Q2

Quarterly Report June 30, 2011

CI Financial

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Financial Highlights

(in millions of dollars, except per share and share amounts)	As at June 30, 2011	As at Mar. 31, 2011	As at June 30, 2010	% change quarter-over-quarter	% change year-over-year
Assets under management	74,283	75,455	62,309	(2)	19
Total assets	97,156	98,785	82,732	(2)	17
Shares outstanding	288,091,047	288,020,070	288,079,852	–	–

	For the quarters ended			% change quarter-over-quarter	% change year-over-year
	June 30, 2011	Mar. 31, 2011	June 30, 2010		
Average assets under management	74,525	74,114	64,664	1	15
Gross sales	2,523	3,013	2,524	(16)	–
Net sales	309	465	310	(34)	–
Management fees	337.3	332.0	294.0	2	15
Total revenues	385.5	386.7	338.8	–	14
SG&A	75.1	73.3	56.3	2	33
Trailer fees	98.3	96.6	85.9	2	14
Net income	98.3	100.1	89.5	(2)	10
Earnings per share	0.34	0.35	0.31	(3)	10
EBITDA*	187.1	188.6	173.6	(1)	8
EBITDA* per share	0.65	0.66	0.60	(2)	8
Dividends recorded per share	0.225	0.215	0.190	5	18
Average shares outstanding	288,066,003	287,832,282	289,662,141	–	(1)

	For the six months ended		
	June 30, 2011	June 30, 2010	% change
Average assets under management	74,321	64,471	15
Gross sales	5,536	5,388	3
Net sales	775	999	(22)
Management fees	669.2	583.7	15
Total revenues	772.3	674.8	14
SG&A	148.4	123.3	20
Trailer fees	194.9	169.8	15
Net income	198.3	165.3	20
Earnings per share	0.69	0.57	21
EBITDA*	375.7	331.1	13
EBITDA* per share	1.30	1.14	14
Dividends recorded per share	0.44	0.37	19
Average shares outstanding	287,949,788	290,585,040	(1)

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

Letter to Shareholders

Dear Shareholders,

Uncertainty over the government debt situations in the U.S. and Europe has resulted in weak financial markets over the past few months. CI's assets under management (AUM) declined slightly from the end of March 2011 to the end of June 2011, but second quarter average AUM climbed 0.6% over the level of the first quarter. Over the past year, CI's AUM grew to $74.3 billion from $62.3 billion, an increase of 19%, while average AUM is up 15.2% over the second quarter of last year.

In the three months ended June 30, 2011, the S&P/TSX Composite Index fell 5.1% and the S&P 500 Index and MSCI World Index rose 0.1% and 0.7%, respectively. The Canadian dollar strengthened 0.5% against the U.S. dollar during the quarter, reducing these foreign index returns to a decline of 0.5% and an increase of 0.1%, respectively.

Gross sales of $2.523 billion were flat compared to $2.524 billion in the second quarter of last year. Net sales of funds were $309 million during the quarter, also flat versus last year's second quarter net sales of $310 million.

At Assante, dealer revenues were $60.7 million in the three months ended June 30, 2011, up from $57.0 million in the same period last year. Administered assets are up 12% from a year ago, and this resulted in higher service fee revenues.

Primarily as a result of the increases in asset levels year over year, CI's earnings were $98.3 million ($0.34 per share) in the second quarter, up 10% from $89.5 million ($0.31 per share) in the same quarter last year. EBITDA for this quarter was $187.1 million, an increase of 8% from $173.6 million in the comparable quarter of last year.

In the second quarter, CI hosted a very successful three-day sales conference, attended by over 500 leading investment advisors. CI's sales team, senior management and several portfolio managers presented strategies, opinions and outlooks on the world economy and financial markets in general, and CI's investment products in particular.

CI also streamlined its portfolio management lineup, bringing 26 mandates in house. While these changes were made to improve performance in those funds, they will also reduce SG&A expenses over the long term. Spending increased this quarter as an investment was made in initiatives that support asset growth.

Outlook

Financial markets have continued to decline in July and August and this has affected CI's level of assets under management. At the end of July, CI reported AUM of $72.9 billion, down 1.8% from the end of June. In this environment, we continue to emphasize CI's funds' exceptional track record and CI's broad spectrum of products in order to attract new sales and retain assets.

The Board of Directors declared monthly cash dividends of $0.075 per share payable on September 15, October 14 and November 15, 2011 to shareholders of record on August 31, September 30, and October 31, 2011, respectively.

William T. Holland
Executive Chairman

Stephen A. MacPhail
President and Chief Executive Officer

August 9, 2011

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated August 2, 2011 presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at June 30, 2011, compared with December 31, 2010, and the results of operations for the quarter ended June 30, 2011, compared with the quarter ended June 30, 2010 and the quarter ended March 31, 2011.

On January 1, 2011, CI adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three and six months ended June 30, 2011, including required comparative information, have been prepared in accordance with IFRS 1, *"First-time Adoption of International Financial Reporting Standards"*, and with International Accounting Standard ("IAS") 34, *"Interim Financial Reporting"*, as issued by the International Accounting Standards Board ("IASB"). Prior to the adoption of IFRS, CI prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had an impact on CI's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the period ended June 30, 2011.

The principal subsidiaries referenced herein include CI Investments Inc. ("CI Investments") and Assante Wealth Management (Canada) Ltd. ("AWM"). The Asset Management segment of the business includes the operating results and financial position of CI Investments and its subsidiaries, including Castlerock Investments Inc. ("Castlerock") and CI Private Counsel LP ("CIPC"). The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries, including Assante Capital Management Ltd. ("ACM") and Assante Financial Management Ltd. ("AFM").

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest and foreign exchange rates, global financial markets, changes in government regulations or in tax laws, industry competition, technological developments and other factors described under "Risk Factors" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of this MD&A and to the "Risk Factors" section of CI's Annual Information Form dated March 17, 2011, which is available at www.sedar.com.

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

TABLE 1: SUMMARY OF QUARTERLY RESULTS

(millions of dollars, except per share amounts)	2011		2010				2009 (GAAP)	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
INCOME STATEMENT DATA								
Management fees	337.3	332.0	315.3	294.0	294.0	289.7	287.9	273.5
Administration fees	33.2	36.8	33.7	29.6	30.4	33.2	34.4	31.0
Other revenues	15.0	17.9	19.6	12.7	14.4	13.1	11.2	14.2
Total revenues	385.5	386.7	368.6	336.3	338.8	336.0	333.5	318.7
Selling, general & administrative	75.1	73.3	73.0	67.3	56.3	67.1	75.6	72.9
Trailer fees	98.3	96.6	91.3	85.1	85.9	83.9	83.5	79.0
Investment dealer fees	26.0	29.1	25.8	22.9	23.8	25.8	24.6	22.1
Amortization of deferred sales commissions	41.3	41.4	42.3	41.6	41.4	41.0	41.3	40.3
Interest expense	6.7	7.0	5.4	4.1	4.2	4.3	5.9	7.8
Other expenses	2.4	2.5	3.5	2.2	2.2	4.8	7.3	5.9
Total expenses	249.8	249.9	241.3	223.2	213.8	226.9	238.2	228.0
Income before income taxes	135.7	136.8	127.3	113.1	125.0	109.1	95.3	90.7
Income taxes	37.4	36.7	39.9	37.2	35.5	33.4	(20.5)	24.3
Net income from continuing operations	98.3	100.1	87.4	75.9	89.5	75.7	115.8	66.4
Net income (loss) from discontinued operations	–	–	–	–	–	–	2.2	(49.0)
Net income	98.3	100.1	87.4	75.9	89.5	75.7	118.0	17.4
Earnings per share from continuing operations	0.34	0.35	0.30	0.26	0.31	0.26	0.40	0.23
Earnings per share	0.34	0.35	0.30	0.26	0.31	0.26	0.40	0.06
Dividends recorded per share	0.225	0.215	0.205	0.195	0.190	0.180	0.170	0.150

Overview

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

CI's average assets under management for the second quarter of 2011 increased 15% from the second quarter of 2010. This is consistent with the gains made by financial markets over the last year and the level of net sales recorded in CI's investment products. CI's revenues have similarly grown from the levels of a year ago. While some expenses, such as trailer fees and a portion of investment advisor fees, vary directly with the level of assets under management, about half of CI's expenses are fixed in nature. Over the long term, CI manages the level of its discretionary spend to be consistent with or below the growth in its average assets under management.

Sales of investment funds have increased as equity markets improved. CI's gross sales during the first six months of 2011 were up 3% from the same period last year. However, redemptions were up 8% for the same period (primarily due to two large institutional account redemptions), resulting in a 22% decrease in net sales. However, on a quarterly basis, CI's net sales were unchanged from the comparable period last year.

CI's market share is approximately 10% and CI continues to be the third-largest investment fund company in Canada with assets under management of $74.3 billion at June 30, 2011.

CI acquired Hartford Investments Canada Corp. in December 2010, changed its name to Castlerock Investments Inc. in January 2011, and rebranded the funds to Castlerock. In April 2011, Castlerock fund unitholders approved an amalgamation of Castlerock Investments Inc. with CI Investments. This amalgamation took place on June 30, 2011 and allows CI Investments to more quickly utilize tax losses acquired.

