CI Financial

Q3 2008

QUARTERLY REPORT • September 30, 2008

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Financial Highlights

(in thousands, except per unit amounts)	As at September 30, 2008	As at September 30, 2007	% change
Fee-earning assets	92,829,492	107,980,054	(14)
Retail assets under management	59,039,105	65,492,590	(10)
Units outstanding	277,631	284,777	(3)

	For the quarter ended September 30, 2008	For the quarter ended September 30, 2007	% change
Average retail assets under management	62,875,053	65,243,655	(4)
Gross sales of managed funds	2,656,844	2,495,893	6
Redemptions of managed funds	2,193,782	2,346,560	(7)
Net sales of managed funds	463,062	149,333	210
Net income	118,131	143,724	(18)
Adjusted net income[1]	124,528	143,065	(13)
Earnings per unit	0.42	0.50	(16)
Adjusted earnings per unit[1]	0.45	0.50	(10)
EBITDA[2]	152,013	183,940	(17)
Adjusted EBITDA[1,2]	160,365	182,911	(12)
EBITDA per unit[2]	0.55	0.64	(14)
Adjusted EBITDA per unit[1,2]	0.58	0.64	(9)
Pre-tax operating earnings per unit[2]	0.49	0.57	(14)
Distributions paid per unit	0.51	0.55	(7)
Average units outstanding	278,186	285,373	(3)

	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007	% change
Average retail assets under management	63,508,440	65,116,941	(2)
Gross sales of managed funds	9,180,454	8,875,844	3
Redemptions of managed funds	7,338,414	7,243,095	1
Net sales of managed funds	1,842,040	1,632,748	13
Net income	392,174	437,397	(10)
Adjusted net income[1]	390,564	442,080	(12)
Basic earnings per unit	1.41	1.55	(9)
Adjusted basic earnings per unit[1]	1.40	1.57	(11)
EBITDA[2]	505,393	553,646	(9)
Adjusted EBITDA[1,2]	501,718	560,966	(11)
EBITDA per unit[2]	1.81	1.96	(8)
Adjusted EBITDA per unit[1,2]	1.80	1.99	(10)
Pre-tax operating earnings per unit[2]	1.54	1.77	(13)
Distributions paid per unit	1.54	1.63	(6)
Average units outstanding	278,970	282,238	(1)

[1]*Adjusted for equity based compensation expense, restructuring costs and an adjustment to the value of marketable securities.*

[2]*EBITDA (Earnings before interest, taxes, depreciation and amortization) and pre-tax operating earnings are not standardized earnings measures prescribed by GAAP; however, management believes that most of its unitholders, creditors, other stakeholders and investment analysts prefer to include the use of these performance measures in analyzing CI's results. CI's method of calculating these measures may not be comparable to similar measures presented by other companies. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.*

A reconciliation of EBITDA to net income is provided on page 11.

A reconciliation of pre-tax operating earnings to income before income taxes is provided on page 10.

Dear Unitholders,

We witnessed the beginning of the current downward plunge in financial markets in the third quarter. The S&P/TSX Composite Index dropped over 18% during the quarter, while in Canadian dollar terms the S&P 500 Index fell almost 5% and the Dow Jones Industrial Average was essentially flat. The MSCI World index lost more than 15% over the same three-month period, which translated to a loss of nearly 12% in Canadian dollars.

In spite of the volatility and uncertainty, CI realized net sales of $463 million in the third quarter, as sales of segregated funds continued to lead the way. CI's average retail assets under management declined 5% from the average level for the second quarter, and were 4% below the average for the third quarter last year. This was the main driver of our lower EBITDA on a quarter-over-quarter and year-over-year basis. The Asset Administration segment saw revenues drop significantly as capital markets activity slowed to a crawl and service fee revenues declined in step with the markets.

Operating Review

CI's net income in the quarter ended September 30, 2008 was $118.1 million, or $0.42 per unit, down 18% from $143.7 million, or $0.50 per unit in the quarter ended September 30, 2007. EBITDA, which provides a pre-tax measure of underlying profitability, was $152.0 million, or $0.55 per unit, down 17% from $183.9 million, or $0.64 per unit.

Compared to the second quarter, net income was down 12% and EBITDA (adjusted for equity-based compensation) was down 17%.

Outlook

CI took a restructuring charge of $11 million in the third quarter as it moved to reduce its expenses in conjunction with the decline in financial markets. This charge includes severance payments and exit costs related to activities and departments being downsized and streamlined over the coming months.

CI has announced its conversion back to a corporation effective January 1, 2009, upon the receipt of unitholder and regulatory approvals. This change in structure will allow CI to pursue acquisition opportunities as they become available, without the burden of growth limits that are imposed on income trusts.

On October 15, 2008, the Board of Trustees announced it intends to adopt a dividend policy for CI that will pay a quarterly cash dividend of $0.12 per share. No distribution will be payable in December 2008, however, CI intends to pay a dividend of $0.16 per share payable on April 15, 2009 to shareholders of record on March 31, 2009.

William T. Holland
Chief Executive Officer

Stephen A. MacPhail
President

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated November 6, 2008 presents an analysis of the financial position of CI Financial Income Fund and its subsidiaries ("CI") as at September 30, 2008, compared with December 31, 2007, and the results of operations for the nine months and quarter ended September 30, 2008, compared with the nine months and quarter ended September 30, 2007.

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"), Assante Wealth Management (Canada) Ltd. ("AWM") and Blackmont Capital Inc. ("Blackmont"). The Asset Management segment of the business includes the operating results and financial position of CI Investments, United, and KBSH Capital Management Inc. ("KBSH"). The Asset Administration segment includes the operating results and financial position of Blackmont and AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM").

This MD&A contains forward-looking statements with respect to future financial performance, strategy and business conditions. These statements are based on current expectations, estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. These statements are subject to risks and uncertainties, which may prove to be inaccurate. Therefore actual results may differ materially from current expectations and 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. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of this MD&A and to the "Risk Factors" section of CI's Annual Information Form dated February 29, 2008, which is available at www.sedar.com. The reader is cautioned against undue reliance on these forward-looking statements.

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. Unless otherwise indicated, all earnings per unit figures are basic earnings per unit. Diluted earnings per unit figures are indicated as such.

Summary of Quarterly Results

(millions of dollars, except per unit amounts)

	2008			2007				2006
INCOME STATEMENT DATA	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Management fees	302.7	316.9	301.0	322.2	326.3	329.7	314.6	306.7
Administration fees	60.0	72.8	74.4	81.3	75.6	94.6	40.8	37.3
Other revenues	18.4	19.0	22.3	23.6	15.9	16.7	13.6	15.0
Total revenues	381.1	408.7	397.7	427.1	417.8	441.0	369.0	359.0
Selling, general and administrative	80.3	94.7	77.8	92.4	88.5	92.4	73.4	64.1
Trailer fees	88.1	91.4	85.9	93.8	92.9	93.1	89.0	85.8
Investment dealer fees	40.2	46.4	47.4	51.8	49.5	56.0	31.9	28.5
Amortization of deferred sales commissions	36.5	35.0	33.4	32.1	30.9	29.4	27.4	25.6
Interest expense	10.7	12.9	11.8	11.4	10.6	10.0	7.6	6.6
Other expenses	25.5	9.0	9.5	9.4	7.7	9.8	2.6	2.8
Total expenses	281.3	289.4	265.8	290.9	280.1	290.7	231.9	213.4
Income before income taxes	99.8	119.3	131.9	136.2	137.7	150.3	137.1	145.6
Income taxes	(18.3)	(15.4)	(7.5)	(51.5)	(6.0)	(1.3)	(5.0)	(4.3)
Net income	118.1	134.7	139.4	187.7	143.7	151.6	142.1	149.9
Earnings per unit	0.42	0.48	0.50	0.66	0.50	0.54	0.51	0.53
Distributions paid per unit	0.51	0.49	0.54	0.57	0.55	0.54	0.54	0.5025

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 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. These funds and products are distributed primarily through brokers, independent financial planners and insurance advisors, including ACM, AFM and Blackmont financial advisors. CI operates through two business segments, Asset Management and Asset Administration. The Asset Management segment provides the majority of CI's income and derives its revenue principally from the fees earned on the management of several families of mutual, segregated, pooled and closed-end funds, structured products and discretionary accounts. The Asset Administration segment derives its revenues principally from commissions and fees earned on the sale of mutual funds and other financial products, the underwriting of securities transactions, principal trading and ongoing service to clients.

On April 4, 2007, CI acquired control of Rockwater Capital Corporation ("Rockwater") and its subsidiaries, including Blackmont, a full-service investment dealer, KBSH, an investment counselling firm, and Lakeview Asset Management, a mutual fund company. On September 1, 2007, Rockwater was amalgamated with Blackmont and continued as Blackmont.

Fee-Earning Assets and Sales

Total fee-earning assets, which include CI mutual and segregated funds, United funds, structured products, institutional managed assets at KBSH and Altrinsic Global Advisors (collectively, assets under management or AUM), AWM assets under administration, Blackmont assets under administration and other fee-earning assets at September 30, 2008 were $92.8 billion, a decrease of 14% from $108.0 billion at September 30, 2007. As shown in the following chart, these assets are represented by $58.6 billion in retail managed funds, $0.5 billion in structured products, $3.9 billion in institutional managed assets at KBSH and Altrinsic Global Advisors, $20.8 billion in AWM assets under administration, $7.8 billion in Blackmont assets under administration and $1.2 billion in other fee-earning assets.

