Weighted average exercise price \$
Options outstanding, beginning of period	7,253	15.66	8,399	13.37
Options granted	—	—	2,194	18.15
Options exercised	(2,692)	14.57	(3,304)	11.49
Options cancelled	(22)	16.50	(36)	15.15
Options outstanding, end of period	4,539	16.30	7,253	15.66
Options exercisable, end of period	1,774	14.79	3,707	13.96

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Unit options outstanding and exercisable as at December 31, 2006 are as follows:

Exercise price \$	Number of options outstanding (in thousands)	Weighted average remaining contractual life (years)	Number of options exercisable (in thousands)
10.51	313	1.3	313
11.27	168	0.3	168
12.01	175	0.4	175
15.59	980	2.3	294
15.67	5	2.8	—
17.04	1,121	3.4	517
18.15	1,777	3.5	307
10.51 to 18.15	4,539	2.8	1,774

(c) Employee unit purchase loans

CI has an employee unit purchase loan program for key employees. These loans are renewable yearly and bear interest at prescribed rates. As at December 31, 2006, the carrying amount of employee unit purchase loans is \$10,688 (May 31, 2006 - \$4,129) and is included in other assets. These loans become due immediately upon termination of employment or sale of the units that are held as collateral. As at December 31, 2006, the units held as collateral have a market value of approximately \$26,880 (May 31, 2006 - \$23,545).

(d) Earnings per unit

The weighted average number of units outstanding for the seven-month period ended December 31, 2006 and the year ended May 31, 2006 are as follows:

<i>(in thousands)</i>	Seven-month period ended December 31, 2006	Year ended May 31, 2006
Basic and diluted	283,210	285,936

(e) Stock appreciation rights

In conjunction with the acquisition of AWM in fiscal 2004, CI issued share appreciation rights to certain former AWM option holders. The intrinsic value of these rights at the date of grant was included as a liability in the fair value of net assets acquired. These rights are vested and may only be settled for cash. As at December 31, 2006, included in the equity-based compensation liability are 220,101 share appreciation rights (May 31, 2006 - 253,652) outstanding with an intrinsic value of \$2,945 (May 31, 2006 - \$4,487). For the seven-month period ended December 31, 2006, CI recognized an expense recovery of \$1,020 (May 31, 2006 - expense of \$7,391) related to these rights, which has been included in selling, general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

(f) Maximum share dilution

The following table presents the maximum number of units that would be outstanding if all of the outstanding options as at January 31, 2007 were exercised:

(in thousands)

Units outstanding at January 31, 2007	280,134
Options to purchase Trust units	4,510
	284,644

9. Distributions

Distributions are declared quarterly to unitholders of record on or about the last business day of each month and are paid on or about the 15th of the following month. The Board of Trustees of CI is required to declare distributions in the amount of the distributable cash flow for each period. Distributable cash flow is the cash flow of CI adjusted, at the discretion of the Board of Trustees, for certain factors, including consideration of recent and anticipated cash flow.

Distributions declared during the seven-month period ended December 31, 2006 were as follows:

Record Date	Payment Date	Cash Distribution per Trust Unit \$	Cash Distribution per Exchangeable LP Unit \$	Total Distribution Amount \$
June 30, 2006	July 15, 2006	0.1675	0.1675	47,636
July 31, 2006	August 15, 2006	0.1675	0.1675	47,640
August 31, 2006	September 15, 2006	0.1675	0.1675	47,578
September 30, 2006	October 13, 2006	0.1675	0.1675	47,582
October 31, 2006	November 15, 2006	0.1675	0.1675	47,552
November 30, 2006	December 15, 2006	0.1675	0.1675	46,806
December 31, 2006	January 15, 2007	0.0900	0.0900	25,212
January 1, 2007	January 15, 2007	0.0900	0.0900	25,212
January 31, 2007	February 15, 2007	0.1800	0.1800	50,424

10. Related Party Transactions

CI enters into transactions related to the advisory and distribution of its mutual and segregated funds with Sun Life Assurance Company of Canada ("Sun Life"), a unitholder of CI. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts. During the seven-month period ended December 31, 2006, CI incurred charges for deferred sales commissions of \$20,328 (year ended May 31, 2006 - \$44,376), and trailer fees of \$50,944 (year ended May 31, 2006 - \$78,264) to Sun Life. The balance payable to Sun Life as at December 31, 2006 of \$7,799 (May 31, 2006 - \$7,106) is

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

included in accounts payable and accrued liabilities. In addition, Sun Life has agreed to reimburse CI for a portion of any losses realized on certain investments related to the acquisition of IQON Financial Management Inc. in fiscal 2005. Based on the estimated fair value of these investments as at December 31, 2006, CI's portion of the estimated losses is not significant to its financial position or results of operations.