Assets and Sales

Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, pooled assets, and assets under administration, were $97.2 billion at June 30, 2011, an increase of 18% from $82.7 billion at June 30, 2010. As shown in Table 2, these assets consist of $74.3 billion in assets under management and $22.9 billion in assets under administration.

TABLE 2: TOTAL ASSETS

(in billions)	As at June 30, 2011	As at June 30, 2010	% change
Assets under management	$74.3	$62.3	19
Assets under administration*	22.9	20.4	12
Total assets	$97.2	$82.7	18

*Includes $10.4 billion and $9.2 billion of assets managed in CI's products in 2011 and 2010, respectively.

Assets under management form the majority of CI's total assets and provide most of its revenue and net income. The change in assets under management during the first half of each of the past two years is detailed in Table 3.

TABLE 3: CHANGE IN ASSETS UNDER MANAGEMENT

(in billions)	2011	2010
Assets under management at January 1	$72.8	$64.2
Gross sales	5.5	5.4
Redemptions	4.7	4.4
Net sales	0.8	1.0
Market performance	0.7	(2.9)
Assets under management at June 30	$74.3	$62.3

Table 4 sets out the levels and changes in CI's average assets under management and the gross and net sales for the relevant periods. As most of CI's revenues and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results.

TABLE 4: CHANGE IN AVERAGE ASSETS UNDER MANAGEMENT

(in billions)	Quarter ended June 30, 2011	Quarter ended Mar. 31, 2011	Quarter ended June 30, 2010
Average assets under management	$74.525	$74.114	$64.664
Change to June 30, 2011		0.6%	15.2%
Gross sales	$2.5	$3.0	$2.5
Net sales	$0.3	$0.5	$0.3

The Investment Funds Institute of Canada (IFIC) reported $17.5 billion in industry net sales of mutual funds for the six months ended June 30, 2011, up $11.7 billion from net sales of $5.8 billion in the same period for 2010. Total industry assets as reported by IFIC at June 30, 2011 of $656.4 billion were up 16% from $566.1 billion at June 30, 2010.

Results of Operations

For the quarter ended June 30, 2011, CI reported net income of $98.3 million ($0.34 per share) an increase of 10% from the $89.5 million ($0.31 per share) for the quarter ended June 30, 2010 and a decrease of 2% from the $100.1 million ($0.35 per share) for the quarter ended March 31, 2011. In the first quarter of 2011, CI received an insurance settlement, net of expenses, of $3.5 million ($4.9 million before tax). After adjusting for this non-recurring item, CI's net income increased 2% compared with the prior quarter. In the second quarter of 2010, CI had an equity-based compensation recovery of $7.9 million compared with an expense of $1.8 million in the second quarter of 2011. After adjusting for this expense, CI's net income increased 18% for the comparable quarters.

For the quarter ended June 30, 2011, CI recorded $37.4 million in income tax expense for an effective tax rate of 27.6%, compared to $35.5 million in the second quarter of 2010, for an effective tax rate of 28.4%. In the quarter ended March 31, 2011, CI recorded income tax expenses of $36.8 million, for an effective tax rate of 26.9%. CI's statutory rate for 2011 is 28.2% versus 30.9% for 2010.

For the quarter ended June 30, 2011, redemption fee revenue was $7.1 million compared with $7.6 million for the quarter ended June 30, 2010 and $7.8 million for the quarter ended March 31, 2011. The decrease is a result of a decrease in back-end fund redemptions.

Amortization of deferred sales commissions and fund contracts was $41.9 million in the second quarter of 2011, down from $42.5 million in the second quarter of 2010 and $42.0 million in the first quarter of 2011. This decrease is in line with the decrease in redemptions from the prior quarter. Under IFRS, CI now expenses the remaining unamortized sales commission when a deferred load fund is redeemed; refer to Note 8 of the second quarter 2011 financial statements.

TABLE 5: PRE-TAX OPERATING EARNINGS

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

(in millions, except per share amounts)	Quarter ended June 30, 2011	Quarter ended Mar. 31, 2011	Quarter ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Income before income taxes	$135.7	$136.8	$125.0	$272.5	$234.1
Less:					
Redemption fees	7.1	7.8	7.6	14.9	15.1
Non-recurring item(s)	–	4.9	–	4.9	–
Loss on marketable securities	(0.2)	(0.9)	–	(1.1)	(0.2)
Add:					
Amortization of DSC and fund contracts	41.9	42.0	42.5	83.9	84.6
Equity-based compensation expense	1.8	1.8	(7.9)	3.6	(4.4)
Pre-tax operating earnings	$172.5	$168.8	$152.0	$341.3	$299.4
per share	$0.60	$0.59	$0.52	$1.19	$1.03

Interest expense of $6.7 million was recorded for the quarter ended June 30, 2011 compared with $4.2 million for the quarter ended June 30, 2010 and $7.0 million for the quarter ended March 31, 2011. The increase in interest expense from the prior-year period reflected higher average debt and borrowing costs, as discussed under "Liquidity and Capital Resources."

Pre-tax operating earnings, as set out in Table 5, were $172.5 million in the second quarter of 2011, an increase of 13% from the second quarter of 2010 and 2% from the prior quarter. These changes primarily reflect the change in average assets under management, which were up 15% from the second quarter of 2010 and 1% from the prior quarter.

As illustrated in Table 6, EBITDA for the quarter ended June 30, 2011 was $187.1 million ($0.65 per share) compared with $173.6 million ($0.60 per share) for the quarter ended June 30, 2010 and $188.6 million ($0.66 per share) for the quarter ended March 31, 2011. The 8% year-over-year increase in quarterly EBITDA was due to the 15% increase in average assets under management partially offset by the $9.7 million increase in equity-based compensation expense discussed earlier. Net of equity-based compensation expense, EBITDA was up 14%.

EBITDA as a percentage of total revenues (EBITDA margin) for the second quarter of 2011 was 48.5%, down from 51.2% in the same quarter last year and 48.8% in the prior quarter. Net of equity-based compensation, EBITDA margin was 49.0% for the second quarter of 2011, up from 48.9% for the comparable quarter last year.

TABLE 6: EBITDA and EBITDA Margin

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

(in millions, except per share amounts)	Quarter ended June 30, 2011	Quarter ended Mar. 31, 2011	Quarter ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net income	$98.3	$100.1	$89.5	$198.4	$165.3
Add (deduct):					
Interest expense	6.7	7.0	4.2	13.7	8.6
Income tax expense	37.4	36.8	35.5	74.2	68.9
Amortization of DSC and fund contracts	41.9	42.0	42.5	83.9	84.6
Amortization of other items	2.8	2.7	1.9	5.5	3.7
EBITDA	$187.1	$188.6	$173.6	$375.7	$331.1
per share	$0.65	$0.66	$0.60	$1.30	$1.14
EBITDA margin (as a % of revenue)	48.5%	48.8%	51.2%	48.7%	49.1%

Asset Management Segment

The Asset Management segment is CI's principal business segment and includes the operating results and financial position of CI Investments. Table 7 presents the operating results for the Asset Management segment:

TABLE 7: RESULTS OF OPERATIONS – ASSET MANAGEMENT SEGMENT

(in millions)	Quarter ended June 30, 2011	Quarter ended Mar. 31, 2011	Quarter ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Management fees	$337.3	$332.0	$294.0	$669.3	$583.7
Other revenue	11.1	13.9	10.5	25.0	19.7
Total revenue	$348.4	$345.9	$304.5	$694.3	$603.4
Selling, general and administrative	$61.3	$58.8	$43.3	$120.1	$97.2
Trailer fees	102.0	100.4	89.4	202.4	176.8
Amortization of deferred sales commissions and intangibles	42.7	42.7	43.3	85.4	86.2
Other expenses	0.9	0.9	0.1	1.8	2.3
Total expenses	$206.9	$202.8	$176.1	$409.7	$362.5
Income before taxes and non-segmented items	$141.5	$143.1	$128.4	$284.6	$240.9

Revenues

Revenues from management fees were $337.3 million for the quarter ended June 30, 2011, an increase of 15% from the quarter ended June 30, 2010 and 2% from $332.0 million for the quarter ended March 31, 2011. The changes were mainly attributable to changes in average assets under management, which were up 15% and 1% from the quarters ended June 30, 2010 and March 31, 2011, respectively.

For the quarter ended June 30, 2011, other revenue was $11.1 million versus $10.5 million and $13.9 million for the quarters ended June 30, 2010 and March 31, 2011, respectively. Included in other revenue are redemption fees, which were $7.1 million for the quarter ended June 30, 2011 compared with $7.6 million and $7.8 million for the quarters ended June 30, 2010 and March 31, 2011, respectively. For the quarter ended March 31, 2011, other revenue included the $4.9 million in insurance proceeds noted earlier.