FEE-EARNING ASSETS

AS AT SEPTEMBER 30

(in billions)	2008	2007	% change
Retail managed funds	$58.6	$64.8	(10)
Structured products	0.5	0.7	(29)
Total retail assets under management	$59.1	$65.5	(10)
Institutional managed assets	3.9	5.2	(25)
Total assets under management	$63.0	$70.7	(11)
AWM assets under administration	20.8	26.2	(21)
Blackmont assets under administration	7.8	9.4	(17)
Total assets under administration*	$28.6	$35.6	(20)
CI other fee-earning assets	1.2	1.7	(29)
Total fee-earning assets	$92.8	$108.0	(14)

**Includes $9.8 billion and $11.7 billion in assets managed by CI Investments and United in 2008 and 2007, respectively.*

Retail assets under management form the majority of CI's fee-earning assets and provide most of its revenue and net income. The change in assets under management during the nine months ended September 30, 2008 is detailed in the table below.

(in billions)	Nine months ended September 30, 2008
Retail assets under management at December 31, 2007	$64.2
Gross sales	9.1
Redemptions	7.3
Net sales	1.8
Market performance	(6.9)
Retail assets under management at September 30, 2008	$59.1

The table below sets out the levels and change in CI's average retail assets under management and the gross and net sales for the relevant periods. As most of CI's revenue and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results. The change in CI's average retail assets from the second quarter of 2008 is the result of negative market performance offset by positive net sales.

(in billions)	Quarter ended September 30, 2008	Quarter ended June 30, 2008	Quarter ended September 30, 2007
Average retail assets under management	$62.875	$65.839	$65.244
Change from last quarter	(4.5%)		
Change from last year	(3.6%)		
Gross sales	$2.7	$3.1	$2.5
Net sales	$0.5	$0.9	$0.1

Industry net redemptions of mutual funds reported by the Investment Funds Institute of Canada ("IFIC") were $3.0 billion for the three months ended September 30, 2008, down $5.4 billion from $2.4 billion of net sales in the same period last year. For the nine-month period ending September 30, 2008, industry long-term funds had net redemptions of $3.2 billion, compared with net sales of $26.5 billion for the same period in 2007. Total industry assets at September 30, 2008 of $633.6 billion were down 10% from $701.4 at September 30, 2007, and down 9% from $700.1 billion at June 30, 2008. Sales and assets reported by IFIC are helpful as indicators of trends affecting a significant portion of CI's business.

Results of Operations

CI reported net income of $118.1 million ($0.42 per unit) for the quarter ended September 30, 2008, a decrease of 18% from the $143.7 million ($0.50 per unit) reported in the quarter ended September 30, 2007 and a decrease of 12% from the $134.7 million ($0.48 per unit) reported in the quarter ended June 30, 2008. For the nine-month period ended September 30, 2008, CI reported net income of $392.2 million ($1.41 per unit), down 10% from $437.4 million ($1.55 per unit) in the same period in 2007.

CI recorded a charge of $11.0 million ($7.3 million after-tax) for restructuring costs relating to severance and exit costs as CI downsizes activities over the coming months. CI also wrote down the value of marketable securities by $5 million ($4.2 million after-tax) in the third quarter of 2008. Adjusted for these charges, net income was $129.6 million ($0.47 per unit) for the quarter ended September 30, 2008.

The results of operations include amounts recorded for equity-based compensation expense, which varies from period to period based on CI's unit price, the extent of vesting during the period and the price at which options were exercised during the period. Earnings for the quarter ended September 30, 2008 were increased by an equity-based compensation recovery of $7.6 million ($5.1 million after-tax), versus a recovery of $1.0 million ($0.7 million after-tax) in the quarter ended September 30, 2007 and expenses of $1.8 million ($1.2 million after-tax) in the quarter ended June 30, 2008.

In the quarter ended September 30, 2008, income tax recoveries were $18.3 million versus a recovery of $6.0 million in the quarter ended September 30, 2007. In the quarter ended June 30, 2008, an income tax recovery of $15.4 million was recorded.

CI's pre-tax operating earnings, as set out in the table below, adjust for the impact of equity-based compensation, restructuring costs and adjustment to marketable securities. Redemption fee revenue and the amortization of deferred sales commissions and fund contracts are also netted to remove the impact of back-end financed assets under management.

Redemption fee revenue dropped to $8.3 million in the third quarter from $8.5 million in the second quarter of 2008. This decrease can be attributed to lower back-end asset redemption levels. When compared with the quarter ended September 30, 2007, redemption fee revenue increased by $1.1 million. This increase was a result of a higher average redemption fee rate, as the volume of back-end asset redemptions decreased between the comparative periods.

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, the restructuring costs and adjustment to marketable securities mentioned above, and amortization of deferred sales commissions ("DSC") and fund contracts.

(in millions, except per unit amounts)	Quarter ended Sept. 30, 2008	Quarter ended June 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Income before income taxes	$99.8	$119.3	$137.8	$351.0	$425.1
Less:					
Redemption fees	8.3	8.5	7.2	26.6	23.9
Gain on marketable securities and fund contracts	–	–	0.1	–	0.2
Add:					
Amortization of DSC and fund contracts	37.6	36.2	32.1	108.4	90.4
Equity-based compensation expense	(7.6)	1.8	(1.0)	(19.7)	7.3
Restructuring costs and adjustment to marketable securities	16.0	–	–	16.0	–
Pre-tax operating earnings	$137.5	$148.8	$161.6	$429.1	$498.7
per unit	$0.49	$0.53	$0.57	$1.54	$1.77

Pre-tax operating earnings per unit were down 8% for the quarter ended September 30, 2008 compared with the quarter ended June 30, 2008 as average retail assets under management decreased 5%. Pre-tax operating earnings were down 15% from the comparative quarter ended September 30, 2007, as average retail assets under management and CI's operating margin declined within the Asset Management segment and revenues fell in the Asset Administration segment.

EBITDA for the quarter ended September 30, 2008 was $152.0 million ($0.55 per unit). EBITDA, adjusted for the restructuring charge and adjustment to marketable securities described above, was $168.0 million ($0.60 per unit) for the quarter ended September 30, 2008, a decrease of 9% from $183.9 million ($0.64 per unit) for the quarter ended September 30, 2007. The decrease is similar to that of pre-tax operating earnings, and for the same reasons, EBITDA was down from $171.9 million ($0.62 per unit) in the previous quarter as a result of the decrease in average retail assets under management. For the nine-month period ended September 30, 2008, EBITDA was $505.4 million ($1.81 per unit). Adjusted for the restructuring charge and adjustment to marketable securities, EBITDA for the nine months ended September 30, 2008 was $521.4 million ($1.87 per unit), down 6% from $553.6 million ($1.96 per unit) reported in the same period of 2007.

Interest expense increased from the third quarter of 2007 due to higher debt levels, as discussed under "Liquidity and Capital Resources," although the average interest rate paid declined. CI's debt increased primarily due to the funding of deferred sales commissions and the repurchase of units. Debt is generally used to fund growth in the company as well as to repurchase unit capital. EBITDA provides information on the results of operations prior to the impact of such capital structure decisions and financing activities on interest expense.

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 deferred sales commissions, fund contracts and capital assets. This also permits comparisons of companies within the industry, before any distortion caused by different financing methods, levels of taxation and mix of business between front-end and back-end sales commission assets under management. EBITDA is a measure of operating performance, a facilitator for valuation and a proxy for cash flow.

(in millions, except per unit amounts)	Quarter ended Sept. 30, 2008	Quarter ended June 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Net income	$118.1	$134.7	$143.7	$392.2	$437.4
Add (deduct):					
Interest expense	10.7	12.9	10.6	35.5	28.2
Income tax expense (recovery)	(18.3)	(15.4)	(6.0)	(41.1)	(12.3)
Amortization of DSC and fund contracts	37.7	36.1	32.1	108.3	90.4
Amortization of other items	3.8	3.6	3.5	10.5	9.9
EBITDA	$152.0	$171.9	$183.9	$505.4	$553.6
per unit	$0.55	$0.62	$0.64	$1.81	$1.96
EBITDA margin (as a % of revenue)	40%	42%	44%	43%	45%

Asset Management Segment

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

Results of Operations

The following table presents the operating results for the Asset Management segment:

(in millions)	Quarter ended Sept. 30, 2008	Quarter ended June 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Management fees	$302.7	$316.9	$326.3	$920.6	$970.5
Other revenue	10.4	10.8	11.6	34.2	36.3
Total revenue	313.1	327.7	337.9	954.8	1,006.8
Selling, general and administrative	46.2	60.3	56.9	150.0	178.9
Trailer fees	91.5	95.0	97.1	276.8	286.6
Amortization of deferred sales commissions and fund contracts	38.0	36.5	32.3	109.2	90.9
Other expenses	5.8	5.2	3.7	16.5	10.7
Total expenses	181.5	197.0	190.0	552.5	567.1
Income before income taxes and non-segmented items	$131.6	$130.7	$147.9	$402.3	$439.7

Revenues

Revenues from management fees were $302.7 million for the quarter ended September 30, 2008, a decrease of $23.6 million or 7% from the quarter ended September 30, 2007 and down $14.2 million or 4% from the quarter ended June 30, 2008. The change for each of the respective periods was generally reflective of the change in average retail assets under management. As a percentage of average retail assets under management, management fees were 1.915% for the quarter ended September 30, 2008, down from 1.984% in the third quarter last year and 1.936% in the second quarter ended June 30, 2008.