11. Income Taxes

CI qualifies as a "mutual fund trust" as defined in the Income Tax Act (Canada) ("Tax Act"). CI intends to make sufficient distributions of its net income for tax purposes and net realized capital gains each year such that it will generally not be liable in that year for income tax under Part I of the Tax Act. Canadian International LP is not subject to tax under the Tax Act. Each partner is required to include in computing the partner's income for a particular taxation year the partner's share of the net income or loss of Canadian International LP. All corporate subsidiaries of CI are subject to tax and their income tax expense is reflected in the consolidated financials statements.

The federal government has proposed legislation that would effectively tax CI at corporate rates beginning in 2011. If this legislation is enacted, the tax status of CI and its effective income tax rate would be impacted.

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

	Seven-month period ended December 31, 2006 %	Year ended May 31, 2006 %
Combined Canadian federal and provincial income tax rate	36.0	36.0
Increase (decrease) in income taxes resulting from:		
Income distributed to unitholders	(34.3)	—
Impact of rate changes on future income taxes	(11.1)	—
Non-taxable portion of capital gains	—	(1.3)
Other, net	(0.2)	0.2
	(9.6)	34.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

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

	As at December 31, 2006 \$	As at May 31, 2006 \$
Future income tax liabilities		
Fund contracts	318,896	351,177
Deferred sales commissions	163,335	162,485
Other	7,258	22,271
Total future income tax liabilities	489,489	535,933
Future income tax assets		
Equity-based compensation	14,572	34,020
Non-capital loss carry forwards	34,147	5,180
Other	11,728	7,579
Total future income tax assets	60,447	46,779
Net future income tax liabilities	429,042	489,154

The net future income tax liabilities are classified in the consolidated balance sheets as follows:

	As at December 31, 2006 \$	As at May 31, 2006 \$
Current future income tax assets	14,572	35,960
Non-current future income tax liabilities	443,614	525,114

12. Segmented Information

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

The Asset Management segment includes the operating results and net assets of CI Investments and United excluding AWM, 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

(in thousands of dollars, except per unit amounts)

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

Segmented information for the seven-month period ended December 31, 2006 is as follows:

	Asset Management \$	Asset Administration \$	Intersegment Elimination \$	Total \$
Management fees	693,759	–	–	693,759
Administration fees	–	138,974	(59,169)	79,805
Other revenue	26,983	4,422	–	31,405
Total revenue	720,742	143,396	(59,169)	804,969
Selling, general and administrative	119,299	28,496	–	147,795
Trailer fees	200,891	–	(7,543)	193,348
Investment dealer fees	–	110,924	(49,741)	61,183
Amortization of deferred sales				
commissions and fund contracts	59,694	877	(1,293)	59,278
Other expenses	5,964	189	–	6,153
Total expenses	385,848	140,486	(58,577)	467,757
Income before income taxes and non-segmented items	334,894	2,910	(592)	337,212
Interest expense				(13,600)
Recovery of income taxes				31,057
Net income for the period				354,669
Identifiable assets	1,761,965	38,370	(11,959)	1,788,376
Goodwill	815,303	135,723	–	951,026
Total assets	2,577,268	174,093	(11,959)	2,739,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Segmented information for the year ended May 31, 2006 is as follows:

	Asset Management \$	Asset Administration \$	Intersegment Elimination \$	Total \$
Management fees	1,110,019	–	–	1,110,019
Administration fees	–	241,502	(109,721)	131,781
Other revenue	72,148	9,480	–	81,628
Total revenue	1,182,167	250,982	(109,721)	1,323,428
Selling, general and administrative	303,105	50,517	–	353,622
Trailer fees	307,113	–	(16,131)	290,982
Investment dealer fees	–	187,123	(87,776)	99,347
Amortization of deferred sales commissions and fund contracts	82,360	1,504	(1,843)	82,021
Other expenses	7,928	954	–	8,882
Total expenses	700,506	240,098	(105,750)	834,854
Income before income taxes and non-segmented items	481,661	10,884	(3,971)	488,574
Interest expense				(13,932)
Provision for income taxes				(165,604)
Net income for the year				309,038
Identifiable assets	1,704,914	180,257	(11,367)	1,873,804
Goodwill	815,303	135,723	–	951,026
Total assets	2,520,217	315,980	(11,367)	2,824,830

13. Commitments and Contingencies

Lease commitments

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

	\$
2007	15,162
2008	11,093
2009	6,512
2010	4,837
2011	2,253
2012 and thereafter	6,632

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per unit amounts)

Unitholder advisor agreements

CI is a party to unitholder advisor agreements, which provide that the unitholder advisor has the option to require CI to purchase a practice that cannot otherwise be transitioned to a qualified buyer. The purchase price would be in accordance with a pre-determined formula contained in the unitholder advisor agreements.

Indemnities

CI has agreed to indemnify its trustees, directors and officers, and certain of its employees in accordance with its by-laws. CI maintains insurance policies that may provide coverage against certain claims.

Litigation

CI is engaged in litigation arising in the ordinary course of business. None of this litigation is expected to have a material adverse effect on the financial position or results of operations of CI.

14. Future Accounting Changes

On January 1, 2007, CI adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865, "Hedges", and Section 1530, "Comprehensive Income". The impact of these new standards on CI's consolidated financial statements is not yet determinable but based on preliminary analysis, it is not expected to have a material effect on the financial position and results of operations.

15. Comparative Consolidated Financial Statements

Certain comparative figures have been reclassified to conform to the presentation of the current consolidated financial statements.

16. Subsequent Event

On February 12, 2007, CI announced an agreement to make a take-over bid for Rockwater Capital Corporation ("Rockwater"), a full service investment dealer and portfolio management company. As consideration, Rockwater shareholders will receive \$7.65 per common share through a combination of Trust units, Exchangeable LP units and cash of approximately \$230,000. The transaction, which is conditional on the deposit of a minimum 66 2/3% of the common shares of Rockwater and the receipt of regulatory approvals, is expected to close in late March 2007.

Corporate Directory

CI Financial

Trustees

Ronald D. Besse
President,
Beseco Holdings Inc.;
Lead Trustee

Toronto, Ontario

G. Raymond Chang
President,
G. Raymond Chang Ltd.;
Trustee and Chairman
of the Board (non-executive)

Toronto, Ontario

Paul W. Derksen
Corporate Director;
Trustee

Clarksburg, Ontario

William T. Holland
Chief Executive Officer,
CI Financial;
Trustee

Toronto, Ontario

A. Winn Oughtred
Partner,
Borden Ladner Gervais LLP;
Trustee

Toronto, Ontario

George W. Oughtred
President,
Privatbanken Holdings Inc.;
Trustee

Calgary, Alberta

David J. Riddle
President,
C-Max Capital Inc.;
Trustee

Vancouver, B.C.

Donald A. Stewart
Chief Executive Officer,
Sun Life Financial Inc.;
Trustee

Toronto, Ontario

Officers

William T. Holland
Chief Executive Officer

Douglas J. Jamieson
Senior Vice-President and
Chief Financial Officer

Stephen A. MacPhail
President and
Chief Operating Officer

Peter W. Anderson
Executive Vice-President

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

CI Investments

Executives

Peter W. Anderson
Chief Executive Officer

Derek J. Green
President and National
Sales Manager

Douglas J. Jamieson
Chief Financial Officer

David C. Pauli
Executive Vice-President and
Chief Operating Officer

Munir T. Issa
Executive Vice-President and
Chief Technology Officer

Assante Wealth Management

Executives

Joseph C. Canavan
Chairman and
Chief Executive Officer

Steven J. Donald
President and
Chief Operating Officer

Corporate Information

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Trading Symbol

CI Financial trades on the Toronto Stock Exchange under the symbol "CIX.UN".

Auditors

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Digital Report

This Annual Report can be downloaded from CI's website at www.ci.com/cix under "Reports".

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