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were $61.3 million for the quarter ended June 30, 2011, an increase from $43.3 million for the second quarter in 2010 and from $58.8 million for the quarter ended March 31, 2011. Included in SG&A are expenses relating to CI's equity-based compensation plan. The quarter ended June 30, 2011 included an equity-based compensation expense of $1.8 million compared with a recovery of $7.9 million in the quarter ended June 30, 2010. The quarter ended March 31, 2011 had an equity-based compensation expense of $1.8 million. SG&A expenses, net of the amount related to equity-based compensation ("net SG&A"), were $59.5 million for the quarter ended June 30, 2011, up from $51.2 million for the comparable quarter in 2010 and from $57.0 million for the prior quarter. The increase in net SG&A from the second quarter of last year is primarily due to the addition of Castlerock expenses as well as increased spending on product development and marketing and the expansion of internal portfolio management teams.

As a percentage of average assets under management, net SG&A expenses were 0.320% for the quarter ended June 30, 2011, up slightly from 0.318% for the quarter ended June 30, 2010 and 0.312% for the quarter ended March 31, 2011.

Trailer fees were $102.0 million for the quarter ended June 30, 2011 compared with $89.4 million for the quarter ended June 30, 2010 and $100.4 million for the quarter ended March 31, 2011. Net of inter-segment amounts, this expense was $98.3 million for the quarter ended June 30, 2011 versus $85.9 million for the second quarter of 2010 and $96.6 million for the first quarter of 2011.

Amortization of deferred sales commissions and intangibles was $42.7 million for the quarter ended June 30, 2011, down from $43.3 million in the same quarter last year and unchanged from $42.7 million in the previous quarter. These amounts are consistent with the level of deferred sales commissions paid over the past several years and reflect redemptions during the quarter.

Income before income taxes and interest expense for CI's principal segment was $141.5 million for the quarter ended June 30, 2011 compared with $128.4 million in the same period in 2010 and $143.1 million in the previous quarter. The increase from the comparable quarter last year is primarily due to the increase in average assets under management offset by the increase in equity-based compensation expense discussed earlier.

Asset Administration Segment

The Asset Administration segment includes the operating results and financial position of AWM and its subsidiaries. Table 8 presents the operating results for the Asset Administration segment.

TABLE 8: RESULTS OF OPERATIONS – ASSET ADMINISTRATION SEGMENT

(in millions)	Quarter ended June 30, 2011	Quarter ended Mar. 31, 2011	Quarter ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Administration fees	$56.8	$62.6	$53.1	$119.4	$111.2
Other revenue	3.9	3.9	3.9	7.9	7.8
Total revenue	$60.7	$66.5	$57.0	$127.3	$119.0
Selling, general and administrative	$13.8	$14.5	$13.0	$28.3	$26.1
Investment dealer fees	45.0	49.9	42.0	94.9	87.7
Amortization of intangibles	0.4	0.4	0.4	0.8	0.8
Other expenses	0.9	0.8	0.8	1.7	2.1
Total expenses	$60.1	$65.6	$56.2	$125.7	$116.7
Income before taxes and non-segmented items	$0.6	$0.9	$0.8	$1.6	$2.3

Revenues

Administration fees are earned on assets under administration in the AWM business and from the administration of third-party business. Administration fees were $56.8 million for the quarter ended June 30, 2011, an increase of 7% from $53.1 million for the same period last year and a decrease of 9% from the prior quarter. Net of inter-segment amounts, administration fee revenue was $33.2 million for the quarter ended June 30, 2011, up from $30.4 million for the quarter ended June 30, 2010 and down from $36.8 million in the previous quarter. The increase from the prior year was mainly attributable to the increase in assets under administration over the year.

Other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances, and foreign exchange gains and losses, and at $3.9 million were unchanged from both comparable periods.

Expenses

Investment dealer fees, which represent the payout to advisors on revenues they generate, were $45.0 million for the quarter ended June 30, 2011 compared to $42.0 million for the second quarter last year and $49.9 million for the quarter ended March 31, 2011.

As detailed in Table 9, dealer gross margin was $11.8 million or 20.8% of administration fee revenue for the quarter ended June 30, 2011, compared to $11.1 million or 20.9% for the second quarter of 2010 and $12.7 million or 20.3% for the previous quarter. The change in gross margin from prior periods relates to the change in average investment dealer fee rates paid out to financial advisors on their administration fees. Generally, as an advisor's assets under administration and administration fee revenues grow, the payout rates to the respective advisor will correspondingly increase up to a maximum payout rate.

Selling, general and administrative ("SG&A") expenses for the segment were $13.8 million for the quarter ended June 30, 2011 compared to $13.0 million in the second quarter in 2010 and $14.5 million in the first quarter of 2011.

TABLE 9: 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 June 30, 2011	Quarter ended Mar. 31, 2011	Quarter ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Administration fees	$56.8	$62.6	$53.1	$119.4	$111.2
Less:					
Investment dealer fees	45.0	49.9	42.0	94.9	87.7
	$11.8	$12.7	$11.1	$24.5	$23.5
Dealer gross margin	20.8%	20.3%	20.9%	20.5%	21.1%

The Asset Administration segment had income before income taxes and non-segmented items of $0.6 million for the quarter ended June 30, 2011, down from $0.8 million for the second quarter in 2010 and $0.9 million for the prior quarter. The decrease from the prior year period is due primarily to higher SG&A expenses, and the decrease from the prior quarter is a result of higher revenue during the RSP season within the first quarter.

Liquidity and Capital Resources

CI generated $309.8 million of operating cash flow in the six months ended June 30, 2011 up $64.9 million from $244.9 million in the same period last year. CI measures its operating cash flow before the change in working capital and the actual cash amount paid for interest and income taxes, as these items often distort the cash flow generated during the period. Working capital is affected by seasonality, interest is primarily paid semi-annually, and tax instalments paid may differ materially from the cash tax accrual. CI's main uses of capital are the financing of deferred sales commissions, the payment of dividends on its shares, the funding of capital expenditures and the repurchase of shares through its normal course issuer bid program. At current levels of cash flow and anticipated dividend payout rates, CI produces sufficient cash to meet its obligations and pay down debt.

CI paid sales commissions of $84.4 million in the six months ended June 30, 2011. This compares to $91.5 million in the same period of 2010. The amount of deferred sales commissions incurred in 2011 relates to back-end load fund sales of approximately $305 million per month.

CI invested $17.7 million in marketable securities in the first half of 2011. During the same period, CI received proceeds of $16.5 million from the disposition of marketable securities, resulting in a loss of $1.1 million. The fair value of marketable securities at June 30, 2011 was $34.3 million. Marketable securities are comprised of seed capital investments in its funds and strategic investments.

During the six months ended June 30, 2011, CI incurred capital expenditures of $19.7 million, of which $14.2 million related to leasehold improvements. Those improvements should be viewed in conjunction with leasehold inducements of $21.1 million provided in the prior year. The remaining capital expenditures related to the purchase of new technology systems and upgrades.

The balance sheet for CI at June 30, 2011 reflects total assets of $3.173 billion, a decrease of $33.2 million from $3.206 billion at December 31, 2010. This change can be attributed to a decrease in current assets of $34.7 million and an increase in long-term assets of $1.5 million. CI's cash and cash equivalents decreased by $37.6 million in 2011 primarily due to the payment of income taxes for the 2010 tax year.

Accounts receivable and prepaid expenses decreased to $77.7 million at June 30, 2011 from $95.1 million at December 31, 2010. The decrease primarily related to a $14.0 million leasehold inducement receivable at December 31, 2010, which was received during the first quarter.

During the six months ended June 30, 2011, long-term assets increased as a result of a $14.9 million increase in capital assets and a $1.6 million increase in deferred sales commissions. Capital assets increased during the first half of the year due in large part to leasehold improvements at CI's new offices located at 15 York Street, Toronto.

Total liabilities decreased by $130.9 million during the first half of 2011 to $1.509 billion. The primary contributors to this change were the $90.8 million decrease in income taxes payable, the $23.6 million decrease in long-term debt and the $24.2 million decrease in accounts payable.

At June 30, 2011, CI had $850 million in outstanding debentures at an average interest rate of 3.16% with a carrying value of $846.8 million. At December 31, 2010, CI had $870.4 million of debt outstanding at an average rate of 3.14%. Net of cash and marketable securities, debt was $633.5 million at June 30, 2011, up from $620.5 million at December 31, 2010, as CI paid the balance of its taxes owing for 2010 during the first quarter.

Principal repayments on CI's credit facility are only required under the facility should the bank decide not to renew the facility on its anniversary, in which case 6.25% of the principal would be repaid at each calendar quarter-end, with the balance payable at the end of the credit facility term (March 17, 2014). These payments would be payable beginning March 31, 2012 should the bank not renew the facility. The limit on the facility at June 30, 2011 was $150 million.

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

Shareholders' equity increased by $97.7 million in the first six months of 2011. During the same period, CI did not repurchase any shares under its normal course issuer bid. CI declared dividends of $108.3 million ($125.4 million paid), which was less than net income for the six months ended June 30, 2011 by $90.1 million. CI's current dividend payments are $0.075 per share per month, or approximately $260 million per fiscal year.

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, and 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 prices and volatility of individual equity instruments and equity indexes.

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

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 market risk within CI's assets under management 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 June 30, 2011, approximately 17% of CI's assets under management were held in fixed-income securities, which are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall, while a decrease in interest rates causes market prices to rise. CI estimates that a 25 basis point change in interest rates would cause a change of $0.4 million in annual pre-tax earnings in the Asset Management segment.