Average management fee rates have decreased as a result of a change in the mix between equity and bond and money market funds for which CI receives a lower management fee. As well, there is 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 September 30, 2008, there was $709.0 million and $6.6 billion in Class F and Class I funds, respectively, compared with $735.0 million and $6.9 billion at September 30, 2007. These declines are significantly lower than those of Class A assets over the same period.

For the quarter ended September 30, 2008, other revenue was $10.4 million, decreasing from $11.6 million and $10.8 million for the quarters ended September 30, 2007 and June 30, 2008, respectively. Included in the quarter ended September 30, 2008 is $2.6 million related to KBSH, compared with $2.8 million for the second quarter of 2008 and $2.5 million for the comparable quarter in 2007.

The largest component of other revenue is redemption fees. As discussed earlier, redemption fees were $8.3 million for the quarter ended September 30, 2008, compared with redemption fees of $7.2 million in the third quarter of 2007 and $8.5 million for the second quarter of 2008.

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were $46.2 million for the quarter ended September 30, 2008, a decrease from both $56.9 million for the quarter ended September 30, 2007 and $60.3 million for the quarter ended June 30, 2008. Included in SG&A are expenses relating to CI's equity-based compensation plan. The equity-based compensation recovery within the Asset Management segment was $8.1 million for the quarter ended September 30, 2008, compared with an expense of $1.4 million for the quarter ended June 30, 2008. The equity-based compensation recovery for the quarter ended September 30, 2007 was $1.0 million.

Based on the price per CI trust unit of $28.07 at December 31, 2007, the potential payment on all vested equity-based compensation outstanding, plus the proportion of unvested amounts, was $27.2 million. Based on the price per CI trust unit of $18.00 at September 30, 2008, and the options that were exercised during the nine-month period, the equity-based compensation liability decreased by $25.5 million to $1.7 million. The decline in the liability was primarily a result of the decline in the unit price during the nine-month period ended September 30, 2008. Although 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 $54.3 million for the quarter ended September 30, 2008, $58.9 million for the previous quarter ended June 30, 2008 and $57.9 million for the quarter ended September 30, 2007.

As a percentage of average retail assets under management, net SG&A expenses were 0.34% for the quarter ended September 30, 2008, lower than both the quarter ended September 30, 2007 and the second quarter of 2008.

Trailer fees decreased to $91.5 million for the quarter ended September 30, 2008 from $97.1 million for the quarter ended September 30, 2007 and $95.1 million for the quarter ended June 30, 2008. Net of intersegment amounts, this expense decreased to $88.1 million for the quarter ended September 30, 2008 from $92.9 million in the third quarter of 2007. As a percentage of average retail assets under management, trailer fees were 0.56% in the third quarter of 2008, unchanged from the prior quarter and from the comparable quarter in 2007.

For the quarter ended September 30, 2008, CI's operating profit margin on the Asset Management segment, as a percentage of average retail assets under management adjusted for equity-based compensation expense, was 1.014%, down from 1.067% for the third quarter last year and 1.018% in the second quarter this year. In both cases, the decline was primarily a result of lower management fees.

Generally, CI's margins have been in a gradual downward trend. Increasing competition and changes in the product platforms through which an increasing amount of funds are sold have pushed management fee rates lower. In recent years, an increasing proportion of funds have been sold with a front-end sales charge, which have higher trailer fees and contribute to a decline in margins. However, this quarter the decline in management fee and trailer fee rates was primarily a result of an increase in the percentage of assets in money market funds and Class I funds relative to CI's total assets under management. While CI has historically been able to limit growth in SG&A expenses below the growth in assets under management in order to mitigate the decline in its margins, this is particularly difficult in periods when assets under management decline.

Commissions paid from CI's cash resources on the sale of funds sold on a deferred sales charge basis are, for financial reporting purposes, amortized evenly over 36 months (low-load) or 84 months (full-load) 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 commissions was $37.2 million for the quarter ended September 30, 2008, up from $31.5 million in the same quarter last year and $35.7 million in the previous quarter. The increase is consistent with the increase in deferred sales commissions paid in the last four fiscal years.

Other expenses increased from $3.7 million for the quarter ended September 30, 2007 and $5.2 million last quarter to $5.8 million for the quarter ended September 30, 2008. Included in other expenses are distribution fees to limited partnerships, which were $0.5 million for the quarter ended September 30, 2008, down from $0.7 million for the comparative period last year. Other expenses also included $2.5 million related to KBSH for the quarter ended September 30, 2008, compared with $2.6 million in the second quarter of 2008 and $2.3 million in the third quarter last year.

Income before income taxes and interest expense for CI's principal segment was $131.6 million for the quarter ended September 30, 2008, compared with $147.9 million in the same period last year and $130.7 million in the previous quarter. The decline from both the previous quarter and the comparable quarter last year is primarily due to lower revenues as a result of the decline in the average retail assets under management. For the nine-month period ended September 30, 2008, income before income taxes and interest expense was $402.3 million, down from $439.7 million in the same period in 2007.

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 (recovery), calculated as a percentage of average retail assets under management.

(as a % of average retail AUM)	Quarter ended Sept. 30, 2008	Quarter ended June 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Management fees	1.915	1.936	1.984	1.936	1.993
Less:					
Trailer fees	0.557	0.558	0.565	0.558	0.565
Net SG&A expenses	0.344	0.360	0.352	0.359	0.352
Operating profit margin	1.014	1.018	1.067	1.019	1.076

Asset Administration Segment

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

Results of Operations

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

(in millions)	Quarter ended Sept. 30, 2008	Quarter ended June 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Administration fees	$84.5	$98.7	$102.1	$284.6	$295.8
Other revenue	8.0	8.2	4.5	25.4	10.0
Total revenue	92.5	106.9	106.6	310.0	305.8
Selling, general and administrative	34.1	34.4	31.6	102.9	75.4
Investment dealer fees	60.2	67.5	71.1	198.6	207.5
Amortization of fund contracts	0.4	0.4	0.4	1.1	1.1
Other	2.6	2.6	2.8	8.0	6.6
Total expenses	97.3	104.9	105.9	310.6	290.6
Income before income taxes and non-segmented items	($4.8)	$2.0	$0.7	($0.6)	$15.2

The Asset Administration segment had losses before income taxes and non-segmented items of $4.8 million for the quarter ended September 30, 2008, a decline from income of $0.7 million for the quarter ended September 30, 2007 and $2.0 million in the second quarter of 2008. This decrease is primarily the result of lower revenues resulting from the decline in assets under administration along with a smaller proportionate decrease in expenses. For the nine-month period ended September 30, 2008, losses before income taxes and non-segmented items were $0.6 million, down from income of $15.2 million in the same period of 2007.

Revenues

Administration fees are earned on assets under administration in the AWM and Blackmont business and from the administration of third-party business. These fees were $84.5 million for the quarter ended September 30, 2008, a decrease of 17% from $102.1 million for the same period last year and 14% from the prior quarter. Net of intersegment amounts, administration fee revenue was $60.0 million for the quarter ended September 30, 2008, down from $75.6 million for the quarter ended September 30, 2007 and $72.8 million in the previous quarter. The year-over-year decrease in administration fee revenue is equally a result of the decrease in assets under administration and of the reduction in fee revenue in the capital markets division of Blackmont. Administration fees should be considered in conjunction with investment dealer fees, an 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, fees related to registered accounts and foreign exchange gains and losses. For the quarter ended September 30, 2008 other revenues were $8.0 million, increasing from $4.5 million for the third quarter last year and decreasing from $8.2 million in the second quarter.

Expenses

Investment dealer fees are the direct costs attributable to the operation of the AWM and Blackmont dealerships, including payments to financial advisors based on the revenues generated from assets under administration. These fees decreased as a result of lower revenues and were $60.2 million for the third quarter ended September 30, 2008, compared to $67.5 million for the second quarter ended June 30, 2008 and $71.1 million for the same period last year.

As detailed in the table below, dealer gross margin was $24.3 million or 28.8% of administration fee revenue for the quarter ended September 30, 2008, compared to $31.2 million or 31.6% in the previous quarter and $31.0 million or 30.4% for the same quarter last year. The decrease in year-over-year gross margin is a result of an increase in the payout to AWM advisors. The compensation directly tied to fee revenue is lower at Blackmont (where SG&A costs are generally paid by Blackmont) than at AWM (where SG&A costs are generally borne by advisors). These two businesses have different business models and are operated separately, sharing certain key infrastructure and services from CI. At AWM, the payout rate to advisors has been increasing because the firm has been successful in attracting advisors with large books of business and other advisors have been consolidating their books.

Selling, general and administrative ("SG&A") expenses for the segment were $34.1 million for the three months ended September 30, 2008, slightly lower than the $34.4 million expense in the second quarter of 2008 and up from $31.6 million in the same period last year. The year-over-year increase is primarily a result of spending on infrastructure at AWM.