At June 30, 2011, about 74% of CI's assets under management were based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, at the same time, approximately 12% of CI's assets under management were based in U.S. currency. Any change in the value of the Canadian dollar relative to U.S. currency will cause fluctuations in CI's 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 $10.8 million in the Asset Management segment's annual pre-tax earnings.

About 68% of CI's assets under management were held in equity securities at June 30, 2011, 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 $61.9 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 administered assets is the responsibility of the Chief Compliance Officer and senior management. Responsibilities include ensuring policies, processes and internal controls are in place and in accordance with regulatory requirements. CI's internal audit department reviews CI's adherence to these policies and procedures.

CI's operating results are not materially exposed to market risk impacting the asset administration segment given that this segment usually generates less than 5% of the total income before non-segmented items (this segment earned $0.6 million before income taxes and non-segmented items for the quarter ended June 30, 2011). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of less than $1 million to the Asset Administration segment's pre-tax earnings.

Credit Risk

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

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

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 favorable 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.

Access to Capital Markets

Equity and credit markets globally have been subject to unprecedented volatility and continue to be hurt by the continued European sovereign debt situation as well as the fiscal situation and credit downgrade in the U.S. As a result, access to financing for some entities has been negatively impacted. These factors may impact the ability of CI to obtain loans or make other funding arrangements on terms favourable to CI.

Investment Performance of the Funds

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

Dependence on Senior Management

The success of CI and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of CI, could adversely affect CI's business. CI has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Competition

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

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.

Risks of Significant Redemptions of CI's Assets Under Management

CI earns revenue primarily from management fees earned for advising and managing pools of assets. These revenues depend largely on the value and composition of mutual fund assets under management. The level of assets under management is influenced by three factors: (i) sales; (ii) redemption rates; and (iii) investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Recent market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

Changes in Tax Laws

The introduction of a Harmonized Sales Tax (HST) to combine the Goods and Services Tax (GST) and Provincial Sales Tax (PST) into a single sales tax, effectively subjects investment fund management fees to provincial taxation for the first time. Increased taxation of investment fund management fees could result in changes to current fee structures or negatively impact the ability of investment funds, including CI, to retain investors. This could adversely impact the competitiveness of the investment fund industry as compared to other products or services that are not subject to GST and will not be subject to HST.

Administration Vulnerability and Error

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

Sufficiency of Insurance

Members of CI maintain various types of insurance which may include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, agents' insurance and general commercial liability insurance. There can be no assurance that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the relevant policies. A judgment against any member of CI in excess of available coverage could have a material adverse effect on CI both in terms of damages awarded and the impact on the reputation of CI.

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 as well as impose additional disclosure requirements on CI products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of CI's business segments or its key personnel or financial advisors, and the imposition of fines and censures. It is also possible that the laws and regulations governing a subsidiary's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to CI. To the extent that existing or future regulations affecting the sale or offering of CI's product or services or CI's investment strategies cause or contribute to reduced sales of CI's products or lower margins or impair the investment performance of CI's products, CI's aggregate 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 directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or expulsion from a self-regulatory organization or the suspension or revocation of CI's subsidiaries' right to carry on their existing business. CI may incur significant costs in connection with such potential liabilities.

Leverage and Restrictive Covenants

The ability of CI to pay dividends or make 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 shareholders, 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 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 dividends 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 Dividends

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

Share Price Risk

Share price risk arises from the potential adverse impact on CI's earnings due to movements in CI's share price. Prior to July 1, 2010, CI was affected by share price risk as CI's equity-based compensation liability fluctuated based on the market value of CI's share price. CI is no longer affected by share price risk as CI's equity-based compensation is accounted for using the fair value method which is not adjusted for future fluctuations in CI's share price.

Commitment of Financial Advisors and Other Key Personnel

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

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

Capital Requirements

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

Risks Specific to the Common Shares

Unpredictability and Volatility of Market Price

Shares of a publicly traded company do not necessarily trade at values determined by reference to the underlying value of the business. The prices at which the common shares of the Corporation will trade cannot be predicted. The market price of CI's common shares could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The market price for the common shares may be adversely affected by changes in general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of CI.

Dilution

Pursuant to its articles of incorporation, as amended, the Corporation is authorized to issue an unlimited number of common shares for the consideration and on those terms and conditions as are established by the Directors without the approval of any shareholders. Any further issuance of common shares may dilute the interests of existing shareholders.

Changes in Legislation and Administrative Policy

There can be no assurance that certain laws applicable to CI and its subsidiaries, including income tax laws, will not be changed in a manner that could adversely affect the value of CI. In addition, there can be no assurance that the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the holders of common shares. CI may also be affected by changes in regulatory requirements, or other taxes in Canada or foreign jurisdictions. Such changes could, depending on their nature, benefit or adversely affect CI.

Risk Specific to the Debentures

Changes in Creditworthiness

There can be no assurance that the creditworthiness of CI or CI Investments and any credit rating assigned to the debentures issued by CI ("Debentures") or CI Investments ("CI Investment Debentures") will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such rating may have an adverse effect on the market price or value and the liquidity of the Debentures and the CI Investment Debentures.

Market Value Risk

Prevailing interest rates will affect the market value of the Debentures and the CI Investment Debentures. The price or market value of the Debentures and the CI Investment Debentures will decline as prevailing interest rates for comparable securities rise. CI may choose to redeem Debentures and the CI Investment Debentures from time to time, in accordance with its rights, including when prevailing interest rates are lower than the yield borne by the Debentures or the CI Investment Debentures. If prevailing rates are lower at the time of redemption, a holder may not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Debentures or the CI Investment Debentures being redeemed.

Liquidity Risk

Each of the Debentures and the CI Investment Debentures constitute a new issue of securities with no established trading market. In addition, the Debentures and the CI Investment Debentures are not listed on any exchange. As a result, the trading market for the Debentures and the CI Investment Debentures may not be active or liquid. There can be no assurance that an active market for the Debentures or the CI Investment Debentures will develop or be sustained or that holders of the Debentures or the CI Investment Debentures will be able to sell their debentures at any particular price or at all.

Ranking of the Debentures

The Debentures are unsecured obligations of CI, unconditionally guaranteed by CI Investments and may be guaranteed by certain other subsidiaries of CI. Therefore, holders of secured indebtedness of CI or of its subsidiaries will have a claim on the assets securing such indebtedness that ranks in priority to the claims of holders of the Debentures and will have a claim that ranks equally with the claims of holders of Debentures to the extent that such security is insufficient to satisfy the secured indebtedness. Furthermore, although covenants given by CI or its subsidiaries in certain agreements may restrict incurring secured indebtedness, such indebtedness may, subject to certain conditions, be incurred.

The CI Investment Debentures are unsecured obligations of CI Investments, unconditionally guaranteed by CI. Therefore, holders of secured indebtedness of CI Investments will have a claim on the assets securing such indebtedness that ranks in priority to the claims of holders of the CI Investment Debentures and will have a claim that ranks equally with the claims of holders of CI Investment Debentures to the extent that such security is insufficient to satisfy the secured indebtedness. Furthermore, CI Investments is not precluded from incurring additional debt.

Information Regarding Guarantors

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

STATEMENT OF INCOME DATA FOR THE THREE MONTHS ENDED JUNE 30*

	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
(in millions of dollars)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	435.3	2.8	374.0	295.9	100.5	94.0	(524.3)	(53.9)	385.5	338.8
Net income	431.6	(1.5)	127.3	79.1	7.1	11.6	(467.7)	0.3	98.3	89.5

STATEMENT OF INCOME DATA FOR THE SIX MONTHS ENDED JUNE 30*

	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
(in millions of dollars)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	438.0	5.6	713.8	588.7	203.8	190.7	(583.3)	(110.2)	772.3	674.8
Net income	430.5	(3.6)	219.4	144.5	15.9	20.1	(467.5)	4.3	198.3	165.3

BALANCE SHEET DATA AS AT JUNE 30, 2011 AND DECEMBER 31, 2010*

	CI Financial		CI Investments		Other Subsidiaries		Consolidating Adjustments		Total Consolidated Amounts	
(in millions of dollars)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Current assets	549.7	262.4	237.8	278.2	198.4	192.3	(566.9)	(279.2)	419.0	453.7
Non-current assets	1,642.7	1,837.8	2,826.4	3,244.4	151.6	159.1	(1,866.5)	(2,488.6)	2,754.2	2,752.7
Current liabilities	145.2	164.2	99.2	204.2	162.9	172.8	(37.7)	(45.5)	369.6	495.7
Non-current liabilities	446.4	467.7	1,331.0	1,480.8	11.8	19.0	(649.3)	(822.9)	1,139.9	1,144.6

*Some comparative figures have been reclassified to conform to the presentation in the current year.

Related Party Transactions

The Bank of Nova Scotia ("Scotiabank") owns approximately 36.4% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank and its related parties. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the three and six months ended June 30, 2011, CI incurred charges for deferred sales commissions of $1.4 million and $2.8 million, respectively (three and six months ended June 30, 2010 – $0.6 million and $1.4 million, respectively) and trailer fees of $5.5 million and $9.8 million, respectively (three and six months ended June 30, 2010 – $1.7 million and $3.5 million, respectively) which were paid or payable to Scotiabank and its related parties. The balance payable to Scotiabank and its related parties as at June 30, 2011 of $1.7 million (December 31, 2010 – $0.6 million) is included in accounts payable and accrued liabilities.