Dealer Gross Margin

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

(in millions)	Quarter ended Sept. 30, 2008	Quarter ended June 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007
Administration fees	$84.5	$98.7	$102.1	$284.6	$295.8
Less:					
Investment dealer fees	60.2	67.5	71.1	198.6	207.5
	$24.3	$31.2	$31.0	$86.0	$88.3
Dealer gross margin	28.8%	31.6%	30.4%	30.2%	29.9%

Liquidity and Capital Resources

The balance sheet for CI at September 30, 2008 reflects total assets of $3.86 billion, an increase of $230.9 million from $3.63 billion at December 31, 2007. This increase can be attributed to an increase in current assets of $189.3 million and an increase in long-term assets of $41.6 million. CI's cash and cash equivalents balance decreased by $21.8 million in the nine months ended September 30, 2008.

CI generates significant cash flow from its operations. Cash flow provided by operating activities was $470.7 million for the nine months ended September 30, 2008. Excluding the change in working capital, cash flow from operations was $445.5 million. Both levels of cash flow were sufficient to meet distributions during the period.

CI purchased $1.2 million in marketable securities and disposed of $1.9 million for a net increase in cash of $0.7 million in the nine months ended September 30, 2008. The fair value of marketable securities at September 30, 2008 was $13.2 million. Marketable securities are comprised of seed capital investments in its funds and other strategic investments.

Accounts receivable and prepaid expenses increased to $322.9 million at September 30, 2008 from $211.6 million at December 31, 2007. Future income tax assets decreased by $8.2 million as a result of the $25.5 million decrease in the equity-based compensation liability.

During the nine-month period ended September 30, 2008 long-term assets increased primarily as a result of a $46.4 million increase in deferred sales commissions, which reflected new sales commissions incurred of $151.2 million net of $104.8 million of amortization.

Liabilities increased by $340.7 million during the nine months ended September 30, 2008. The increase in long-term debt by $199.9 million was the main contributor to this change. Current income taxes payable decreased by $2.4 million. Future income taxes payable decreased by $54.1 million mainly due to an increase in the balance of tax loss carry-forwards, which was partially offset by higher deferred sales commissions paid compared to the amount amortized for the nine months. In addition, the equity-based compensation liability decreased by $25.5 million, as CI's unit price closed down $10.07 since December 31, 2007 and there were fewer options outstanding at the end of September 30, 2008.

CI drew $199.9 million on its credit facility during the nine months ended September 30, 2008, increasing long-term debt. At September 30, 2008, CI had drawn $1,127.9 million at an average rate of 3.93%, compared with $927.9 million drawn at an average rate of 4.90% at December 31, 2007. Net of cash and marketable securities, debt was $1,081.1 million at September 30, 2008, versus $848.3 million at December 31, 2007.

Interest expenses of $35.5 million were recorded for the nine months ended September 30, 2008, compared with $28.2 million for the nine months ended September 30, 2007. This increase in interest expenses reflects higher average debt levels. Principal repayments are only required under the facility should the banks decide not to renew the facility on its anniversary, in which case the principal would be repaid in 48 equal monthly installments. These payments would be payable beginning June 2009 should the banks not renew the facility. On January 14, 2008, the facility was amended to increase the amount that may be borrowed by $100 million. On July 8, 2008, the facility was further amended to increase the amount that may be borrowed by $150 million. The current limit on the facility is $1.25 billion.

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 normal course issuer bid program.

CI paid sales commissions of $151.2 million in the nine months ended September 30, 2008. This compares to $139.0 million in the nine months ended September 30, 2007. The amount of deferred sales commissions incurred in the nine-month period ended September 30, 2008 relates to sales of back-end load units of approximately $350 million per month.

During the nine months ended September 30, 2008, CI incurred capital expenditures of $8.6 million, primarily for computer hardware and software.

Unitholders' equity decreased $109.8 million in the nine months ended September 30, 2008. During the nine-month period, CI repurchased Trust units under its normal course issuer bid, in part to satisfy obligations under its deferred equity unit plan, at a cost of $102.7 million. CI declared distributions of $416.8 million ($430.1 million paid), which was more than net income for the nine months ended September 30, 2008 by $24.7 million.

Distributable Cash

(in millions, except per unit amounts)	Quarter ended Sept. 30, 2008	Quarter ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Nine months ended Sept. 30, 2007	Inception to Sept. 30, 2008
Cash flow from operating activities	$107.0	$152.8	$470.7	$511.3	$1,402.8
Less standardized items:					
Capital expenditures	3.6	0.5	8.6	2.3	17.2
Deferred sales commissions	44.1	38.7	151.2	139.0	405.2
Restrictions on distributions	–	–	–	–	–
Standardized distributable cash	59.3	113.6	310.9	370.0	980.4
per unit	0.21	0.40	1.11	1.31	3.48
Add adjusting items:					
Growth portion of deferred sales commissions	30.1	24.7	109.2	96.0	276.2
Equity-based compensation	0.8	4.3	3.9	16.1	48.9
Non-cash working capital change	29.3	10.4	(25.2)	(11.9)	11.0
Adjusted distribution base	119.5	153.0	398.8	470.2	1,316.5
per unit	0.43	0.54	1.43	1.67	4.68
Distributions paid	141.8	157.5	430.1	460.9	1,338.8
per unit	0.51	0.55	1.54	1.63	4.75
Cost of unit repurchases	23.4	21.6	102.7	53.6	322.5
Pay-out ratio on standardized distrib. cash	279%	158%	171%	139%	169%
Pay-out ratio on adjusted distribution base	138%	117%	134%	109%	126%
Pay-out ratio on adjusted distribution base, net of unit repurchases	119%	103%	108%	98%	102%

The above calculation of standardized distributable cash is a simple measure of the cash available to be paid out to unitholders. It is intended to rely solely on items recorded in accordance with GAAP. The calculation starts with cash flows from operating activities less cash outlays in the period for tangible and intangible capital assets, which includes capital expenditures and deferred sales commissions, and contractual limitations or restrictions on the distribution of cash in the period by virtue of a covenant within a debt agreement, of which CI has none.

CI believes that this measure, while standardized, does not capture the amount available to be distributed to unitholders and has therefore provided a calculation of an adjusted distribution base above. CI makes three adjustments, as set out below.

CI defines its productive capacity as its assets under management. This is split into two pools – front-end and back-end financed assets. Front-end financed assets do not require any investment by CI, whereas CI pays the commission to investment advisors for back-end financed assets. CI allocates a portion of its spending on deferred sales commissions as the amount required to replenish that productive capacity when back-end financed assets are redeemed by investors. Any incremental spending on deferred sales commissions is viewed as growing CI's productive capacity and is financed by debt, not out of current period cash flow.

CI also adjusts for the cash-settled component of equity-based compensation, on an after-tax basis. These amounts are the result of increases in the unit price of CI and could have been settled with units. It is therefore viewed as a financing item and is added to the adjusted distribution base.

Other than moderate seasonal fluctuations, CI's business does not require incremental working capital at its current productive capacity; it is an amount that may grow with the growth of CI and would therefore be financed with debt. The change in working capital is therefore an additional adjustment in calculating the adjusted distribution base.

CI generally distributes most of its adjusted distribution base, with the view that the adjusting items are either expenditures related to growth in the business or other financing items to be considered in conjunction with the debt and equity components of CI's balance sheet.

The pay-out ratio on standardized distributable cash, as set out in the table above, includes the amount disbursed on the repurchase of units during the period. The pay-out ratio on the adjusted distribution base is calculated both with and without the unit repurchase amount. To date, all distributions paid have been on account of income. CI does not expect to make payments on account of capital, nor does it anticipate making payments on account of dividend.

CI's productive capacity, and therefore its ability to maintain distributions, is dependent on the amount of net sales of its funds (gross sales less redemptions) and the market performance of those funds. CI's strategy with respect to its productive capacity is to offer a wide range of products to investors, to continually enhance and develop products and to ensure the funds are managed by highly skilled portfolio managers.

CI faces strong competition for investors, which it meets through providing excellent products at reasonable pricing, and margin pressure, which it offsets with increased economies of scale and efficiency in its operations.

Approximately one-third of CI's gross sales are back-end financed, and CI uses debt to finance about 70% of the deferred sales commissions paid thereon. Given the amount of required financing relative to the overall size of CI's enterprise value, CI has sufficient room to continue to finance this growth with debt. CI's current ratio of debt to EBITDA is 1.8:1. CI is comfortable with this ratio and has a long-term target of 1:1. It is forecast that over the next five years, absent acquisitions in which debt is increased, the amount of debt incurred to finance growth will fall below the amount of increase in EBITDA and the ratio of debt to EBITDA will trend lower. CI is currently within its financial covenants with respect to its credit facility.

Risk Management

The disclosures below provide an analysis of the risk factors affecting CI's business operations.

Market Risk

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

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

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

Asset Management Segment

CI is subject to market risk throughout its Asset Management business segment. The following is a description of how CI mitigates the impact this risk has on its financial position and operating earnings.

Management of the Asset Management segment's market risk is the responsibility of the Chief Compliance Officer, who reports to CI's senior management. The Compliance group has established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. The Compliance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk by monitoring and identifying any potential market risks to CI's senior management. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure.

At September 30, 2008, approximately 18% of CI's assets under management are held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 1% change in the value of these securities would cause a change of $1.4 million in annual pre-tax earnings in the Asset Management segment.

At September 30, 2008, close to 65% of CI's assets under management are based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, approximately 14% of CI's assets under management are based in U.S. currency at September 30, 2008. Any change in the value of the Canadian dollar relative to the U.S. currency will cause fluctuations in CI's assets under management upon which CI's management fees are calculated. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of $11.0 million in the Asset Management segment's annual pre-tax earnings.