Share Capital

As at June 30, 2011, CI had 288,091,047 shares outstanding.

At June 30, 2011, 6.6 million options to purchase shares were outstanding, of which 1.7 million options were exercisable.

Contractual Obligations

The table that follows summarizes CI's contractual obligations at June 30, 2011.

PAYMENTS DUE BY YEAR

(millions)	Total	Less than 1 year	1 – 2	2 – 3	3 – 4	4 – 5	5 or more years
Credit facility	$–	$–	$–	$–	$–	$–	$–
Debentures	850.0	100.0	250.0	–	200.0	–	300.0
Operating leases	115.6	12.0	9.8	9.0	8.4	8.1	68.3
Total	$965.6	$112.0	$259.8	$9.0	$208.4	$8.1	$368.3

Significant Accounting Estimates

The June 30, 2011 Interim Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, refer to Note 1 of the Notes to the Interim Consolidated Financial Statements. Included in the March 31, 2011 Interim Consolidated Financial Statements is Note 11 which provides a discussion regarding the recoverable amount of CI's goodwill and intangible assets compared to its carrying value.

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

Adoption of International Financial Reporting Standards

CI adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. The adoption of IFRS has not had a material impact on CI's operations, strategic decisions and cash flow. CI's IFRS accounting policies are provided in Note 1 to the March 31, 2011 Interim Consolidated Financial Statements. In addition, Note 8 to the Interim Consolidated Financial Statements presents reconciliations between CI's 2010 GAAP results and the 2010 IFRS results and explanations of the adjustments to transition to IFRS. The reconciliations include the Consolidated Statement of Net Income, Comprehensive Income and Cash Flows for the three months and six months ended June 30, 2010 as well as a reconciliation of Shareholder's Equity as at June 30, 2010.

Highlights of the Impact of IFRS

Deferred sales commissions

Net income and earnings per share under IFRS will generally be slightly higher than under GAAP for the next six years due to the $59.2 million reduction in deferred sales commissions on the balance sheet on January 1, 2010. This reduces the amount to be amortized over the next six years. This effect will be most pronounced in the first year under IFRS and will subside each year. The pre-tax effect was approximately $4 million in 2010.

EBITDA will not be impacted by the change to deferred sales commissions, as this measure reports income before this type of charge.

Legal provisions

CI recorded legal provisions of $12.1 million upon the adoption of IFRS, and, as these obligations are settled or reversed, net income and earnings per share will be greater than they would have been under GAAP by the after-tax amount of the reduction to this balance. The timing of this is not certain and could take many years to be realized.

EBITDA will also be positively impacted by the legal provisions, eventually in the full amount of the initial provision as this is a pre-tax measure of income.

Impact of IFRS on earnings volatility

In periods where redemptions of CI's funds fluctuate significantly, CI's earnings will become less volatile under IFRS than under GAAP, as any increase (decrease) in redemption fee revenue will be substantially offset by a decrease (increase) in the amortization of deferred sales commissions.

In periods where CI faces an increase in legal claims or litigation, CI's earnings will become more volatile. This is primarily as a result of recording changes to contingent liabilities each quarter, where IFRS has a lower probability threshold for recording a provision.

Alternatives and policy choices under IFRS

CI elected to use certain optional exemptions from full retrospective application of IFRS for business combinations and share-based payments. CI did not restate the purchase equations for acquisitions that occurred prior to January 1, 2010 as the amount of goodwill and intangibles recorded would not have materially changed. Similarly, CI did not revalue vested options under IFRS methodology as at the January 1, 2010 transition date, but instead only revalued unvested options. As CI used the intrinsic value method prior to July 1, 2010, an appropriate amount had already been expensed with respect to these vested options.

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls over Financial Reporting ("ICFR") and Disclosure Controls and Procedures. There has been no material weaknesses identified relating to the design of the ICFR and there has been no changes to CI's internal controls for the quarter ended June 30, 2011 that has materially affected or is reasonably likely to materially affect the internal controls over financial reporting.

Management, under the supervision and participation of the CEO and the CFO evaluated the impact of the conversion from Canadian GAAP to IFRS on internal controls over financial reporting and conclude that there are no changes that have materially affected, or reasonably likely to affect internal controls over financial reporting.

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.

Condensed Consolidated Financial Statements

Quarter ended June 30, 2011 (unaudited)

CI Financial Corp.

Consolidated Statements of Financial Position (unaudited)

[in thousands of Canadian dollars]	As at June 30, 2011 $	As at December 31, 2010 $
ASSETS		
Current		
Cash and cash equivalents	**178,964**	216,537
Client and trust funds on deposit	**117,107**	108,726
Marketable securities	**34,348**	33,300
Accounts receivable and prepaid expenses	**77,667**	95,137
Income taxes recoverable	**10,878**	—
Total current assets	**418,964**	453,700
Capital assets, net	**52,854**	37,994
Deferred sales commissions, net of accumulated amortization of $738,683 [December 31, 2010 – $723,467] *[note 5]*	**516,019**	514,415
Intangibles	**2,157,526**	2,158,757
Other assets	**27,843**	41,568
	3,173,206	3,206,434
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 5]*	**107,709**	131,917
Provisions for other liabilities	**2,795**	2,275
Dividends payable *[note 7]*	**43,214**	60,320
Client and trust funds payable	**116,036**	107,673
Income taxes payable	**—**	90,813
Current portion of long-term debt *[notes 2 and 5]*	**99,822**	102,747
Total current liabilities	**369,576**	495,745
Deferred lease inducement	**18,776**	19,072
Long-term debt *[notes 2 and 5]*	**746,950**	767,615
Provisions for other liabilities	**7,892**	9,153
Deferred income taxes	**366,284**	348,775
Total liabilities	**1,509,478**	1,640,360
Shareholders' equity		
Share capital *[note 3(a)]*	**1,994,399**	1,984,488
Contributed surplus	**18,699**	21,846
Deficit	**(350,331)**	(440,404)
Accumulated other comprehensive income	**961**	144
Total shareholders' equity	**1,663,728**	1,566,074
	3,173,206	3,206,434

(see accompanying notes)

On behalf of the Board of Directors:

William T. Holland
Director

G. Raymond Chang
Director

Consolidated Statements of Income and Comprehensive Income (unaudited)

For the three-month period ended June 30

[in thousands of Canadian dollars, except per share amounts]	**2011** **$**	2010 $
REVENUE		
Management fees	**337,259**	294,043
Administration fees	**33,177**	30,435
Redemption fees	**7,067**	7,630
Loss on marketable securities	**(244)**	—
Other income	**8,254**	6,703
	385,513	338,811
EXPENSES		
Selling, general and administrative	**75,109**	56,270
Trailer fees *[note 5]*	**98,256**	85,908
Investment dealer fees	**25,995**	23,755
Amortization of deferred sales commissions	**41,342**	41,447
Amortization of intangibles	**614**	1,212
Interest *[notes 2 and 5]*	**6,734**	4,225
Other	**1,733**	990
	249,783	213,807
Income before income taxes	**135,730**	125,004
Provision for income taxes		
Current	**20,060**	34,658
Deferred	**17,380**	803
	37,440	35,461
Net income for the period	**98,290**	89,543
Other comprehensive loss, net of tax		
Unrealized loss on available-for-sale financial assets, net of income taxes of ($83) [2010 – ($63)]	**(492)**	(366)
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of $28 [2010 – nil]	**153**	—
Total other comprehensive loss, net of tax	**(339)**	(366)
Comprehensive income	**97,951**	89,177
Basic and diluted earnings per share *[note 3(c)]*	**$0.34**	$0.31

(see accompanying notes)

Consolidated Statements of Income and Comprehensive Income (unaudited)
for the six-month period ended June 30

[in thousands of Canadian dollars, except per share amounts]	**2011** **$**	2010 $
REVENUE		
Management fees	**669,233**	583,749
Administration fees	**70,020**	63,650
Redemption fees	**14,852**	15,143
Loss on marketable securities	**(1,103)**	(154)
Other income	**19,251**	12,431
	772,253	674,819
EXPENSES		
Selling, general and administrative	**148,375**	123,325
Trailer fees *[note 5]*	**194,894**	169,813
Investment dealer fees	**55,113**	49,575
Amortization of deferred sales commissions	**82,753**	82,435
Amortization of intangibles	**1,231**	2,574
Interest *[notes 2 and 5]*	**13,765**	8,559
Other	**3,575**	4,394
	499,706	440,675
Income before income taxes	**272,547**	234,144
Provision for income taxes		
Current	**56,830**	59,280
Deferred	**17,374**	9,598
	74,204	68,878
Net income for the period	**198,343**	165,266
Other comprehensive income (loss), net of tax		
Unrealized income (loss) on available-for-sale financial assets, net of income taxes of $10 [2010 – ($58)]	**136**	(335)
Reversal of losses to net income on available-for-sale financial assets, net of income taxes of $97 [2010 – $17]	**681**	100
Total other comprehensive income (loss), net of tax	**817**	(235)
Comprehensive income	**199,160**	165,031
Basic and diluted earnings per share *[note 3(c)]*	**$0.69**	$0.57

(see accompanying notes)

Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the six-month period ended June 30

[in thousands of Canadian dollars]	Share capital [note 3(a)] $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance, January 1, 2011	**1,984,488**	**21,846**	**(440,404)**	**144**	**1,566,074**
Comprehensive income	**—**	**—**	**198,343**	**817**	**199,160**
Dividends declared *[note 7]*	**—**	**—**	**(108,270)**	**—**	**(108,270)**
Issuance of share capital on exercise of options and vesting of deferred equity units	**9,911**	**(6,678)**	**—**	**—**	**3,233**
Compensation expense for equity-based plans	**—**	**3,531**	**—**	**—**	**3,531**
Change during the period	**9,911**	**(3,147)**	**90,073**	**817**	**97,654**
Balance, June 30, 2011	**1,994,399**	**18,699**	**(350,331)**	**961**	**1,663,728**
Balance, January 1, 2010	2,008,846	11,445	(460,105)	(270)	1,559,916
Comprehensive income	—	—	165,266	(235)	165,031
Dividends declared *[note 7]*	—	—	(108,624)	—	(108,624)
Shares repurchased	(27,186)	—	(51,956)	—	(79,142)
Issuance of share capital on exercise of options and vesting of deferred equity units	4,388	(5,613)	—	—	(1,225)
Compensation expense for equity-based plans		1,438			1,438
Change during the period	(22,798)	(4,175)	4,686	(235)	(22,522)
Balance, June 30, 2010	1,986,048	7,270	(455,419)	(505)	1,537,394

(see accompanying notes)

Consolidated Statements of Cash Flows (unaudited)

For the three-month period ended June 30

[in thousands of Canadian dollars]	**2011** **$**	2010 $
OPERATING ACTIVITIES		
Net income	**98,290**	89,543
Add (deduct) items not involving cash		
Loss on marketable securities	**244**	—
Equity-based compensation	**1,750**	(12,938)
Amortization of deferred sales commissions	**41,342**	41,447
Amortization of intangibles	**614**	1,212
Amortization of other	**2,710**	1,689
Deferred income taxes	**17,380**	803
Cash provided by operating activities before changes in operating assets and liabilities	**162,330**	121,756
Net change in non-cash working capital balances	**38,158**	48,197
Income taxes paid	**(36,203)**	(12,779)
Interest paid	**(12,842)**	(5,470)
Cash provided by operating activities	**151,443**	151,704
INVESTING ACTIVITIES		
Purchase of marketable securities	**(12,942)**	—
Proceeds on sale of marketable securities	**3,478**	—
Additions to capital assets	**(8,276)**	(2,349)
Deferred sales commissions paid	**(35,107)**	(36,559)
Increase in other assets	**2,885**	1,754
Cash used in investing activities	**(49,962)**	(37,154)
FINANCING ACTIVITIES		
Increase in long-term debt	**—**	13,000
Repurchase of share capital *[note 3(a)]*	**—**	(62,748)
Issuance of share capital *[note 3(a)]*	**1,071**	63
Dividends paid to shareholders *[note 7]*	**(64,868)**	(53,722)
Cash used in financing activities	**(63,797)**	(103,407)
Net increase in cash and cash equivalents during the period	**37,684**	11,143
Cash and cash equivalents, beginning of period	**141,280**	33,138
Cash and cash equivalents, end of period	**178,964**	44,281

(see accompanying notes)

Consolidated Statements of Cash Flows (unaudited)

For the six-month period ended June 30

[in thousands of Canadian dollars]	**2011** **$**	2010 $
OPERATING ACTIVITIES		
Net income	**198,343**	165,266
Add (deduct) items not involving cash		
Loss on marketable securities	**1,103**	154
Equity-based compensation	**3,530**	(18,484)
Amortization of deferred sales commissions	**82,753**	82,435
Amortization of intangibles	**1,231**	2,574
Amortization of other	**5,460**	3,359
Deferred income taxes	**17,374**	9,598
Cash provided by operating activities before changes in operating assets and liabilities	**309,794**	244,902
Net change in non-cash working capital balances	**61,764**	42,997
Income taxes paid	**(158,140)**	(30,363)
Interest paid	**(13,873)**	(6,346)
Cash provided by operating activities	**199,545**	251,190
INVESTING ACTIVITIES		
Purchase of marketable securities	**(17,653)**	—
Proceeds on sale of marketable securities	**16,454**	1,046
Additions to capital assets	**(19,714)**	(2,986)
Deferred sales commissions paid	**(84,357)**	(91,459)
Increase in other assets	**13,725**	3,789
Cash used in investing activities	**(91,545)**	(89,610)
FINANCING ACTIVITIES		
Decrease in long-term debt	**(23,908)**	(9,076)
Repurchase of share capital *[note 3(a)]*	**—**	(79,141)
Issuance of share capital *[note 3(a)]*	**3,711**	78
Dividends paid to shareholders *[note 7]*	**(125,376)**	(106,280)
Cash used in financing activities	**(145,573)**	(194,419)
Net decrease in cash and cash equivalents during the period	**(37,573)**	(32,839)
Cash and cash equivalents, beginning of period	**216,537**	77,120
Cash and cash equivalents, end of period	**178,964**	44,281

(see accompanying notes)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of CI have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies CI expects to adopt in its financial statements as at and for the year ending December 31, 2011. CI will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the financial statements for 2010 and 2011 may differ from these financial statements.

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the interim condensed consolidated financial statements for the three month period ended March 31, 2011. In addition, the interim condensed consolidated financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these interim condensed consolidated financial statements for the three and six month periods ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the interim condensed consolidated financial statements for the three month period ended March 31, 2011.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of CI on August 9, 2011.

Basis of presentation

The unaudited interim condensed consolidated financial statements of CI have been prepared on a going concern basis and on the historical cost basis, except for certain financial instruments that have been measured at fair value. CI's presentation currency is the Canadian dollar. The functional currency of CI and its subsidiaries is also the Canadian dollar.

[in thousands of dollars, except per share amounts]

2. LONG-TERM DEBT

Long-term debt consists of the following:

	As at June 30, 2011 $	As at December 31, 2010 $
Credit facility		
Bankers' acceptances	—	24,025
Debentures		
$100 million, floating rate, due December 16, 2011	**99,822**	99,748
$250 million, 3.30%, due December 17, 2012	**249,341**	249,179
$200 million, 4.19%, due December 16, 2014	**199,156**	199,042
$300 million, 3.94% until December 13, 2015 and floating rate until December 14, 2016	**298,453**	298,368
Total debentures	**846,772**	846,337
Total long-term debt	**846,772**	870,362

Credit facility

Effective March 17, 2011, CI entered into a new revolving credit facility with two chartered banks, terminating the credit facility that existed prior to this date. Amounts may be borrowed under this facility in Canadian dollars through prime rate loans, which bear interest at the greater of the bank's prime rate and the Canadian Deposit Offering Rate plus 1.00%, or bankers' acceptances, which bear interest at bankers' acceptance rates plus 0.75%. Amounts may also be borrowed in U.S. dollars through base rate loans, which bear interest at the greater of the bank's reference rate for loans made by it in Canada in U.S. funds and the federal funds effective rate plus 1.00%, or LIBOR loans which bear interest at LIBOR plus 0.75%.

CI may also borrow under this facility in the form of letters of credit, which bear a fee of 0.75% on any undrawn portion. As at June 30, 2011, CI had accessed nil [December 31, 2010 – $360] by way of letters of credit.

Loans are made by the bank under a 364-day revolving credit facility, the term of which may be extended annually at the bank's option. If the bank elects not to extend the term, 50% of the outstanding principal amount shall be repaid in equal quarterly instalments over the following two years, with the remaining 50% of the outstanding principal balance due two years following the first quarter-end payment.

The credit facility is fully and unconditionally guaranteed by CI Investments, a wholly owned subsidiary of CI, and may be guaranteed by certain other subsidiaries of CI. The credit facility contains a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. CI is within its financial covenants with respect to its credit facility, which require that the funded debt to annualized earnings before interest, taxes, depreciation and amortization ratio remain below 2.5:1 and that CI's assets under management not fall below $40 billion, calculated based on a rolling 30-day average. There can be no assurance that future borrowings or equity financing will be available to CI or available on acceptable terms.

Debentures

On December 16, 2009, CI entered into interest rate swap agreements with a Canadian chartered bank to swap the fixed rate payments on the 2012 Debentures and the 2014 Debentures for floating rate payments. As at June 30, 2011, the fair value of the interest rate swap was an unrealized gain of $4,159 [December 31, 2010 – $2,467] and is included in long-term debt in the consolidated balance sheet.