About 66% of CI's assets under management are held in equity securities, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the prices of equity indexes would cause a change of $51.9 million in annual pre-tax earnings.

Asset Administration Segment

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

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

CI's operating results are exposed to market risk impacting the asset administration segment given that this segment usually generates about 4% of the total income before non-segmented items (this segment had a loss of $4.8 million before income taxes for the quarter ended September 30, 2008). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of approximately $6.7 million to the Asset Administration segment's pre-tax earnings.

Changes in Economic, Political and Market Conditions

CI's performance is directly affected by financial market 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 and ultimately CI's distributions.

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 administration fees 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 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.

Leverage and Restrictive Covenants

The ability of CI to make distributions or dividends or other payments is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of CI and its subsidiaries (including CI's credit facility). The degree to which CI is leveraged could have important consequences to Unitholders, including: CI's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; CI may be unable to refinance indebtedness on terms acceptable to it or at all; and a significant portion of CI's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing the funds available for future operations. The credit facility contains numerous restrictive covenants that limit the discretion of CI with respect to certain business matters, and a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in CI's credit facility could result in a default which, if not cured or waived, could result in a termination of distributions by CI and permit acceleration of the relevant indebtedness. If the indebtedness under CI's current credit facility were to be accelerated, there can be no assurance that CI's assets would be sufficient to repay in full that indebtedness. In addition, CI's current credit facility matures no later than the fourth anniversary thereof (unless the bank elects to extend the term at its annual renewal). There can be no assurance that future borrowings or equity financing will be available to CI, or available on acceptable terms, in an amount sufficient to fund CI's needs.

Fluctuation of Cash Distributions

Although CI intends to distribute the income it earns, there can be no assurance regarding the amount of cash distributions distributed upstream from its subsidiaries. The actual amount of distributions paid depends upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of CI. Distributions are not guaranteed and will fluctuate with the performance of the business.

Unit Price Risk

Unit price risk arises from the potential adverse impact on CI's earnings due to movements in CI's unit price. CI's equity-based compensation liability is directly affected by fluctuations in CI's unit price. CI's senior management actively manages equity risk by employing a number of techniques. This includes closely monitoring fluctuations in CI's unit price and purchasing CI units at optimal times on the open market for the trust created solely for the purposes of holding CI units for CI's equity-based compensation. As well, CI has in the past entered into total return swap transactions to mitigate its exposure to the price of CI units and the resulting fluctuations in its equity based compensation. The effect of a $1.00 change in CI's unit price at September 30, 2008 would have resulted in a change of approximately in $2.3 million in equity-based compensation.

Related Party Transactions

Sun Life is a related party as a result of its ownership of 37.7% 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 sales force on a preferred basis and that CI would perform essentially all administrative and management services to Sun Life's Clarica and Sun*Wise* 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 ($35.3 million for the nine months ended September 30, 2008 versus $36.9 million for the same period in 2007) and trailer fees ($74.7 million for the nine months ended September 30, 2008 versus $76.2 million for the same period in 2007).

On October 6, 2008, Sun Life announced the sale of its 37.7% interest in CI to Bank of Nova Scotia ["Scotiabank"] for $22.00 per unit for a total of approximately $2.3 billion. The transaction is expected to close in November 2008 and as a result, Sun Life will no longer be a related party and Scotiabank will become a related party for financial reporting purposes.

Unit Capital

As at September 30, 2008, CI had 131,238,417 Trust units and 146,392,239 Exchangeable LP units outstanding. The Exchangeable LP units may be exchanged for Trust units at any time.

At September 30, 2008, 2.5 million options to purchase Trust units were outstanding, of which 2.5 million options were exercisable.

Contractual Obligations

The table that follows summarizes CI's contractual obligations at September 30, 2008.

PAYMENTS DUE BY PERIOD

(millions)	Total	Less than 1 year	2	3	4	5	5 or more years
Long-term debt	$1,127.9	$94.0	$282.0	$282.0	$282.0	$187.9	–
Operating leases	59.3	19.5	14.3	9.1	6.2	5.0	5.2
Total	$1,187.2	$113.5	$296.3	$291.1	$288.2	$192.9	$5.2

Significant Accounting Estimates

The consolidated interim unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Consolidated Financial Statements included in CI's 2007 Annual Report.

Changes in Significant Accounting Policies

On January 1, 2008, CI adopted CICA Handbook Section 1535, Capital Disclosures, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*.

CICA Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

CICA Section 3862 and CICA Section 3863 enhance disclosures to enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from financial instruments and how an entity manages such risks. The new standards require specific qualitative and quantitative disclosures about each type of risk. This includes new requirements to quantify certain risk exposures and to provide sensitivity analysis for some risks.

These standards require significant new disclosures found in Note 2 and Note 3 to the consolidated interim financial statements. The new standards did not have an impact on the financial position or results of operations of CI.

Future Accounting Changes

The Canadian Accounting Standards Board ("AcSB"), recently confirmed that effective January 1, 2011, all publicly listed companies will be required to prepare interim and annual financial reports in accordance with International Financial Reporting Standards ("IFRS"). These standards will replace Canadian generally accepted accounting principles ("GAAP"). CI is developing a comprehensive plan to assess the impact the changeover to IFRS in 2011 will have on its financial statements.

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 as at September 30, 2008. 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 September 30, 2008.

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.

FINANCIAL STATEMENTS

Consolidated Statements of Income and Comprehensive Income (unaudited)

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30

(in thousands of dollars, except per unit amounts)	**2008**	2007
REVENUE		
Management fees	**302,693**	326,252
Administration fees	**60,034**	75,590
Redemption fees	**8,301**	7,238
Gain on sale of marketable securities	**–**	40
Other income	**10,074**	8,714
	381,102	417,834
EXPENSES		
Selling, general and administrative	**80,262**	88,461
Trailer fees	**88,072**	92,881
Investment dealer fees	**40,159**	49,486
Amortization of deferred sales commissions and fund contracts	**37,633**	32,087
Interest	**10,720**	10,581
Other	**8,408**	6,566
Restructuring charges *[note 2(a)]*	**11,000**	–
Adjustment to marketable securities *[note 2(a)]*	**5,000**	–
	281,254	280,062
Income before income taxes	**99,848**	137,772
Provision for (recovery of) income taxes		
Current	**1,101**	2,445
Future	**(19,384)**	(8,397)
	(18,283)	(5,952)
Net income for the period	**118,131**	143,724
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Unrealized gain (loss) on available-for-sale financial assets, net of income taxes of $(275) [2007 – $1,257]	**(1,470)**	2,440
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of nil [2007 – $25]	**–**	48
Total other comprehensive income (loss), net of tax	**(1,470)**	2,488
Comprehensive income	**116,661**	146,212
Basic and diluted earnings per unit *[note 4(d)]*	**$0.42**	$0.50

(see accompanying notes)

Consolidated Statements of Income and Comprehensive Income (unaudited)

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

(in thousands of dollars, except per unit amounts)	**2008** **$**	2007 $
REVENUE		
Management fees	**920,563**	970,521
Administration fees	**207,303**	210,999
Redemption fees	**26,572**	23,926
Gain (loss) on sale of marketable securities	**(3)**	254
Other income	**33,123**	22,139
	1,187,558	1,227,839
EXPENSES		
Selling, general and administrative	**252,755**	254,321
Trailer fees	**265,338**	275,029
Investment dealer fees	**133,976**	137,364
Amortization of deferred sales commissions and fund contracts	**108,314**	90,417
Interest	**35,460**	28,215
Other	**24,667**	17,360
Restructuring charges *[note 2(a)]*	**11,000**	–
Adjustment to marketable securities *[note 2(a)]*	**5,000**	–
	836,510	802,706
Income before income taxes	**351,048**	425,133
Provision for (recovery of) income taxes		
Current	**3,934**	7,928
Future	**(45,060)**	(20,192)
	(41,126)	(12,264)
Net income for the period	**392,174**	437,397
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Unrealized gain (loss) on available-for-sale financial assets, net of income taxes of ($837) [2007 – $1,097]	**(4,478)**	2,128
Reversal of losses to net income on available-for-sale financial assets, net of income taxes nil [2007 – $33]	**–**	65
Total other comprehensive income (loss), net of tax	**(4,478)**	2,193
Comprehensive income	**387,696**	439,590
Basic earnings per unit *[note 4(d)]*	**$1.41**	$1.55
Diluted earnings per unit *[note 4(d)]*	**$1.40**	$1.55

(see accompanying notes)

Consolidated Statements of Cash Flows (unaudited)

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30

(in thousands of dollars)	2008 $	2007 $
OPERATING ACTIVITIES		
Net income for the period	118,131	143,724
Add (deduct) items not involving cash		
Gain on sale of marketable securities	–	(40)
Adjustment to marketable securities	5,000	–
Equity-based compensation	(8,857)	(7,688)
Amortization of deferred sales commissions and fund contracts	37,633	32,087
Amortization of other	3,810	3,500
Future income taxes	(19,384)	(8,397)
	136,333	163,186
Net change in non-cash working capital balances related to operations	(29,316)	(10,416)
Cash provided by operating activities	107,017	152,770
INVESTING ACTIVITIES		
Purchase of marketable securities	(750)	(31,878)
Proceeds on sale of marketable securities	–	11,756
Additions to capital assets	(3,616)	(508)
Deferred sales commissions paid	(44,056)	(38,743)
Additions to other assets	(579)	(14)
Cash used in investing activities	(49,001)	(59,387)
FINANCING ACTIVITIES		
Increase in long-term debt	61,851	54,162
Repurchase of unit capital *[note 4(a)]*	(23,432)	(21,566)
Issuance of unit capital *[note 4(a)]*	–	47
Distributions paid to unitholders	(141,805)	(157,539)
Cash used in financing activities	(103,386)	(124,896)
Net decrease in cash and cash equivalents during the period	(45,370)	(31,513)
Cash and cash equivalents, beginning of period	78,939	67,350
Cash and cash equivalents, end of period	33,569	35,837
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	8,338	9,495
Income taxes paid	2,694	1,976

(see accompanying notes)

Consolidated Statements of Cash Flows (unaudited)

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

(in thousands of dollars)	2008 $	2007 $
OPERATING ACTIVITIES		
Net income for the period	392,174	437,397
Add (deduct) items not involving cash		
Loss (gain) on sale of marketable securities	3	(254)
Adjustment to marketable securities	5,000	–
Equity-based compensation	(25,476)	(17,909)
Amortization of deferred sales commissions and fund contracts	108,314	90,417
Amortization of other	10,570	9,881
Future income taxes	(45,060)	(20,192)
	445,525	499,340
Net change in non-cash working capital balances related to operations	25,216	11,908
Cash provided by operating activities	470,741	511,248
INVESTING ACTIVITIES		
Purchase of marketable securities	(1,200)	(32,628)
Proceeds on sale of marketable securities	1,947	15,879
Additions to capital assets	(8,617)	(2,268)
Deferred sales commissions paid	(151,237)	(138,987)
Additions to other assets	(634)	(7,773)
Cash paid on acquisition, including transaction costs, net of cash acquired	–	(138,664)
Cash used in investing activities	(159,741)	(304,441)
FINANCING ACTIVITIES		
Increase in long-term debt	199,910	249,877
Repurchase of unit capital *[note 4(a)]*	(102,716)	(53,591)
Issuance of unit capital *[note 4(a)]*	47	106,205
Repayment of short term borrowing	–	(34,775)
Distributions paid to unitholders	(430,078)	(460,896)
Cash used in financing activities	(332,837)	(193,180)
Net increase (decrease) in cash and cash equivalents during the period	(21,837)	13,627
Cash and cash equivalents, beginning of period	55,406	22,210
Cash and cash equivalents, end of period	33,569	35,837
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	30,484	26,092
Income taxes paid	9,586	7,240

(see accompanying notes)

Consolidated Balance Sheets (unaudited)

(in thousands of dollars)	**as at September 30, 2008**	as at December 31, 2007
ASSETS		
Current		
Cash and cash equivalents	**33,569**	55,406
Client and trust funds on deposit	**580,890**	429,016
Securities owned, at market	**39,142**	69,532
Marketable securities *[note 2(a)]*	**13,157**	24,222
Accounts receivable and prepaid expenses	**322,920**	211,629
Income taxes recoverable	**–**	2,348
Future income taxes	**539**	8,756
Total current assets	**990,217**	800,909
Capital assets, net	**32,492**	34,938
Deferred sales commissions, net of accumulated amortization of $457,144 [December 31, 2007 – $445,858]	**586,924**	540,492
Fund contracts	**1,015,927**	1,019,436
Goodwill	**1,132,926**	1,132,926
Other assets	**98,976**	97,848
	3,857,462	3,626,549
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**371,296**	230,371
Distributions payable	**94,394**	107,636
Client and trust funds payable	**584,560**	472,201
Securities sold short, at market	**10,397**	28,354
Income taxes payable	**14,090**	16,521
Equity-based compensation	**1,675**	27,151
Current portion of long-term debt	**93,988**	135,325
Total current liabilities	**1,170,400**	1,017,559
Long-term debt	**1,033,863**	792,616
Preferred shares issued by subsidiary	**19,435**	18,740
Future income taxes	**292,854**	346,967
Total liabilities	**2,516,552**	2,175,882
Unitholders' equity		
Unit capital *[note 4(a)]*	**1,772,283**	1,788,501
Contributed surplus	**48,575**	39,300
Deficit	**(476,319)**	(377,983)
Accumulated other comprehensive income (loss)	**(3,629)**	849
Total unitholders' equity	**1,340,910**	1,450,667
	3,857,462	3,626,549

(see accompanying notes)

Consolidated Statements of Changes in Unitholders' Equity (unaudited)

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30

(in thousands of dollars)	2008 $	2007 $
UNIT CAPITAL *[note 4(a)]*		
Balance, beginning of period	1,779,656	1,823,571
Issuance of unit capital	–	47
Unit repurchase, net of issuance of unit capital on vesting of deferred equity units *[note 4(a)]*	(7,373)	(15,972)
Balance, end of period	1,772,283	1,807,646
CONTRIBUTED SURPLUS		
Balance, beginning of period	46,362	38,961
Compensation expense for deferred equity unit plan	2,751	1,064
Issuance of unit capital on vesting of deferred equity units	(538)	(425)
Balance, end of period	48,575	39,600
DEFICIT		
Balance, beginning of period	(437,506)	(317,592)
Net income for the period	118,131	143,724
Cost of units repurchased in excess of stated value	(15,521)	(5,169)
Distributions declared	(141,423)	(163,177)
Balance, end of period	(476,319)	(342,214)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	(2,159)	(526)
Other comprehensive income (loss)	(1,470)	2,488
Balance, end of period	(3,629)	1,962
Net change in unitholders' equity during the period	(45,443)	(37,420)
Unitholders' equity, beginning of period	1,386,353	1,544,414
Unitholders' equity, end of period	1,340,910	1,506,994

(see accompanying notes)

Consolidated Statements of Changes in Unitholders' Equity (unaudited)

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

(in thousands of dollars)	2008 $	2007 $
UNIT CAPITAL *[note 4(a)]*		
Balance, beginning of period	1,788,501	1,652,472
Issuance of unit capital	47	178,567
Unit repurchase, net of issuance of unit capital on vesting of deferred equity units *[note 4(a)]*	(16,265)	(23,393)
Balance, end of period	1,772,283	1,807,646
CONTRIBUTED SURPLUS		
Balance, beginning of period	39,300	–
Conversion of Rockwater Capital Corp. deferred equity units	–	27,338
Compensation expense for deferred equity unit plan	22,050	13,106
Issuance of unit capital on vesting of deferred equity units	(12,775)	(844)
Balance, end of period	48,575	39,600
DEFICIT		
Balance, beginning of period	(377,983)	(281,344)
Transition adjustment on adoption of new accounting policies	–	(81)
Net income for the period	392,174	437,397
Cost of units repurchased in excess of stated value	(73,674)	(29,354)
Distributions declared	(416,836)	(468,832)
Balance, end of period	(476,319)	(342,214)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of period	849	–
Transition adjustment on adoption of new accounting policies	–	(231)
Other comprehensive income (loss)	(4,478)	2,193
Balance, end of period	(3,629)	1,962
Net change in unitholders' equity during the period	(109,757)	135,866
Unitholders' equity, beginning of period	1,450,667	1,371,128
Unitholders' equity, end of period	1,340,910	1,506,994

(see accompanying notes)

Notes to Consolidated Financial Statements (unaudited)

[in thousands of dollars, except per unit amounts]

SEPTEMBER 30, 2008 AND 2007

CI Financial Income Fund ["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. 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. CI also participates in the underwriting of securities transactions, institutional sales and principal trading.

1. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007. The unaudited interim consolidated financial statements have been prepared on a basis consistent with the accounting policies set out in the audited annual consolidated financial statements.

Change in Accounting Policies

On January 1, 2008, CI adopted CICA Handbook Section 1535, Capital Disclosures, Section 3862, *Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation*.

CICA Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

CICA Section 3862 and CICA Section 3863 enhance disclosures to enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from financial instruments and how an entity manages such risks. The new standards require specific qualitative and quantitative disclosures about each type of risk. This includes new requirements to quantify certain risk exposures and to provide sensitivity analysis for some risks.

These standards required additional new disclosures in the notes to the consolidated financial statements [see notes 2 and 3], but did not have an impact on the financial position or results of operations of CI.

[in thousands of dollars, except per unit amounts]

2. FINANCIAL INSTRUMENTS

[a] Fair value

The estimated fair values of financial instruments approximate their carrying amounts in the consolidated balance sheets. The following tables provide the carrying values for each classification of financial instruments as at September 30, 2008:

As at September 30, 2008	Held-for-trading	Designated as held-for-trading	Available-for-sale	Loans and receivables or other financial liabilities
Cash and cash equivalents	33,569	–	–	–
Client and trust funds on deposit	–	–	–	580,890
Securities owned, at market	–	39,142	–	–
Marketable securities	–	–	13,157	–
Accounts receivable	–	–	–	311,807
Other assets	–	–	10,595	88,381
Total financial assets	33,569	39,142	23,752	981,078
Accounts payable and accrued liabilities	–	–	–	371,296
Distribution payable	–	–	–	94,394
Client and trust funds payable	–	–	–	584,560
Securities sold short, at market	–	10,397	–	–
Long-term debt	–	–	–	1,127,851
Preferred shares issued by subsidiary	–	–	–	19,435
Total financial liabilities	–	10,397	–	2,197,536

As at December 31, 2007	Held-for-trading	Designated as held-for-trading	Available-for-sale	Loans and receivables or other financial liabilities
Cash and cash equivalents	55,406	–	–	–
Client and trust funds on deposit	–	–	–	429,016
Securities owned, at market	–	69,532	–	–
Marketable securities	–	–	24,222	–
Accounts receivable	–	–	–	206,088
Other assets	–	–	11,889	85,959
Total financial assets	55,406	69,532	36,111	721,063
Accounts payable and accrued liabilities	–	–	–	230,371
Distribution payable	–	–	–	107,636
Client and trust funds payable	–	–	–	472,201
Securities sold short, at market	–	28,354	–	–
Long-term debt	–	–	–	927,941
Preferred shares issued by subsidiary	–	–	–	18,740
Total financial liabilities	–	28,354	–	1,756,889

Notes to Consolidated Financial Statements (unaudited)

[in thousands of dollars, except per unit amounts]

SEPTEMBER 30, 2008 AND 2007

During the three-month period ended September 30, 2008, CI adjusted the cost and fair value of marketable securities by $5 million to reflect permanent impairment.

During the three-month period ended September 30, 2008, restructuring costs of $11 million were accrued and include severance payments and exit costs related to the downsizing of CI's activities. As at September 30, 2008, $1 million had been paid.

[b] Risk management

Risk management is an integrated process with independent oversight. CI's compliance group has established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's senior management takes an active role in the risk management process by reviewing policies and procedures within each business segment and assessing and mitigating the various financial risks that could impact CI's financial position and results of operations.

CI's financial instruments, as disclosed in note 2(a), bear the following financial risks:

Market risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity prices. Management of CI's market risk is the responsibility of the Chief Financial Officer who reports to CI's senior management. The Corporate Finance group carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk by monitoring and identifying any potential market risks to CI's senior management. A description of each component of market risk is described below:

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

i. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Fluctuations in interest rates have a direct impact on the interest payments CI makes on its long-term debt. 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 at September 30, 2008, each 1% increase or decrease in interest rates would result in annual interest expense increasing or decreasing by $11.3 million, respectively.

ii. Foreign exchange risk

As at September 30, 2008, net financial liabilities of $39.6 million were denominated in U.S. currency. A 10% increase or decrease in U.S. exchange rates would result in a foreign exchange loss or gain of $4.0 million, respectively. CI may enter into forward contracts to manage its foreign exchange exposure to currency risk.

[in thousands of dollars, except per unit amounts]

Forward contracts outstanding as at September 30, 2008 are as follows:

Forward contracts	Notional Amount $	Average Price $	Maturity Date	Spot Rate	Fair Value
To sell U. S. dollars	6,309	1.0540	Oct. 3, 2008	1.0644	(66)
To buy U.S. dollars	59,057	1.0462	Oct. 3, 2008	1.0644	1,075

iii. Equity risk

CI's marketable securities and securities owned or sold short are exposed to equity risk. Based on the carrying balance of these assets as disclosed in note 2(a), an increase or decrease in equity market prices by 10% would result in estimated gains or losses of $4.2 million, respectively.

Liquidity risk

Liquidity risk arises from the possibility that CI will encounter difficulties in meeting its financial obligations as they fall due. CI manages its liquidity risk though a combination of cash received from operations as well as borrowings under its revolving credit facility. Liquidity is monitored though a daily cash management process that includes the projection of cash flows to ensure CI meets its funding obligations.

On July 8, 2008, CI's revolving credit facility was amended to add a third Canadian chartered bank and to increase the amount that may be borrowed to $1.25 billion. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. CI is well within its financial covenants with respect to its credit facility, which require that the debt service ratio, currently at 14.5 times, remains above 1.5 and that the debt to earnings before interest, taxes, depreciation and amortization ratio remain below 2.5 to 1. There can be no assurance that future borrowings or equity financing will be available to CI or available on acceptable terms, in an amount sufficient to fund CI's needs.

CI's liabilities have contractual maturities, excluding interest payments, as follows:

	Total	Less than 1 year	1-2 years	2-5 years
Accounts payable & accrued liabilities	$371,296	$371,296	–	–
Distribution payable	94,394	94,394	–	–
Client and trust funds payable	584,560	584,560	–	–
Securities sold short, at market	10,397	10,397	–	–
Long-term debt	1,127,851	93,987	281,963	751,901
Preferred shares issued by subsidiary	19,435	–	19,435	–
Total	2,207,933	1,154,634	301,398	751,901

Credit risk

Credit risk arises from the potential that investors, clients or counterparties fail to satisfy their obligations.

As at September 30, 2008, financial assets of $991,673, represented by client and trust funds on deposit, accounts receivable and other assets, were exposed to credit risk. CI does not have a significant exposure to any individual counterparty. Credit risk is mitigated by regularly monitoring the credit performance of each individual counterparty and holding collateral where appropriate.

Notes to Consolidated Financial Statements (unaudited)

[in thousands of dollars, except per unit amounts]

SEPTEMBER 30, 2008 AND 2007

Client and trust fund deposits consist mainly of cash deposits or unsettled trade receivables. CI may also extend amounts to clients on a margin basis for security purchases. Collateral is provided in margin accounts by each client in the form of securities purchased and/or other securities and cash balances. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure and the financial health of the counterparties.

Accounts receivable consists primarily of trade receivables that are outstanding for less than 90 days. As at September 30, 2008, included in accounts receivable were amounts owing of $108,445 relating to security borrowing and reverse purchase agreements transacted to facilitate the securities settlement process. These transactions are typically short-term in nature, fully collateralized by either cash or securities and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. CI manages this credit exposure by establishing and monitoring aggregate limits by counterparty for these transactions.

Other assets primarily represent loans granted under CI's employee unit purchase plan and loans extended to investment advisors and capital market professionals under CI's hiring and incentive program. Employee loans are collateralized by CI units and become due immediately upon termination of the employee or upon the sale of the units held as collateral. Commissions may be used to offset loan amounts made to investment advisors or capital market professionals in the event of default. Credit risk associated with other assets is limited given the nature of the relationship with the counterparties.

3. CAPITAL MANAGEMENT

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

CI's capital is comprised of unitholders' equity, long-term debt (including current portion of long-term debt) and preferred shares issued by subsidiary. CI's senior management is responsible for the management of capital. CI's Board of Trustees is responsible for reviewing and approving CI's capital policy and management.

CI and its subsidiaries are subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by CI may result in fines, suspension or revocation of registration by the relevant securities regulator. As at September 30, 2008, CI met its current required capital requirements.

CI's capital consists of the following:

	as at September 30, 2008 $	as at December 31, 2007 $
Unitholders' equity	1,340,910	1,450,667
Long-term debt	1,127,851	927,941
Preferred shares issued by subsidiary	19,435	18,740
Less: cash	(33,569)	(55,406)
Total capital	2,454,627	2,341,942

4. UNIT CAPITAL

[a] Authorized and issued

A summary of the changes to CI's unit capital is as follows:

Units	Number of units *(in thousands)*	Stated value $
Authorized:		
An unlimited number of Trust units of CI,		
A limited number of Exchangeable LP units of Canadian International LP and special voting units of CI.		
Trust units, balance, December 31, 2007	**134,713**	**894,230**
Issuance of unit capital	2	47
Issuance of unit capital on vesting of deferred equity units	393	10,802
Unit repurchase	(2,757)	(18,312)
Conversion from Exchangeable LP units	152	925
Trust units, balance, March 31, 2008	**132,503**	**887,692**
Issuance of unit capital on vesting of deferred equity units	60	1,435
Unit repurchase	(421)	(2,817)
Conversion from Exchangeable LP units	130	794
Trust units, balance, June 30, 2008	**132,272**	**887,104**
Issuance of unit capital on vesting of deferred equity units	19	537
Unit repurchase	(1,179)	(7,910)
Conversion from Exchangeable LP units	126	768
Trust units, balance, September 30, 2008	**131,238**	**880,499**
Exchangeable LP units, balance, December 31, 2007	**146,801**	**894,271**
Conversion to Trust units	(152)	(925)
Exchangeable LP units, balance, March 31, 2008	**146,649**	**893,346**
Conversion to Trust units	(130)	(794)
Exchangeable LP units, balance, June 30, 2008	**146,519**	**892,552**
Conversion to Trust units	(126)	(768)
)Exchangeable LP units, balance, September 30, 2008	**146,393**	**891,784**
Trust and Exchangeable LP units, December 31, 2007	**281,514**	**1,788,501**
Trust and Exchangeable LP units, September 30, 2008	**277,631**	**1,772,283**

Notes to Consolidated Financial Statements (unaudited)

[in thousands of dollars, except per unit amounts]

SEPTEMBER 30, 2008 AND 2007

[b] Employee incentive unit option plan

A summary of the changes in CI's Employee Unit Option Plan is as follows:

	Number of options *(in thousands)*	Weighted average exercise price $
Options outstanding, December 31, 2007	**2,878**	**18.80**
Options exercisable, December 31, 2007	**2,103**	**18.98**
Options exercised	(76)	12.89
Options cancelled	(7)	30.91
Options outstanding, March 31, 2008	**2,795**	**18.93**
Options exercisable, March 31, 2008	**2,025**	**19.18**
Options exercised	(228)	15.79
Options cancelled	(23)	28.71
Options outstanding, June 30, 2008	**2,544**	**19.13**
Options exercisable, June 30, 2008	**1,786**	**19.52**
Options exercised	(5)	15.59
Options cancelled	(37)	35.53
Options outstanding, September 30, 2008	**2,502**	**18.89**
Options exercisable, September 30, 2008	**2,490**	**18.88**

Options outstanding and exercisable as at September 30, 2008 are as follows:

Exercise price	Number of options outstanding *(in thousands)*	Weighted average remaining contractual life *(years)*	Number of options exercisable *(in thousands)*
15.59	437	0.5	437
17.04	647	1.7	647
18.15	1,207	1.8	1,207
18.94	14	2.2	9
19.34	2	1.8	2
20.02	5	1.6	5
23.06	17	2.4	12
23.09	3	3.1	1
26.70	8	1.2	8
29.95	3	0.9	3
32.47	6	0.2	6
33.20	5	0.6	5
33.56	13	0.1	13
41.14	135	0.4	135
15.59 to 41.14	**2,502**	**1.5**	**2,490**

[c] Compensation trust

A summary of the changes in the DEU Awards outstanding and the Trust units repurchased by the compensation trust for the DEU Plan is as follows:

	Number of DEU's *(in thousands)*
DEU Awards outstanding, December 31, 2007	**1,675**
Granted	1,139
Cancelled	(17)
Vested	(393)
DEU Awards outstanding, March 31, 2008	**2,404**
Granted	28
Cancelled	(38)
Vested	(60)
DEU Awards outstanding, June 30, 2008	**2,334**
Granted	1
Cancelled	(14)
Vested	(19)
DEU Awards outstanding, September 30, 2008	**2,302**

Trust units held by the compensation trust, December 31, 2007	**1,725**
Units repurchased for DEU Plan	1,079
Released on vesting	(393)
Trust units held by the compensation trust, March 31, 2008	**2,411**
Released on vesting	(60)
Trust units held by the compensation trust, June 30, 2008	**2,351**
Released on vesting	(19)
Trust units held by the compensation trust, September 30, 2008	**2,332**

Notes to Consolidated Financial Statements (unaudited)

[in thousands of dollars, except per unit amounts]

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[d] Basic and diluted earnings per unit

The weighted average number of units outstanding were as follows:

(in thousands)	For the nine months ended Sept. 30, 2008	For the three months ended Sept. 30, 2008	For the nine months ended Sept. 30, 2007	For the three months ended Sept. 30, 2007
Basic	278,970	278,186	282,238	285,373
Diluted	280,215	279,384	282,886	286,323

[e] Maximum share dilution

The following table presents the maximum number of units that would be outstanding if all the outstanding options were exercised and if all outstanding DEU Awards vested as at October 31, 2008:

(in thousands)	
Units outstanding at October 31, 2008	277,477
DEU Awards outstanding	2,299
Options to purchase Trust units	2,489
	282,265

5. SEGMENTED INFORMATION

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

The Asset Management segment includes the operating results and financial position of CI Investments and United excluding AWM, which derive their revenues principally from the fees earned on the management of several families of mutual and segregated funds.

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

Segmented information for the three-month period ended September 30 is as follows:

	Asset Management		Asset Administration		Intersegment Eliminations		Total	Total
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
(in thousands)	**$**	$	**$**	$	**$**	$	**$**	$
Management fees	**302,693**	326,252	**–**	–	**–**	–	**302,693**	326,252
Administration fees	**–**	–	**84,487**	102,125	**(24,453)**	(26,535)	**60,034**	75,590
Other revenues	**10,390**	11,552	**7,985**	4,440	**–**	–	**18,375**	15,992
Total revenues	**313,083**	337,804	**92,472**	106,565	**(24,453)**	(26,535)	**381,102**	417,834
Selling, general and administrative	**46,212**	56,865	**34,050**	31,596	**–**	–	**80,262**	88,461
Trailer fees	**91,542**	97,073	**–**	–	**(3,470)**	(4,192)	**88,072**	92,881
Investment dealer fees	**–**	–	**60,196**	71,053	**(20,037)**	(21,567)	**40,159**	49,486
Amortization of deferred sales commissions and fund contracts	**37,983**	32,290	**376**	376	**(726)**	(579)	**37,633**	32,087
Other expenses	**5,772**	3,722	**2,636**	2,844	**–**	–	**8,408**	6,566
Total expenses	**181,509**	189,950	**97,258**	105,869	**(24,233)**	(26,338)	**254,534**	269,481
Income before income taxes and non-segmented items	**131,574**	147,854	**(4,786)**	696	**(220)**	(197)	**126,568**	148,353
Restructuring charges							**(11,000)**	–
Adjustment to marketable securities							**(5,000)**	–
Interest expense							**(10,720)**	(10,581)
Recovery of income taxes							**18,283**	5,952
Net income							**118,131**	143,724

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Segmented information for the nine-month period ended September 30 is as follows:

	Asset Management		Asset Administration		Intersegment Eliminations		Total	Total
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
(in thousands)	**$**	$	**$**	$	**$**	$	**$**	$
Management fees	**920,563**	970,521	–	–	–	–	**920,563**	970,521
Administration fees	–	–	**284,550**	295,811	**(77,247)**	(84,812)	**207,303**	210,999
Other revenues	**34,246**	36,310	**25,446**	10,009	–	–	**59,692**	46,319
Total revenues	**954,809**	1,006,831	**309,996**	305,820	**(77,247)**	(84,812)	**1,187,558**	1,227,839
Selling, general and administrative	**149,880**	178,902	**102,875**	75,419	–	–	**252,755**	254,321
Trailer fees	**276,782**	286,589	–	–	**(11,444)**	(11,560)	**265,338**	275,029
Investment dealer fees	–	–	**198,576**	207,484	**(64,600)**	(70,120)	**133,976**	137,364
Amortization of deferred sales commissions and fund contracts	**109,245**	90,920	**1,128**	1,128	**(2,059)**	(1,631)	**108,314**	90,417
Other expenses	**16,620**	10,724	**8,047**	6,636	–	–	**24,667**	17,360
Total expenses	**552,527**	567,135	**310,626**	290,667	**(78,103)**	(83,311)	**785,050**	774,491
Income before income taxes and non-segmented items	**402,282**	439,696	**(630)**	15,153	**856**	(1,501)	**402,508**	453,348
Restructuring charges							**(11,000)**	–
Adjustment to marketable securities							**(5,000)**	–
Interest expense							**(35,460)**	(28,215)
Recovery of income taxes							**41,126**	12,264
Net income							**392,174**	437,397

	As at Sept. 30, 2008	As at Dec. 31, 2007	**As at Sept. 30, 2008**	As at Dec. 31, 2007	**As at Sept. 30, 2008**	As at Dec. 31, 2007	**As at Sept. 30, 2008**	As at Dec. 31, 2007
Identifiable assets	**2,179,210**	1,988,253	**559,170**	517,973	**(13,844)**	(12,603)	**2,724,536**	2,493,623
Goodwill	**858,703**	858,703	**274,223**	274,223	–	–	**1,132,926**	1,132,926
Total assets	**3,037,913**	2,846,956	**833,393**	792,196	**(13,844)**	(12,603)	**3,857,462**	3,626,549

6. RELATED PARTY TRANSACTIONS

CI enters into transactions related to the advisory and distribution of its mutual and segregated funds with Sun Life Financial Inc. ["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 three-month period ended September 30, 2008, CI incurred charges for deferred sales commissions of $9,247 [three-month period ended September 30, 2007 – $9,534], and trailer fees of $24,593 [three-month period ended September 30, 2007 – $25,569] which were paid or payable to Sun Life. The balance payable to Sun Life as at September 30, 2008 of $7,787 [December 31, 2007 – $8,476] is 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 September 30, 2008, CI's portion of the estimated losses is not significant to its financial position or results of operations.

7. FUTURE ACCOUNTING CHANGES

The Accounting Standards Board of the CICA has issued Section 3064, Goodwill and Intangible Assets, applicable for annual and interim periods beginning on or after October 1, 2008. Section 3064 provides revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CI will adopt the new standard effective January 1, 2009 and is currently assessing the impact adoption will have on its financial position and operating results.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current period.

9. SUBSEQUENT EVENTS

On October 6, 2008, Sun Life announced the sale of its 37.7% interest in CI to Bank of Nova Scotia ["Scotiabank"] for $22.00 per unit for a total of approximately $2.3 billion. The transaction is expected to close in November 2008 and as a result, Sun Life will no longer be a related party and Scotiabank will become a related party for financial reporting purposes.

On October 15, 2008, the Board of Trustees approved a proposal for CI to convert from an income trust to a corporation. The conversion to a corporation is subject to unitholder, court and other approvals and will be implemented pursuant to a statutory plan of arrangement under applicable corporate legislation. Unitholders of record on November 7, 2008 will be entitled to vote on the conversion at a special meeting, which is to be held on December 19, 2008.

On October 15, 2008, the Board of Trustees also announced it intends to adopt a dividend policy for CI that will pay a quarterly cash dividend of $0.12 per share. No distribution will be payable in December 2008, however, CI intends to pay an additional $0.04 per share for the quarter ended March 31, 2009 for a total distribution of $0.16 for the quarter.

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On October 21, 2008, the Board of Trustees adopted a Unitholders Rights Plan ["the Rights Plan"] for CI. The Rights Plan is designed to ensure the fair treatment of CI's unitholders in any transaction involving a change of control of CI. The form of the Rights Plan is available for review at www.sedar.com and is expected to be ratified at a special meeting of unitholders to be held on December 19, 2008.

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

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