3. SHARE CAPITAL

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

[a] Authorized and issued

Common Shares	Number of shares [in thousands]	Stated value $
Common shares, balance, December 31, 2009	**291,821**	**2,008,846**
Issuance of share capital on vesting of deferred equity units and exercise of share options	455	8,993
Share repurchase	(4,842)	(33,351)
Common shares, balance, December 31, 2010	**287,434**	**1,984,488**
Issuance of share capital on vesting of deferred equity units and exercise of share options	587	8,671
Common shares, balance, March 31, 2011	**288,021**	**1,993,159**
Issuance of share capital on vesting of deferred equity units and exercise of share options	70	1,240
Common shares, balance, June 30, 2011	**288,091**	**1,994,399**

[b] Employee incentive share option plan

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

During the three months ended March 31, 2011, CI granted 1,577,170 options to employees. The fair value method of accounting is used for the valuation of the 2011 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate of 0% to 1.5%, with an offset to contributed surplus. When exercised, amounts originally recorded against contributed surplus as well as any consideration paid by the option holder is credited to share capital. The fair value of the 2011 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year of Grant	2011	2011
# of options grants [in thousands]	370	1,207
Vesting terms	1/3 at end of each year	1/3 at end of each year
Dividend yield	4.514% – 4.833%	4.702% – 5.035%
Expected volatility	20%	20%
Risk-free interest rate	2.276% – 2.637%	2.202% – 2.592%
Expected life [years]	3.0 – 4.2	3.0 – 4.2
Fair value per stock option	$2.40 – $2.71	$2.26 – $2.54
Exercise price	$22.45	$21.55

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

	Number of options [in thousands]	Weighted average exercise price $
Options outstanding, December 31, 2009	**6,394**	**13.11**
Options exercisable, December 31, 2009	**1,067**	**16.52**
Options granted	2,148	21.11
Options exercised	(2,198)	14.06
Options cancelled	(74)	14.65
Options outstanding, December 31, 2010	**6,270**	**15.50**
Options exercisable, December 31, 2010	**727**	**13.52**
Options granted	1,577	21.76
Options exercised	(988)	11.75
Options cancelled	(61)	17.42
Options outstanding, March 31, 2011	**6,798**	**17.48**
Options exercisable, March 31, 2011	**1,615**	**15.88**
Options exercised	(152)	14.57
Options cancelled	(83)	18.38
Options outstanding, June 30, 2011	**6,563**	**17.54**
Options exercisable, June 30, 2011	**1,733**	**16.27**

Options outstanding and exercisable as at June 30, 2011 are as follows:

Exercise price $	Number of options outstanding [in thousands]	Weighted average remaining contractual life [years]	Number of options exercisable [in thousands]
11.60	1,858	2.7	564
12.57	510	2.4	189
15.59	256	2.8	139
18.10	20	3.0	7
18.20	322	2.9	208
19.48	189	3.9	60
21.27	1,861	3.7	563
21.55	1,174	4.6	—
22.45	370	4.7	—
23.09	3	0.3	3
11.60 to 23.09	**6,563**	**3.5**	**1,733**

[c] Basic and diluted earnings per share

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

[in thousands]	Three months ended June 30, 2011	Six months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2010
Numerator:				
Net income – basic and diluted	**$98,290**	**$198,343**	$89,543	$165,266
Denominator:				
Weighted average number of common shares - basic	**288,066**	**287,950**	289,662	290,585
Weighted average effect of dilutive stock options and deferred equity units (*)	**1,344**	**1,430**	1,751	1,528
Weighted average number of common shares - diluted	**289,410**	**289,380**	291,413	292,113
Net earnings per common share				
Basic	**$0.34**	**$0.69**	$0.31	$0.57
Diluted	**$0.34**	**$0.69**	$0.31	$0.57

(*) The determination of the weighted average number of common shares – diluted excludes 1,547 thousand shares related to stock options that were anti-dilutive for the three and six months ended June 30, 2011 [and 2,316 thousand shares for the three and six months ended June 30, 2010]

[d] Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all the DEU Awards and outstanding options as at July 31, 2011 were exercised:

[in thousands]	
Shares outstanding at July 31, 2011	288,083
DEU Awards outstanding	1
Options to purchase shares	6,495
	294,579

4. CAPITAL MANAGEMENT

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

CI's capital is comprised of shareholders' equity and long-term debt [including current portion of long-term debt]. CI's senior management is responsible for the management of capital. CI's Board of Directors 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 June 30, 2011, CI met its capital requirements.

CI's capital consists of the following:

	As at June 30, 2011 $	As at December 31, 2010 $
Shareholders' equity	1,663,728	1,566,074
Long-term debt	846,772	870,362
Total capital	2,510,500	2,436,436

5. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia ["Scotiabank"] owns approximately 36.4% of the common shares of CI, and is therefore considered a related party. CI has entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank and its related parties. These transactions are in the normal course of operations and are recorded at the agreed upon exchange amounts. During the three and six months ended June 30, 2011, CI incurred charges for deferred sales commissions of $1,376 and $2,814, respectively [three and six months ended June 30, 2010 – $607 and $1,408, respectively] and trailer fees of $5,476 and $9,800, respectively [three and six months ended June 30, 2010 – $1,727 and $3,481, respectively] which were paid or payable to Scotiabank and its related parties. The balance payable to Scotiabank and its related parties as at June 30, 2011 of $1,722 [December 31, 2010 – $640] is included in accounts payable and accrued liabilities.

For the period January 1, 2011 to March 17, 2011 and for the year ended December 31, 2010, Scotiabank was the provider of and administrative agent for CI's revolving credit facility. As at December 31, 2010, CI had drawn long-term debt of $24,025 in the form of bankers' acceptances. During the period January 1, 2011 to March 17, 2011, interest and stamping fees of $389 [three and six month period ended June 30, 2010 – $1,504 and $3,269, respectively] were recorded as interest expense.

On December 16, 2009, CI entered into an interest rate swap agreement with Scotiabank as described in Note 2.

6. 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, Castlerock Investments Inc. [formerly Hartford] which amalgamated with CI Investments on June 30, 2011 and CI Private Counsel LP 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 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.

[in thousands of dollars, except per share amounts]

Segmented information for the three months ended June 30, 2011 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	337,259	—	—	337,259
Administration fees	—	56,788	(23,611)	33,177
Other revenue	11,133	3,944	—	15,077
Total revenue	348,392	60,732	(23,611)	385,513
Selling, general and administrative	61,269	13,840	—	75,109
Trailer fees	102,033	—	(3,777)	98,256
Investment dealer fees	—	45,036	(19,041)	25,995
Amortization of deferred sales commissions and intangibles	42,671	376	(1,091)	41,956
Other expenses	880	853	—	1,733
Total expenses	206,853	60,105	(23,909)	243,049
Income before income taxes and non-segmented items	141,539	627	298	142,464
Interest expense				(6,734)
Provision for income taxes				(37,440)
Net income for the period				98,290

[in thousands of dollars, except per share amounts]

Segmented information for the three months ended June 30, 2010 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	294,043	—	—	294,043
Administration fees	—	53,116	(22,681)	30,435
Other revenue	10,428	3,905	—	14,333
Total revenue	304,471	57,021	(22,681)	338,811
Selling, general and administrative	43,267	13,003	—	56,270
Trailer fees	89,430	—	(3,522)	85,908
Investment dealer fees	—	41,973	(18,218)	23,755
Amortization of deferred sales commissions and intangibles	43,260	376	(977)	42,659
Other expenses	140	850	—	990
Total expenses	176,097	56,202	(22,717)	209,582
Income before income taxes and non-segmented items	128,374	819	36	129,229
Interest expense				(4,225)
Provision for income taxes				(35,461)
Net income for the period				89,543

[in thousands of dollars, except per share amounts]

Segmented information as at and for the six months ended June 30, 2011 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	669,233	—	—	669,233
Administration fees	—	119,370	(49,350)	70,020
Other revenue	25,096	7,904	—	33,000
Total revenue	694,329	127,274	(49,350)	772,253
Selling, general and administrative	120,032	28,343	—	148,375
Trailer fees	202,412	—	(7,518)	194,894
Investment dealer fees	—	94,906	(39,793)	55,113
Amortization of deferred sales commissions and intangibles	85,390	752	(2,158)	83,984
Other expenses	1,853	1,722	—	3,575
Total expenses	409,687	125,723	(49,469)	485,941
Income before income taxes and non-segmented items	284,642	1,551	119	286,312
Interest expense				(13,765)
Provision for income taxes				(74,204)
Net income for the period				198,343

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Identifiable assets	860,127	227,123	(13,052)	1,074,198
Indefinite life intangibles				
Goodwill	927,344	192,582	—	1,119,926
Fund contracts	979,082	—	—	979,082
Total assets	2,766,553	419,705	(13,052)	3,173,206

[in thousands of dollars, except per share amounts]

Segmented information for the six months ended June 30, 2010 is as follows:

	Asset management $	Asset administration $	Intersegment eliminations $	Total $
Management fees	583,749	—	—	583,749
Administration fees	—	111,226	(47,576)	63,650
Other revenue	19,694	7,726	—	27,420
Total revenue	603,443	118,952	(47,576)	674,819
Selling, general and administrative	97,235	26,090	—	123,325
Trailer fees	176,842	—	(7,029)	169,813
Investment dealer fees	—	87,748	(38,173)	49,575
Amortization of deferred sales commissions and intangibles	86,166	752	(1,909)	85,009
Other expenses	2,296	2,098	—	4,394
Total expenses	362,539	116,688	(47,111)	432,116
Income before income taxes and non-segmented items	240,904	2,264	(465)	242,703
Interest expense				(8,559)
Provision for income taxes				(68,878)
Net income for the period				165,266
As at December 31, 2010				
Identifiable assets	902,782	199,186	(14,542)	1,087,426
Indefinite life intangibles				
Goodwill	927,344	192,582	—	1,119,926
Fund contracts	999,082	—	—	999,082
Total assets	2,829,208	391,768	(14,542)	3,206,434

[in thousands of dollars, except per share amounts]

7. DIVIDENDS

The following dividends were paid by CI during the three and six months ended June 30, 2011:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
December 31, 2010	January 14, 2011	0.07	20,146
January 31, 2011	February 15, 2011	0.07	20,179
February 28, 2011	March 15, 2011	0.07	20,183
Paid during the three months ended March 31, 2011			60,508
March 31, 2011	April 15, 2011	0.075	21,615
April 30, 2011	May 13, 2011	0.075	21,620
May 31, 2011	June 15, 2011	0.075	21,633
Paid during the three months ended June 30, 2011			64,868
Paid during the six months ended June 30, 2011			125,376

The following dividends were declared but not paid during the three months ended June 30, 2011:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
June 30, 2011	July 15, 2011	0.075	21,607
July 31, 2011	August 15, 2011	0.075	21,607
Declared and accrued as at June 30, 2011			43,214

The following dividends were paid by CI during the three and six months ended June 30, 2010:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
December 31, 2009	January 15, 2010	0.06	17,548
January 31, 2010	February 15, 2010	0.06	17,530
March 2, 2010	March 15, 2010	0.06	17,480
Paid during the three months ended March 31, 2010			52,558
March 31, 2010	April 15, 2010	0.06	17,503
April 30, 2010	May 14, 2010	0.06	17,460
May 31, 2010	June 15, 2010	0.065	18,759
Paid during the three months ended June 30, 2010			53,722
Paid during the six months ended June 30, 2010			106,280

[in thousands of dollars, except per share amounts]

The following dividends were declared but not paid during the three months ended June 30, 2010:

Record date	Payment date	Cash dividend per share $	Total dividend amount $
June 30, 2010	July 15, 2010	0.065	18,720
July 31, 2010	August 13, 2010	0.065	18,720
Declared and accrued as at June 30, 2010			37,440

On August 9, 2011, The Board of Directors declared monthly cash dividends of $0.075 per share payable on September 15, October 14 and November 15, 2011 to shareholders of record on August 31, September 30 and October 31, 2011, respectively.

8. TRANSITION TO IFRS

CI adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. Prior to the adoption of IFRS CI prepared its financial statements in accordance with Canadian GAAP. CI's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. CI will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements and those presented in the first quarter financial report.

Reconciliations of Canadian GAAP to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. IFRS 1 requires a reconciliation of equity, comprehensive income and cash flows for prior periods. These reconciliations along with the explanation of the differences are presented as follows:

Reconciliation of equity as reported under Canadian GAAP to IFRS:

	As at June 30, 2010 $
Shareholders' equity under Canadian GAAP	1,587,088
Differences increasing (decreasing) reported shareholders' equity:	
(i) Deferred sales commissions	(56,900)
(ii) Equity-based compensation	(2,957)
(iii) Provisions	(10,718)
(iv) Income taxes	20,881
Shareholders' equity under IFRS	1,537,394

[in thousands of dollars, except per share amounts]

Reconciliation of net income as reported under Canadian GAAP to IFRS:

	Three months ended June 30, 2010 $	Six months ended June 30, 2010 $
Net income under Canadian GAAP	88,995	163,941
Differences increasing (decreasing) reported net income:		
(i) Deferred sales commissions	1,268	2,256
(ii) Equity-based compensation	(322)	929
(iii) Provisions	1,300	1,379
(iv) Income taxes	(1,698)	(3,239)
	548	1,325
Net income under IFRS	89,543	165,266

Reconciliation of comprehensive income as reported under Canadian GAAP to IFRS:

	Three months ended June 30, 2010 $	Six months ended June 30, 2010 $
Comprehensive income under Canadian GAAP	88,629	163,706
Differences in net income	548	1,325
Comprehensive income under IFRS	89,177	165,031

Reconciliation of cash flow activities as reported under Canadian GAAP to IFRS:

For the three months ended June 30, 2010	Ref	As reported under Canadian GAAP $	IFRS adjustments $	As reported under IFRS $
Cash flow from operating activities	(ii), (v)	151,733	(29)	151,704
Cash flow from investing activities	(ii)	(37,183)	29	(37,154)
Cash flow from financing activities	(v)	(103,407)	—	(103,407)

[in thousands of dollars, except per share amounts]

For the six months ended June 30, 2010	Ref	As reported under Canadian GAAP $	IFRS adjustments $	As reported under IFRS $
Cash flow from operating activities	(ii), (v)	251,285	(95)	251,190
Cash flow from investing activities	(ii)	(89,705)	95	(89,610)
Cash flow from financing activities	(v)	(194,419)	—	(194,419)

(i) Deferred sales commissions

Under both IFRS and Canadian GAAP, deferred sales commissions have been amortized on a straight-line basis over the expected investment period of 36 to 84 months. Under IFRS, the unamortized deferred sales commissions related to redemptions occurring prior to the end of the expected investment period are immediately charged to net income and included in the amortization of deferred sales commissions. Under Canadian GAAP, the amortization of deferred sales commissions was not adjusted for redemptions. Accordingly, the transition to IFRS has resulted in a general acceleration to the amortization of deferred sales commissions.

(ii) Equity-based compensation

Share option plan

Prior to July 1, 2010, CI's share option plan included a cash settlement option and the related awards were reflected on the balance sheet as a liability. Under Canadian GAAP, the liability was measured based upon the intrinsic value of the outstanding share options with changes in intrinsic value recorded through earnings. Under IFRS, the liability has been measured based upon the fair value of the outstanding share options with changes in fair value recorded through earnings.

Deferred equity plans

Awards granted under the deferred equity plans vest in instalments. Such vesting conditions are often referred to as graded-vesting. IFRS requires that each instalment be treated as a separate award for purposes of calculating fair value and amortizing the expense into income. Under Canadian GAAP, CI treated the entire award as a single pool and determined fair value using the average life of the instrument, recognizing compensation expense on a straight-line basis.

Additionally, under IFRS, a non-compete condition is considered to be a non-vesting condition and awards of equity having only non-vesting conditions must be expensed immediately at grant date with no reversal of the expense for forfeitures. Under Canadian GAAP, CI recognized compensation expense straight-line over the vesting period of 36 months.

These differences have resulted in a general acceleration of the recognition of compensation expense upon transition to IFRS.

(iii) Provisions

Under IFRS, provisions are recognized when it is probable (50% certain) that an outflow of resources will be required to settle the obligation, whereas, under Canadian GAAP a provision was recognized when it was more likely than not (75% certain) that an outflow of resources would be required to settle the obligation. CI has several litigation related matters where the probability of loss was assessed at between 50 and 70 percent as at the transition date therefore some additional amounts have been recognized upon adoption of IFRS. The provision accrual has also increased due to certain measurement differences between Canadian GAAP and IFRS.

[in thousands of dollars, except per share amounts]

(iv) Income Taxes

Deferred taxes are impacted by the change in temporary differences resulting from the effect of the IFRS reconciling items described in (i) to (iii) above.

Under IFRS, when an entity acquires another entity whose primary asset is a loss carry-forward, IAS 12 requires a deferred tax asset be recognized to the extent probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilized. Canadian GAAP required that a deferred tax asset be set up with a corresponding deferred credit for the excess of the future tax asset over its cost. CI reversed a deferred credit related to acquired tax losses to deficit on transition to IFRS.

(v) Presentation reclassifications

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP as follows:

Deferred taxes

Under IFRS deferred tax assets and liabilities must be classified as non-current whereas under Canadian GAAP, deferred tax assets and liabilities were classified as current or non-current as appropriate.

Provisions

Under IFRS provisions are presented as a separate line item under current and non-current liabilities. Under Canadian GAAP, CI presented provisions under accounts payable and accrued liabilities.

Software

Under IFRS, acquired software is presented as an intangible asset whereas under Canadian GAAP, software was included as part of capital assets.

9. FUTURE ACCOUNTING CHANGES

CI is currently evaluating the impact the following new standards issued or amended by the IASB will have on its financial statements.

International Accounting Standard	Issue Date /Amendment Date (*)	Effective Date
IFRS 9 – Financial Instruments	November 12, 2009	January 1, 2013
IFRS 10 – Consolidated Financial Statements	May 12, 2011	January 1, 2013
IFRS 12 – Disclosures of Interests in Other Entities	May 12, 2011	January 1, 2013
IFRS 13 – Fair Value Measurement	May 12, 2011	January 1, 2013
IAS 1 – Presentation of Financial Statements	June 16, 2011 (*)	July 1, 2012

IFRS 9 *Financial Instruments* ("IFRS 9") will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is currently effective January 2013 with a proposed effective date of January 1, 2015.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12 *Disclosures of Interests in Other Entities* ("IFRS 12") establishes disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

IFRS 13 *Fair Value Measurement* ("IFRS 13") establishes the definition of fair value and sets out a single IFRS framework for measuring fair value and the required disclosures.

IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended to require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement.