

# Investors Group Inc.

## Q2, 2002 Results

## Analyst Presentation

*August 1, 2002*

*8:30 AM CDT*



## 1. Highlights

2. Consolidated Results
3. Investors Group
4. Mackenzie Financial
5. Transition Plans
6. Q & A

# Highlights

- ◆ **Earnings per share increased by 28.9% in the six months ended June 30, 2002 relative to the prior year.**

All numbers in millions of dollars, except per share amounts

## For the Six Months ended June 30

|                                          | 2002     | 2001     | %     |
|------------------------------------------|----------|----------|-------|
| EPS <sup>1</sup>                         | \$ 0.931 | \$ 0.712 | 30.8% |
| Goodwill amortization <sup>2</sup>       | -        | 0.010    |       |
| Adjusted EPS <sup>3</sup>                | \$ 0.931 | \$ 0.722 | 28.9% |
| Dividends per Share                      | \$ 0.410 | \$ 0.350 | 17.1% |
| Canadian Mutual Fund AUM                 | 72,385   | 74,333   | -2.6% |
| Canadian Mutual Fund Net Sales           | 547      | 592      | -7.7% |
| IG Consultant Network <sup>4</sup>       |          |          |       |
| Mackenzie <sup>5</sup>                   | 378      | (72)     | N/M   |
| Total Client Assets Under Administration | 80,517   | 81,951   | -1.7% |

1. Earnings per share for the six months ended June 30, 2001 excludes both a restructuring charge of \$95.6 million (\$54.1 million after-tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie).
2. Represents goodwill amortization related to the Company's investment in affiliate to reflect accounting standards now in effect. (See Note 1 of the Company's consolidated financial statements.)
3. A change in accounting estimate effective April 1, 2001, related to amortization of sales commissions, reduced expenses and increased earnings per share by 7.4 cents
4. 2001 excludes Maxxum net sales of \$168 million.
5. Excludes Mackenzie net sales made prior to May 1, 2001. Includes Mackenzie hedge funds.

# Highlights

- ◆ **Earnings per share increased by 21.8% in the quarter ended June 30, 2002 relative to the prior year.**

All numbers in millions of dollars, except per share amounts

## Second Quarter

|                                          | 2002     | 2001     | %       |
|------------------------------------------|----------|----------|---------|
| EPS <sup>1</sup>                         | \$ 0.492 | \$ 0.399 | 23.3%   |
| Goodwill amortization <sup>2</sup>       | -        | 0.005    |         |
| Adjusted EPS                             | \$ 0.492 | \$ 0.404 | 21.8%   |
| Dividends per Share                      | \$ 0.205 | \$ 0.175 | 17.1%   |
| Canadian Mutual Fund AUM                 | 72,385   | 74,333   | -2.6%   |
| Canadian Mutual Fund Net Sales           | (23)     | 111      | -120.4% |
| IG Consultant Network <sup>3</sup>       |          |          |         |
| Mackenzie <sup>4</sup>                   | 137      | (72)     | N/M     |
| Total Client Assets Under Administration | 80,517   | 81,951   | -1.7%   |

1. Earnings per share for the quarter ended June 30, 2001 excludes both a restructuring charge of \$95.6 million (\$54.1 million after-tax) taken in the second quarter and goodwill amortization related to the acquisition of Mackenzie Financial Corporation (Mackenzie).
2. Represents goodwill amortization related to the Company's investment in affiliate to reflect accounting standards now in effect. (See Note 1 of the Company's consolidated financial statements.)
3. 2001 excludes Maxxum net sales of \$68 million.
4. Excludes Mackenzie net sales made prior to May 1, 2001. Includes Mackenzie hedge funds.

1. Highlights

**2. Consolidated Results**

3. Investors Group

4. Mackenzie Financial

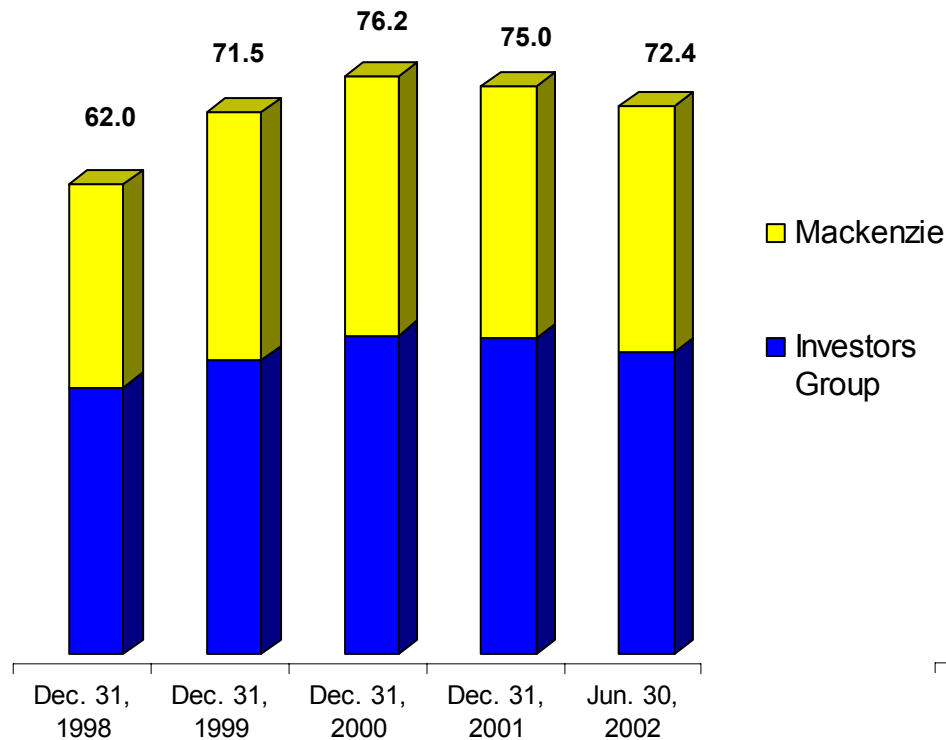
5. Transition Plans

6. Q & A

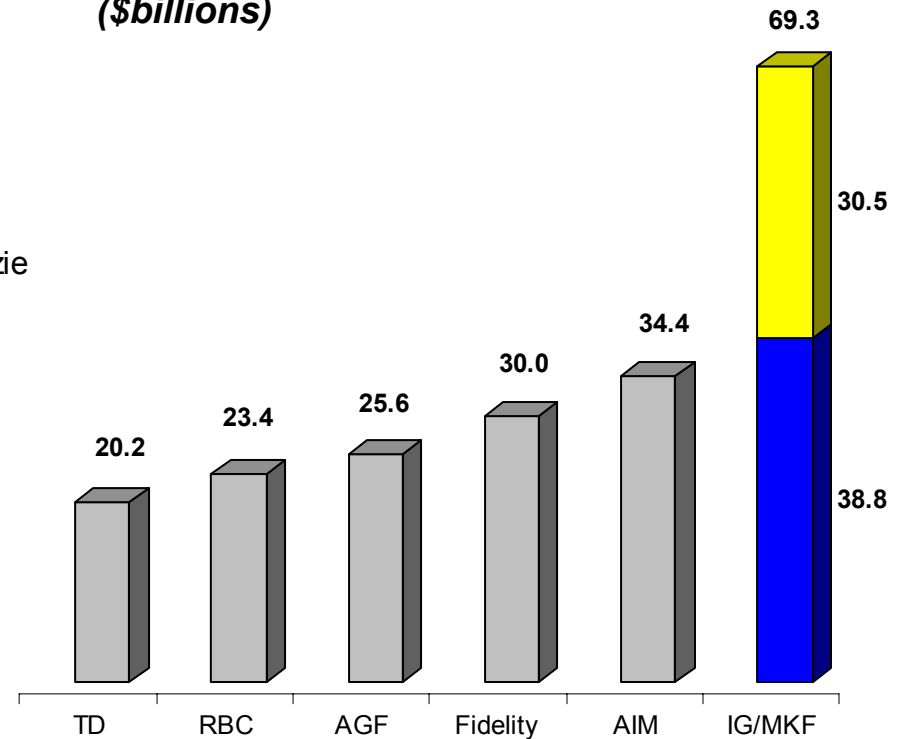
# Mutual Fund Assets Under Management

- ◆ **Investors Group is the largest mutual fund manager in Canada, with over 2x the long term mutual fund AUM of its closest competitor and 19.4% market share.**

**Canadian Mutual Fund Assets Under Management (\$billions)**



**Long Term Canadian Mutual Fund Assets Under Management at June 30, 2002 (\$billions)**



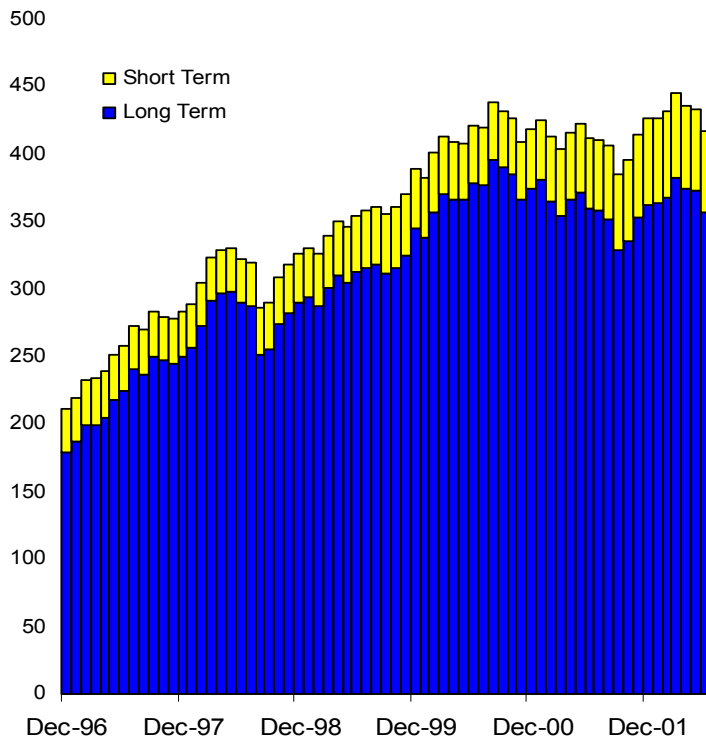
Source: IFIC

Note: Mackenzie numbers have been retroactively restated to include Maxxum assets (Maxxum operations were transferred to Mackenzie October 5, 2001). Hedge funds have been excluded from Long Term Canadian Mutual Fund Assets Under Management for comparability (these funds do not report with IFIC).

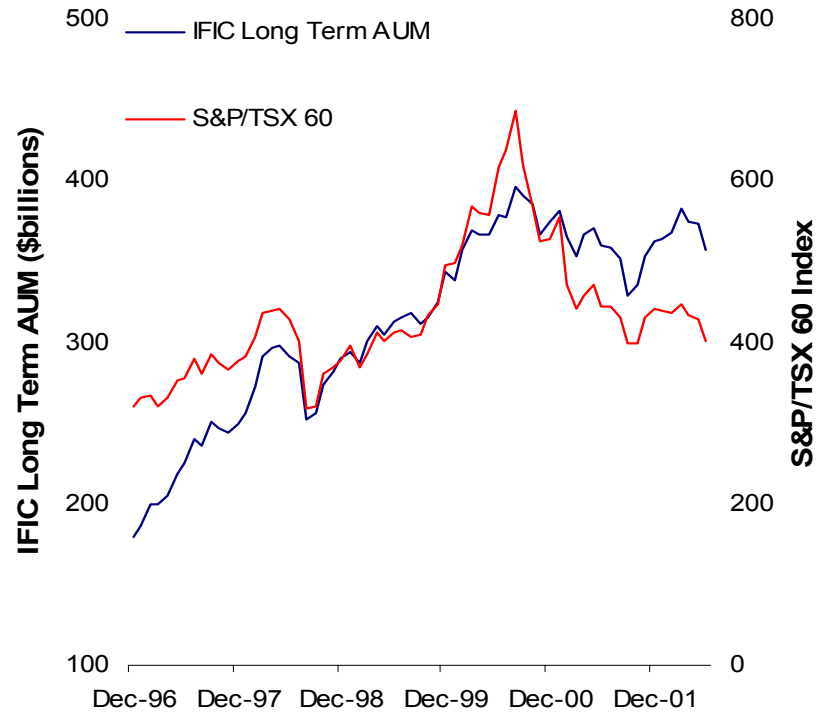
# Current Environment

- ◆ **During the quarter, industry assets decreased by 6.5% to \$417 billion. Of this decline, \$29.9 billion related to market action and \$1.4 billion to net redemptions.**

**IFIC Assets Under Management**  
(\$ billions)



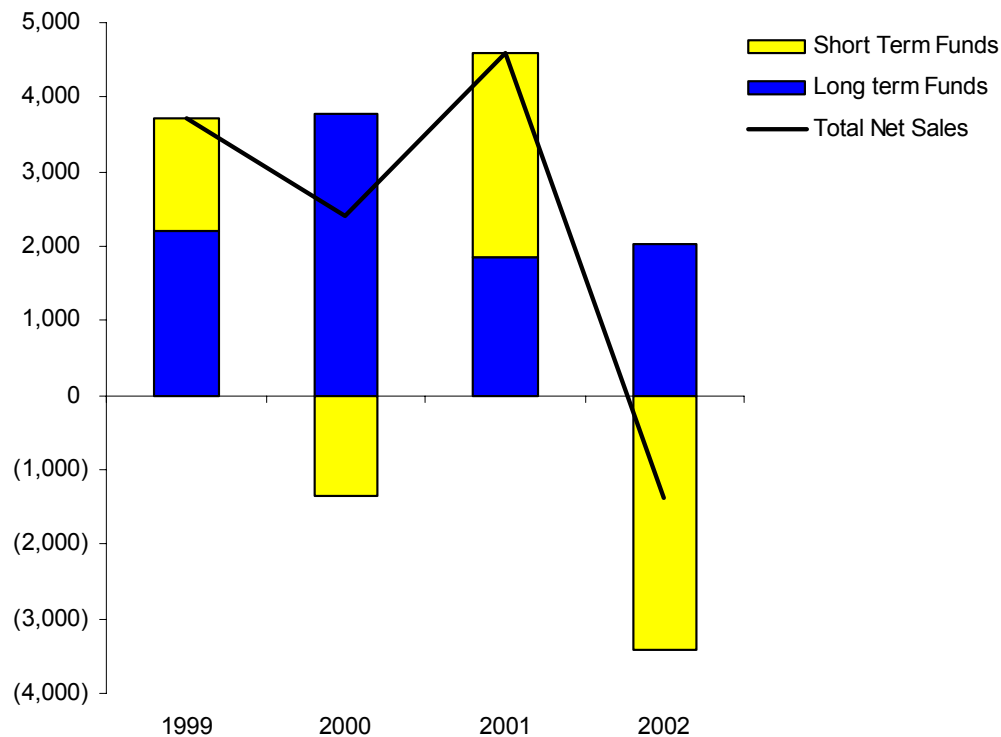
**Equity Market Performance**  
S&P / TSX 60 relative to IFIC Long Term AUM



# Current Environment

- ◆ **Net sales of Long term funds in the second quarter of 2002 increased 10.2% over the same quarter in 2001.**

**IFIC Net Sales**  
Quarters ended June 30 (\$ billions)

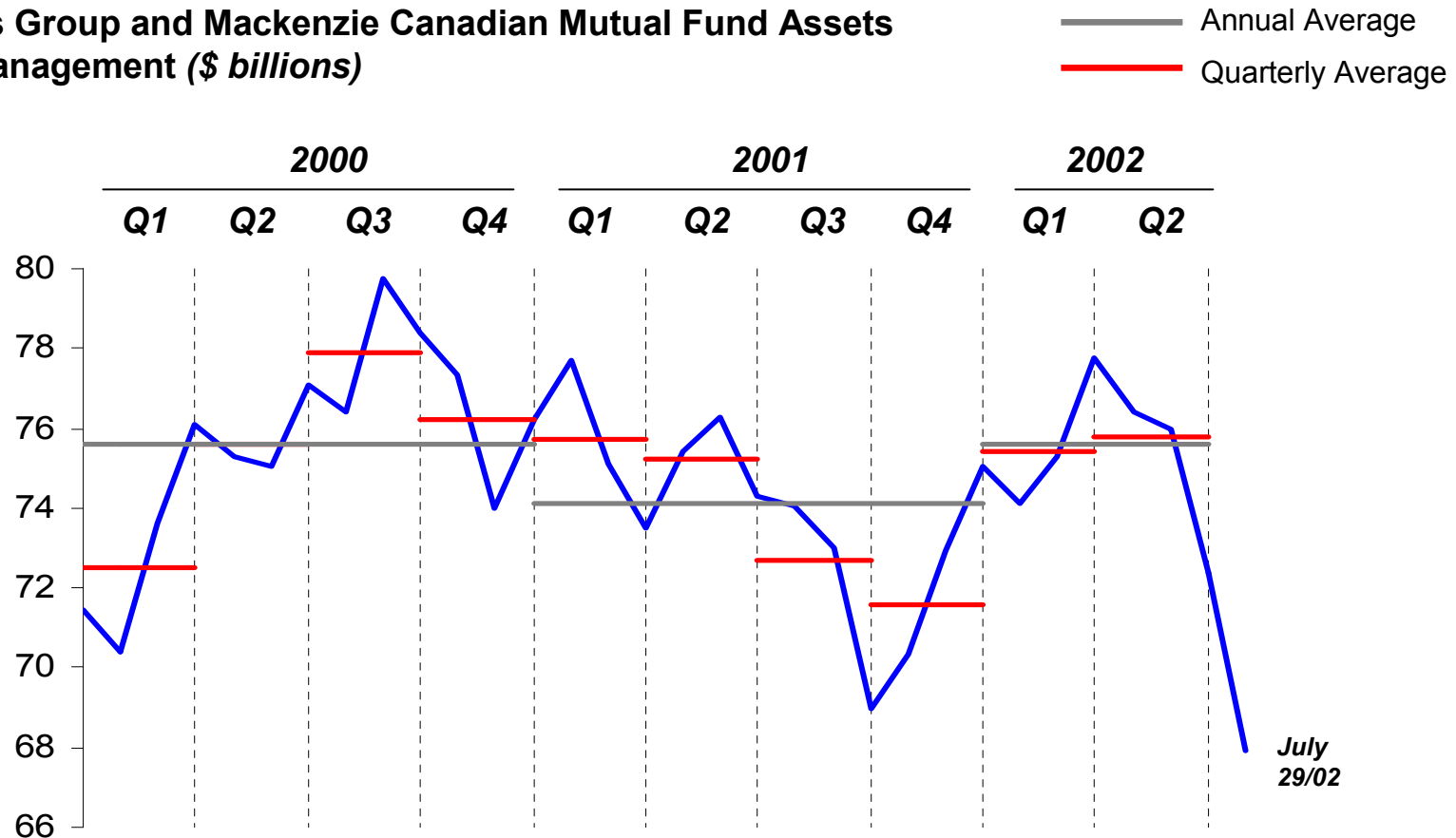


Source: IFIC

# Mutual Fund Assets Under Management

- ◆ Consolidated average mutual fund assets under management increased marginally during Q2, 2002 to \$75.6 billion from \$75.5 billion.

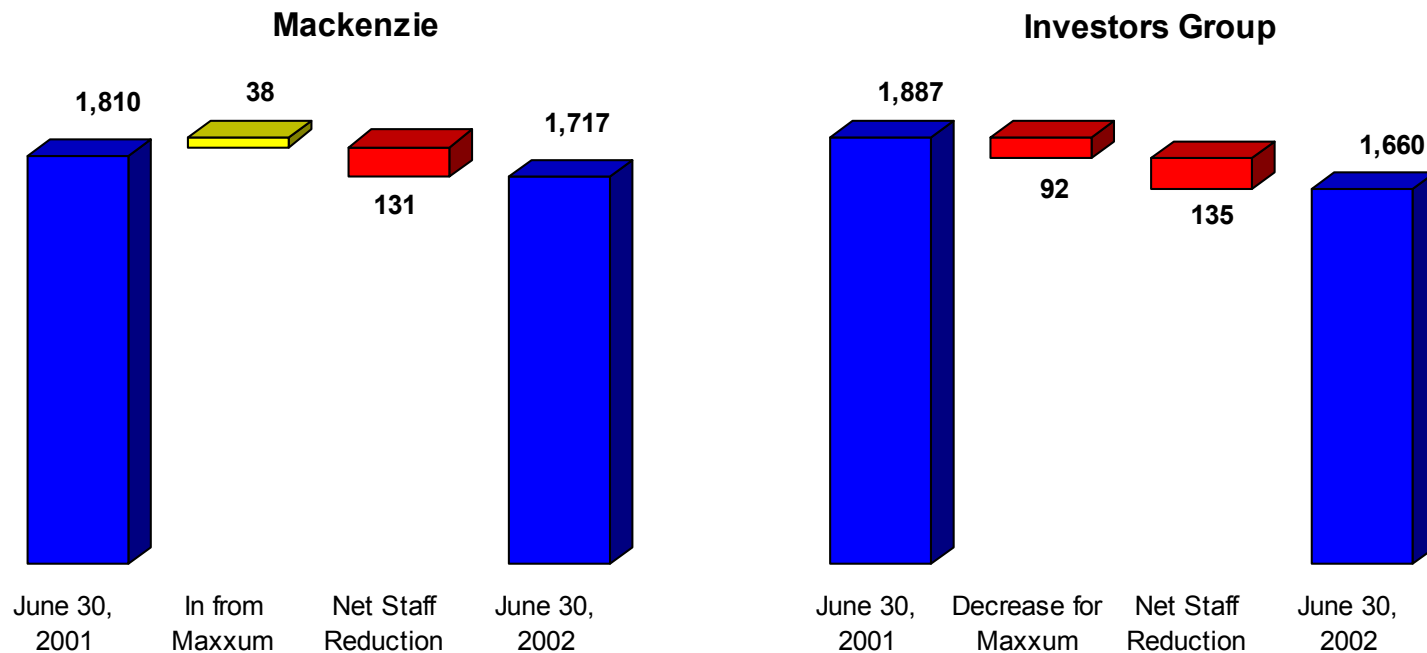
Investors Group and Mackenzie Canadian Mutual Fund Assets Under Management (\$ billions)



# Expense Control

- ◆ ***In response to the changing economic conditions, we initiated expense management measures beyond the cost reduction opportunities between the integration of Investors Group and Mackenzie.***
  - ◆ Discretionary spending has been eliminated where possible, with many non-essential activities suspended or curtailed.
  - ◆ Throughout '01 and '02, Investors Group and Mackenzie have managed expenses in response to lower transaction activity.

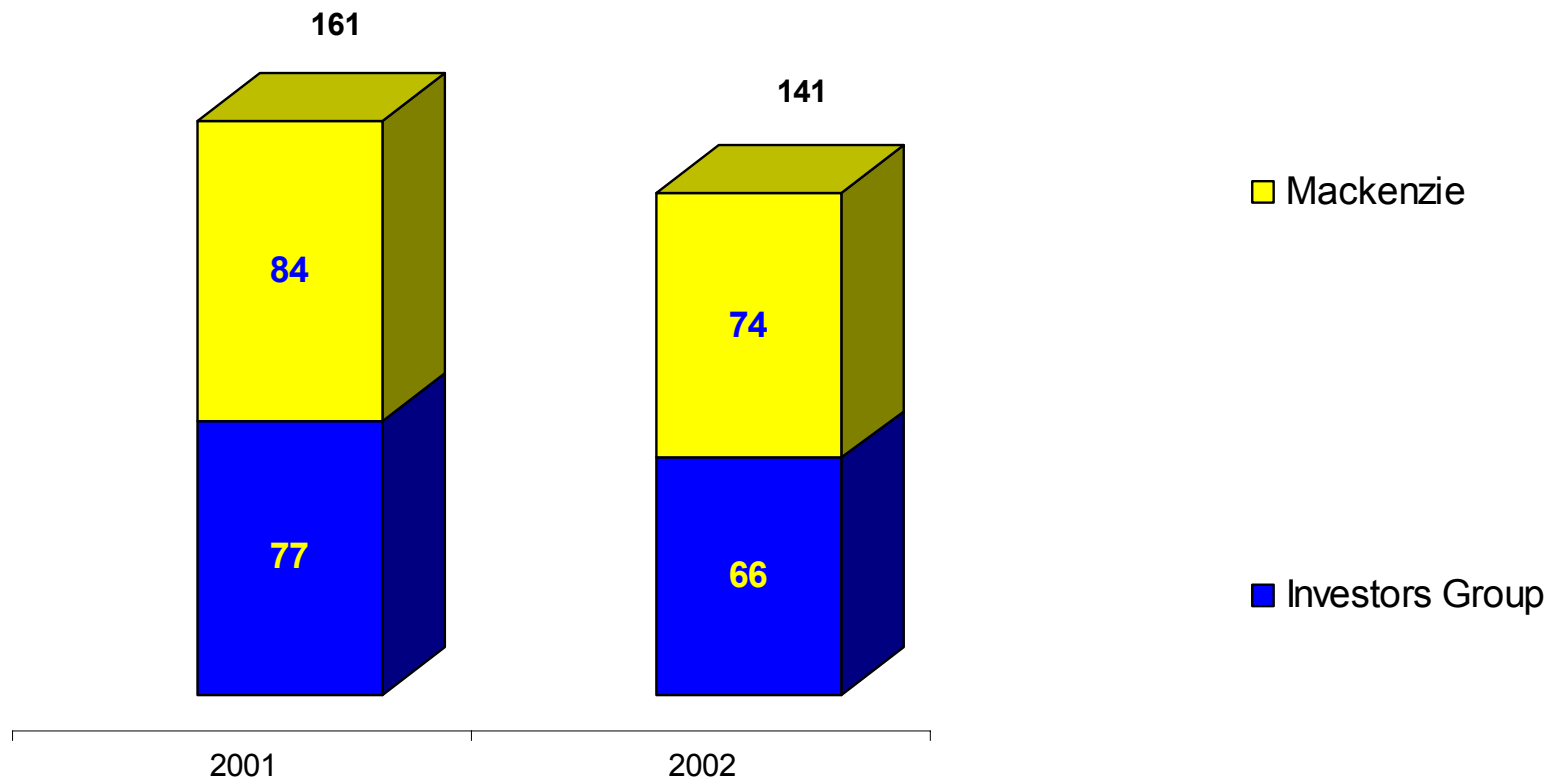
## Employees (*Full Time Equivalents*)



## Expense Control - Second Quarter

- ◆ *Investors Group and Mackenzie's consolidated proforma expenses were reduced by 12.4% during the quarter ended June 30, 2002 relative to the prior year.*

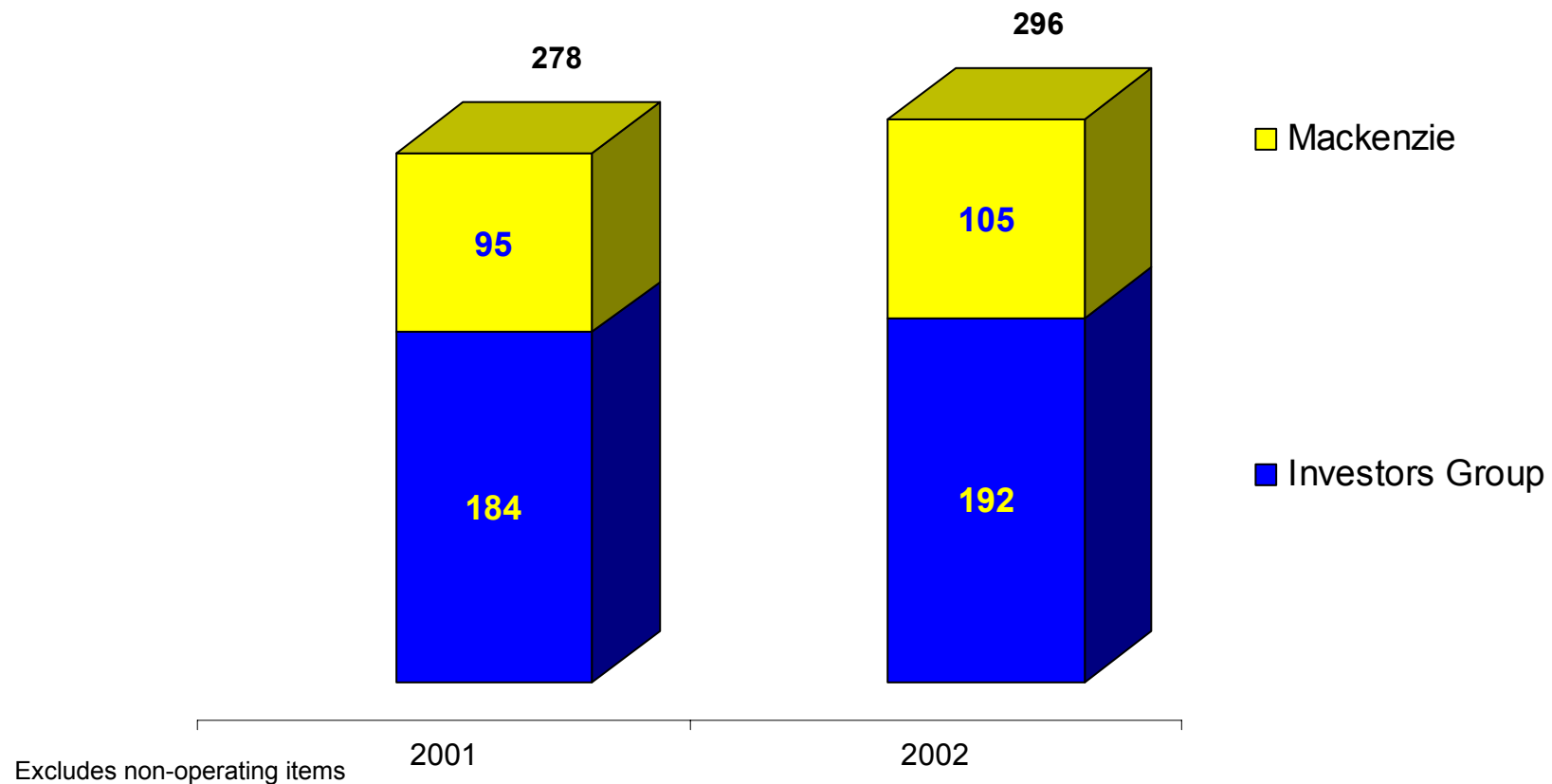
Non-Commission Expenses  
Quarters ended June 30 (\$ millions)



# Operating EBITDA - Second Quarter

- ◆ *Investors Group and Mackenzie Financial's proforma EBITDA increased by 6.4% in Q2, 2002 relative to Q2, 2001.*

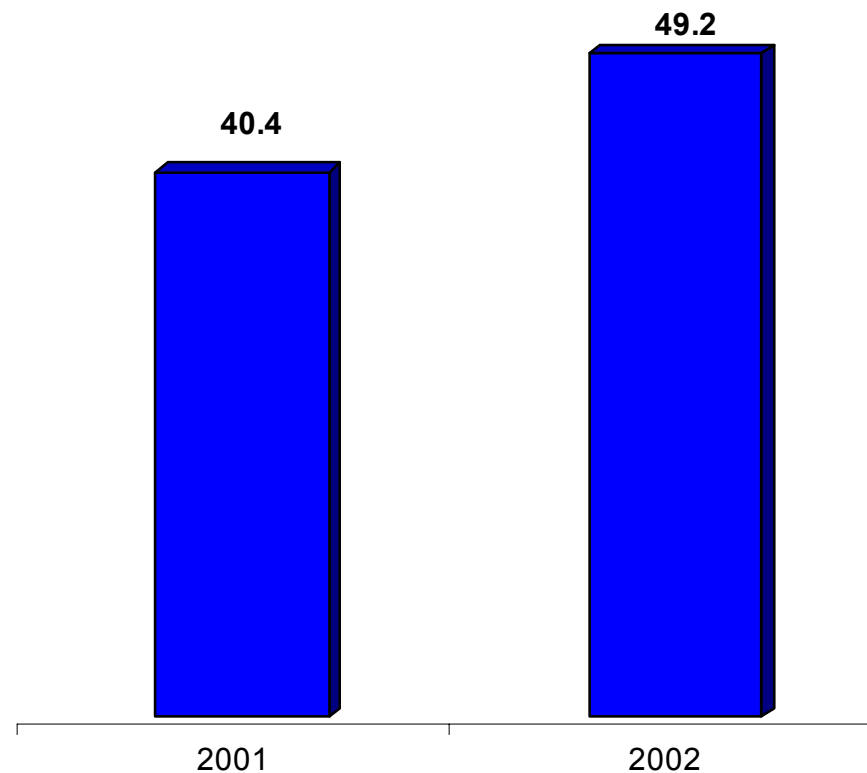
Earnings before Interest, Taxes, Depreciation and Amortization  
Quarters ended June 30 (\$ millions)



## EPS (excluding goodwill amortization and restructuring charge) - Second Quarter

- ◆ *EPS excluding the effect of goodwill amortization and restructuring charge increased by 21.8% in Q2, 2002 relative to the prior year.*

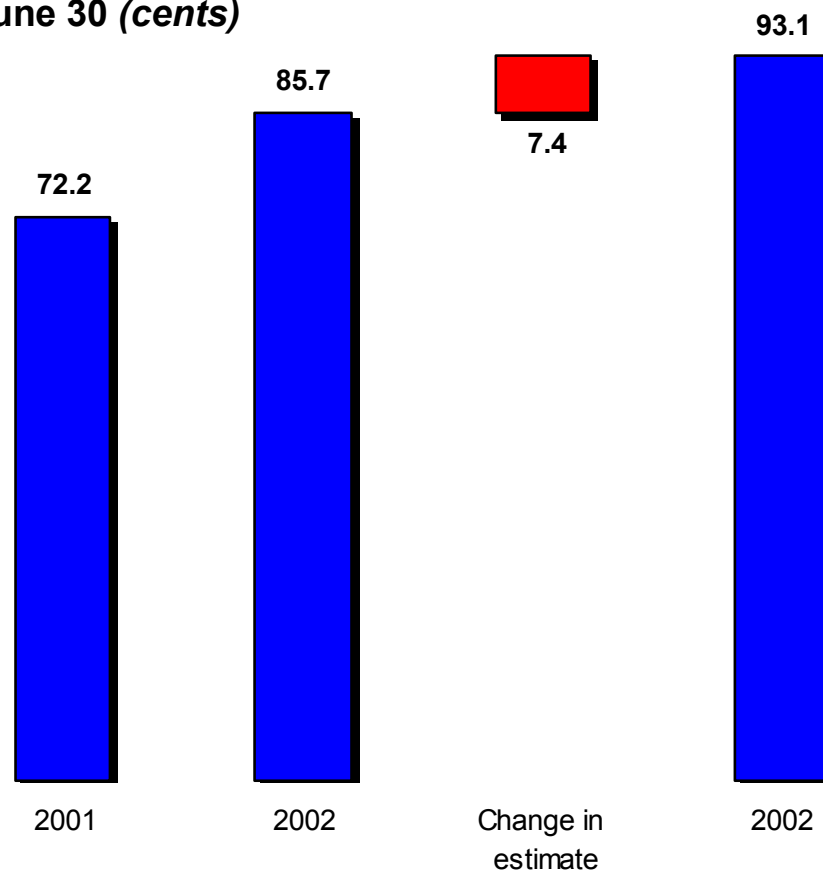
Quarters ended June 30 (cents)



## EPS (excluding goodwill amortization and restructuring charge) - Six months ended June 30

- ◆ **EPS excluding the effect of goodwill amortization and restructuring charge increased by 28.9% in the first half of 2002 relative to the prior year. Excluding the change in estimate effective April 1, 2001 related to the amortization of sales commissions, the increase was 18.7%.**

Six months ended June 30 (cents)

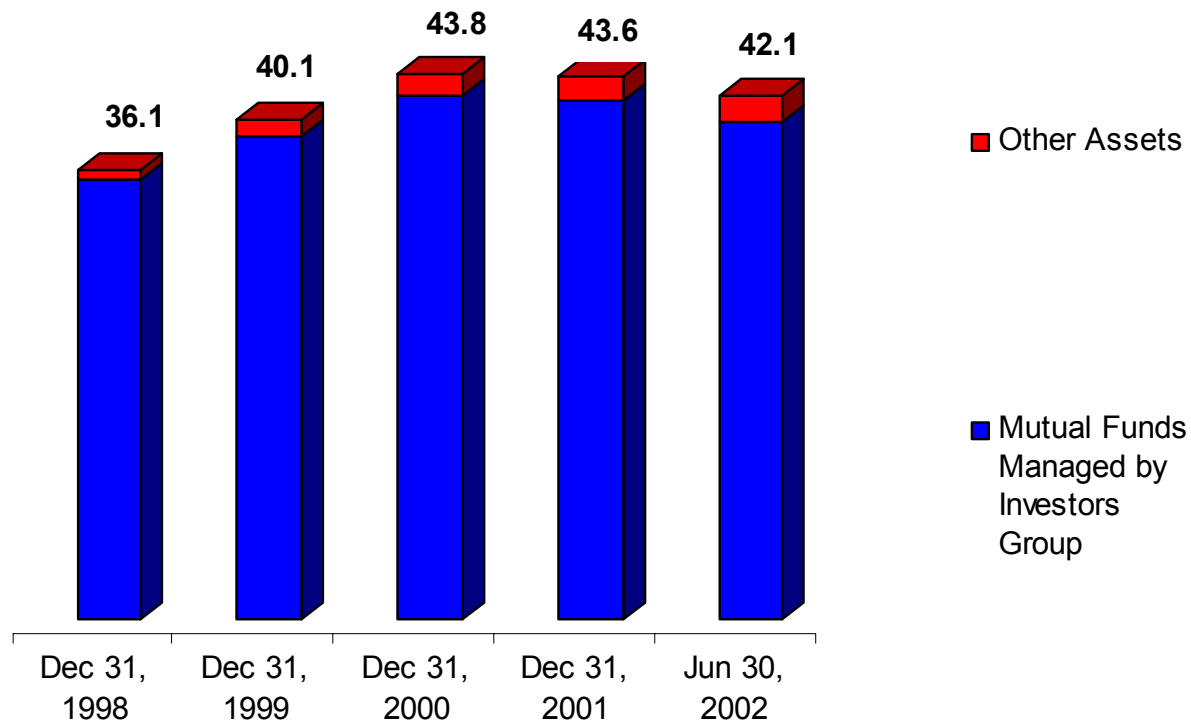


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# Consultant Network Assets Under Administration

- ◆ *Assets under administration distributed through the Investors Group Consultant Network decreased by 3.6% during the first half of 2002.*

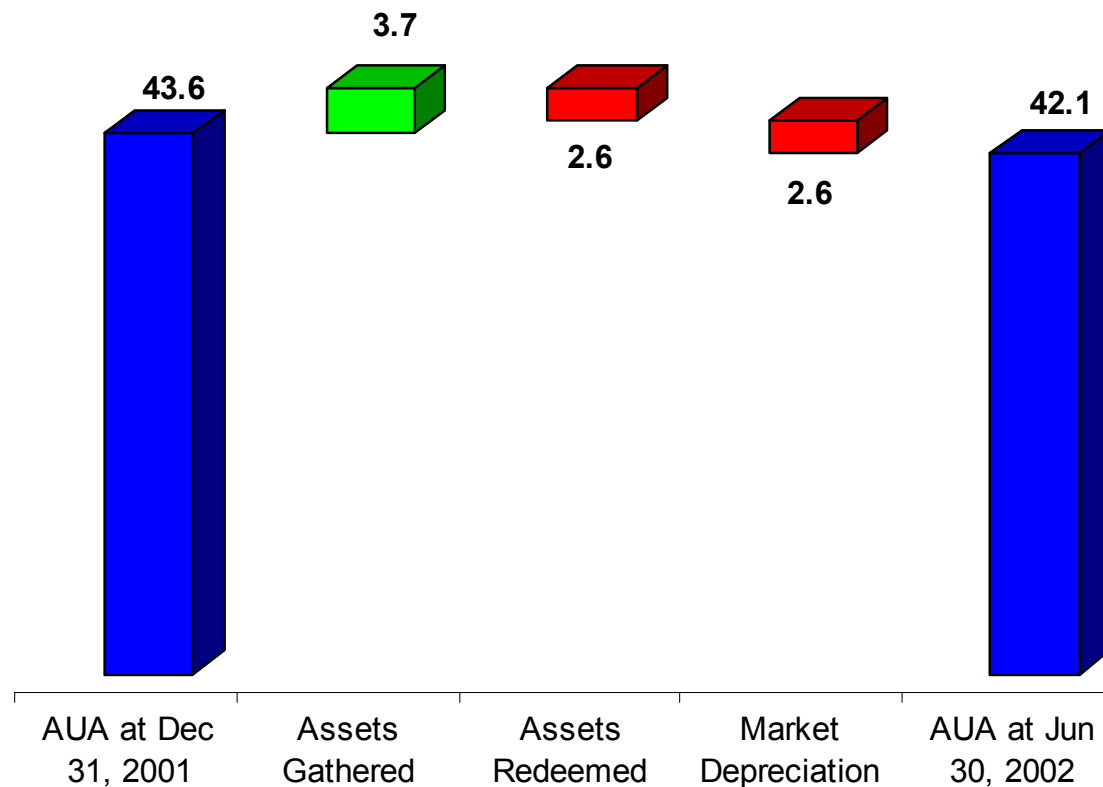
Consultant Network Assets Under Administration  
(\$ billions)



## Change in Consultant Network AUA

- ◆ *Despite strong net asset gathering , Consultant Network Assets under Administration declined during the six months ended June 30, 2002 due to market declines.*

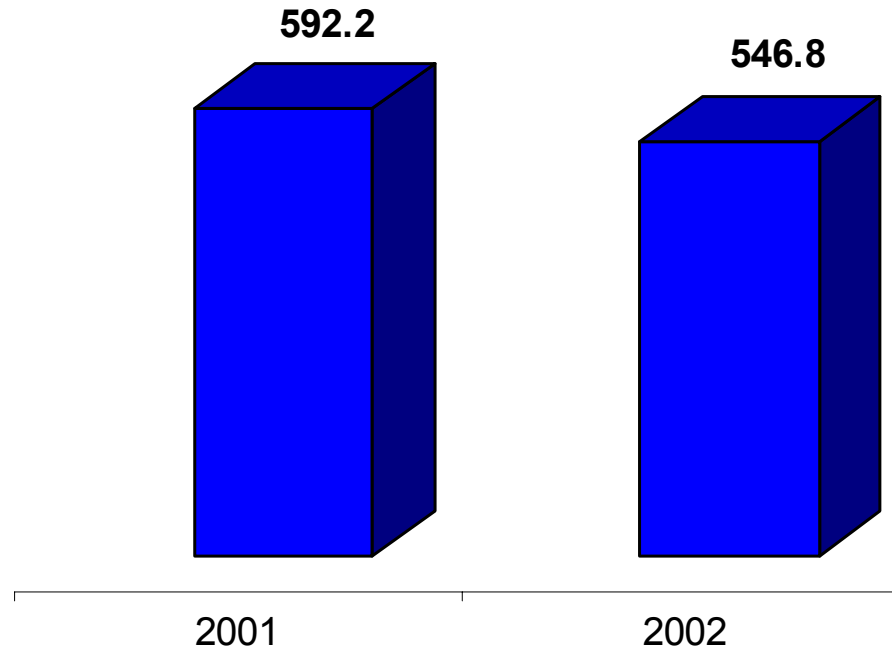
Change in Assets Under Administration Distributed through the IG Consultant Network  
(\$ billions)



# Consultant Network Mutual Fund Net Sales

- ◆ *Net sales of mutual funds distributed through the Investors Group Consultant Network decreased by 7.7% during the six months ended June 30, 2002 relative to the prior year.*

## Six Months ended June 30

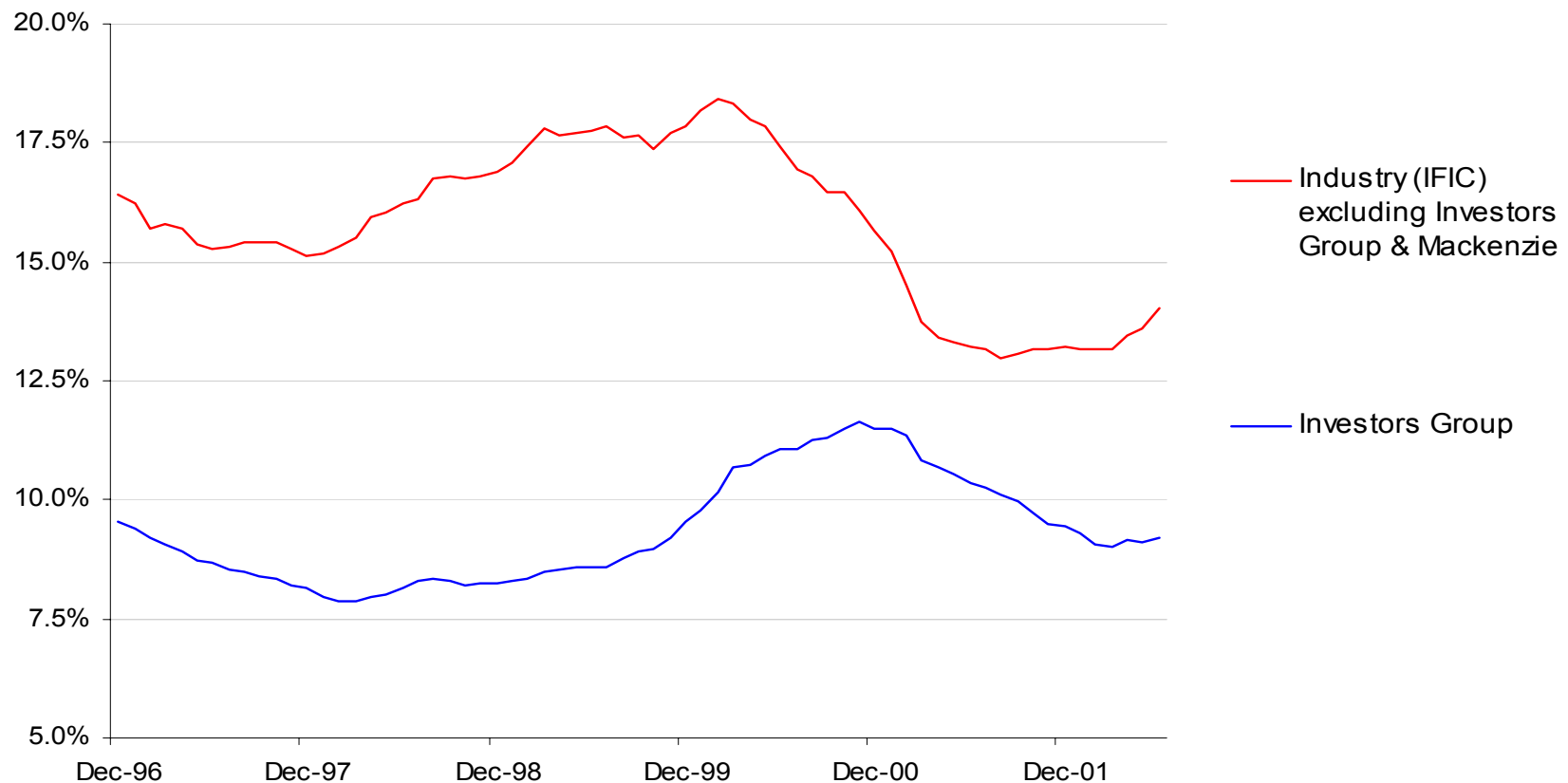


Maxxum net sales made subsequent to September 30, 2001 are reported in Mackenzie Financial's results.

# Consultant Network Mutual Fund Redemption Rate

- ◆ **Investors Group's redemption rate remains strong relative to the industry.**

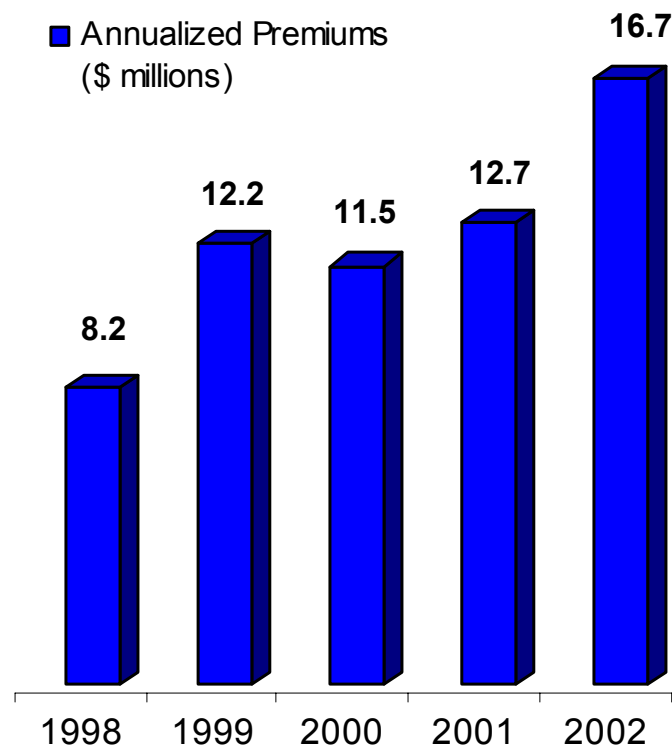
**Redemption Rate on Long Term Mutual Funds  
(Last Twelve Month % of Average Assets Under Management)**



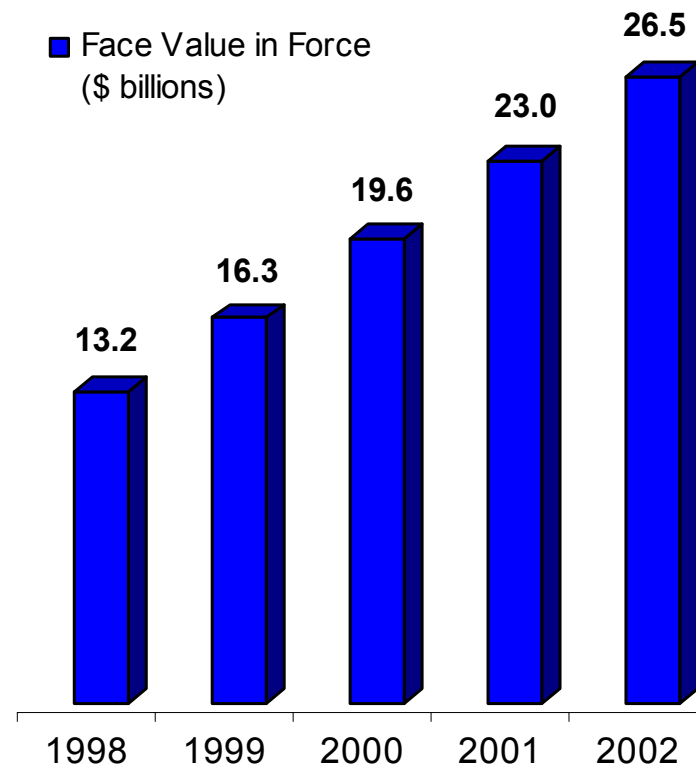
# Insurance

- ◆ *Insurance sales increased significantly during the first half of 2002 relative to the prior year.*

**Insurance Sales**  
*Six months ended June 30*



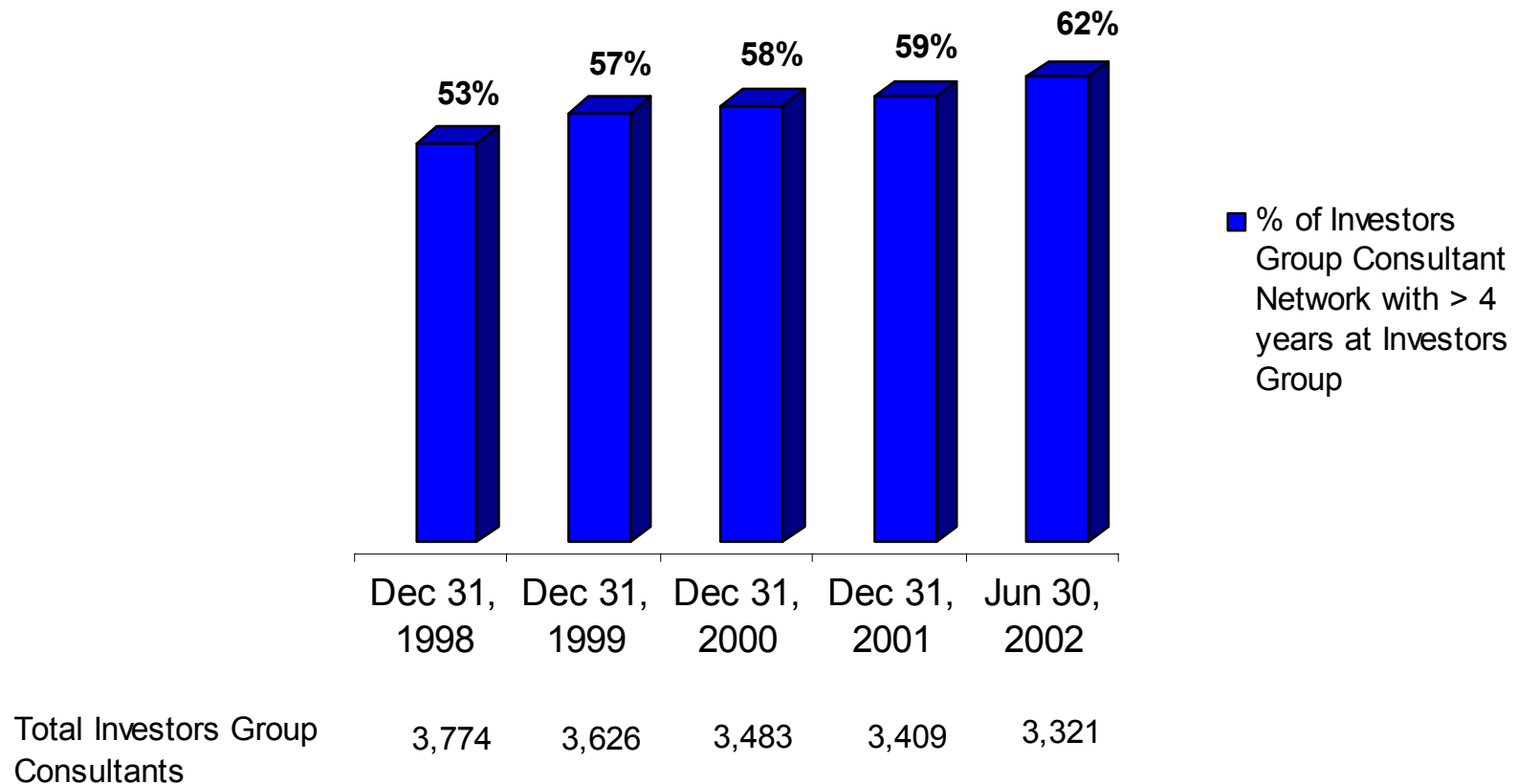
**Insurance Face Value in Force**  
*As at June 30*



# Consultant Network

- ◆ *The average experience of the Consultant Network continues to improve.*

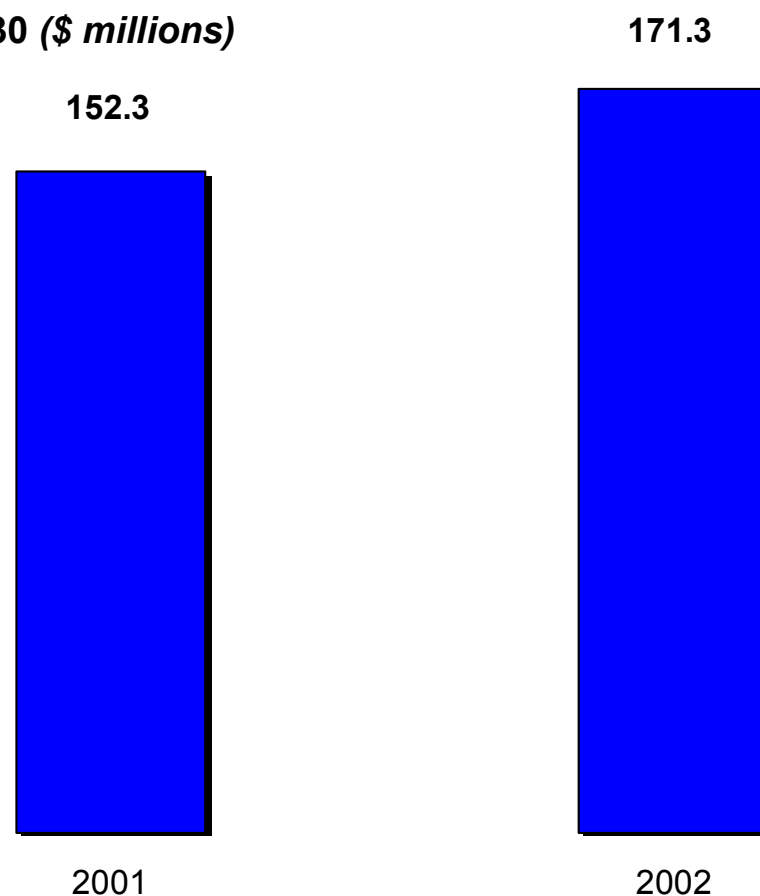
## Investors Group Consultant Network



## IG Net Operating Income before Interest and Taxes - Second Quarter

- ◆ *Investors Group's Net Operating Income before Interest and Taxes increased by 12.5% in the quarter ended June 30, 2002 relative to the prior year.*

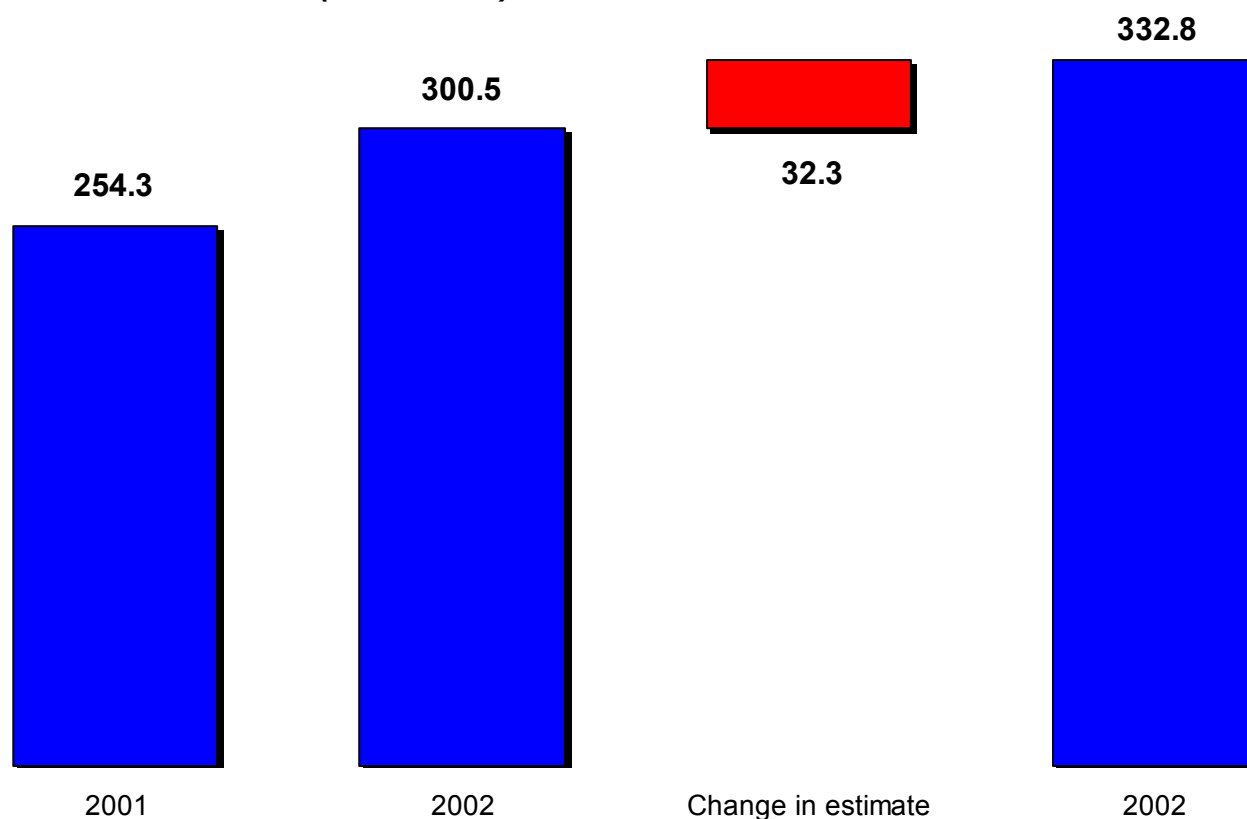
Quarters ended June 30 (\$ millions)



## IG Net Operating Income before Interest and Taxes - Six Months Ended June 30

- Investors Group's Net Operating Income before Interest and Taxes increased by 30.9% in the six months ended June 30, 2002 relative to the prior year. Excluding the change in estimate effective April 1, 2001 related to the amortization of sales commissions, the increase was 18.2%.

Six months ended June 30 (\$ millions)

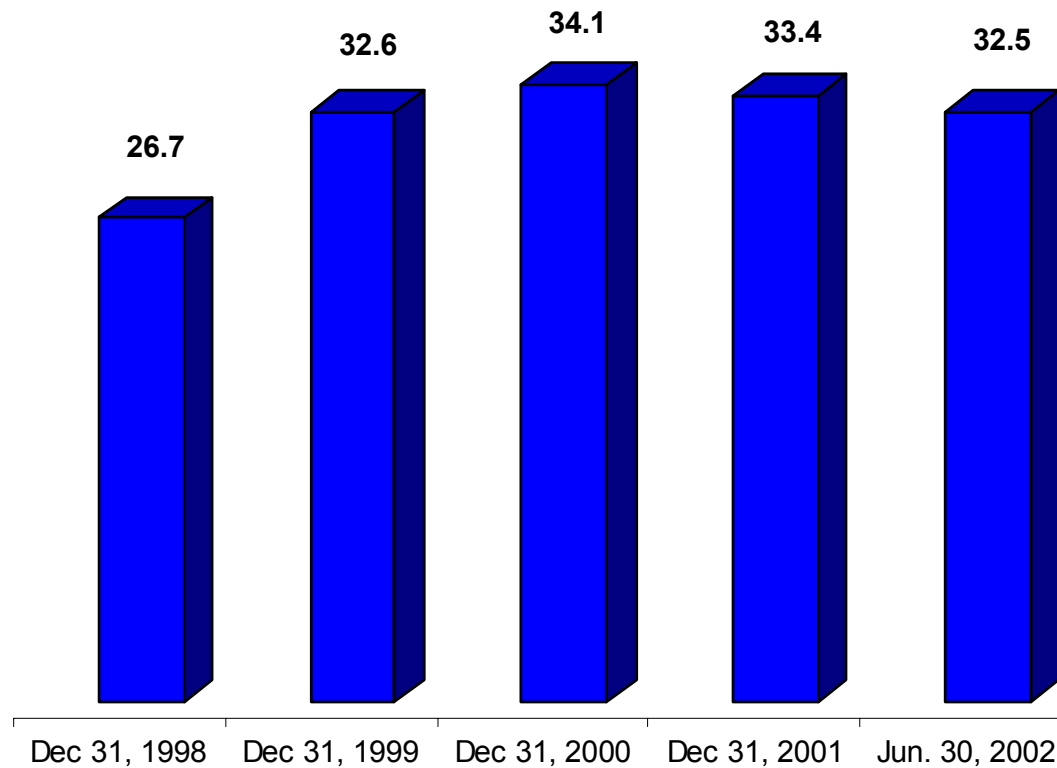


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# Asset Management Operations

- ◆ ***Mackenzie Financial's assets under management decreased by 2.8% during the six months ended June 30, 2002.***

**Mackenzie Financial Canadian Mutual Fund Assets Under Management (\$ billions)**

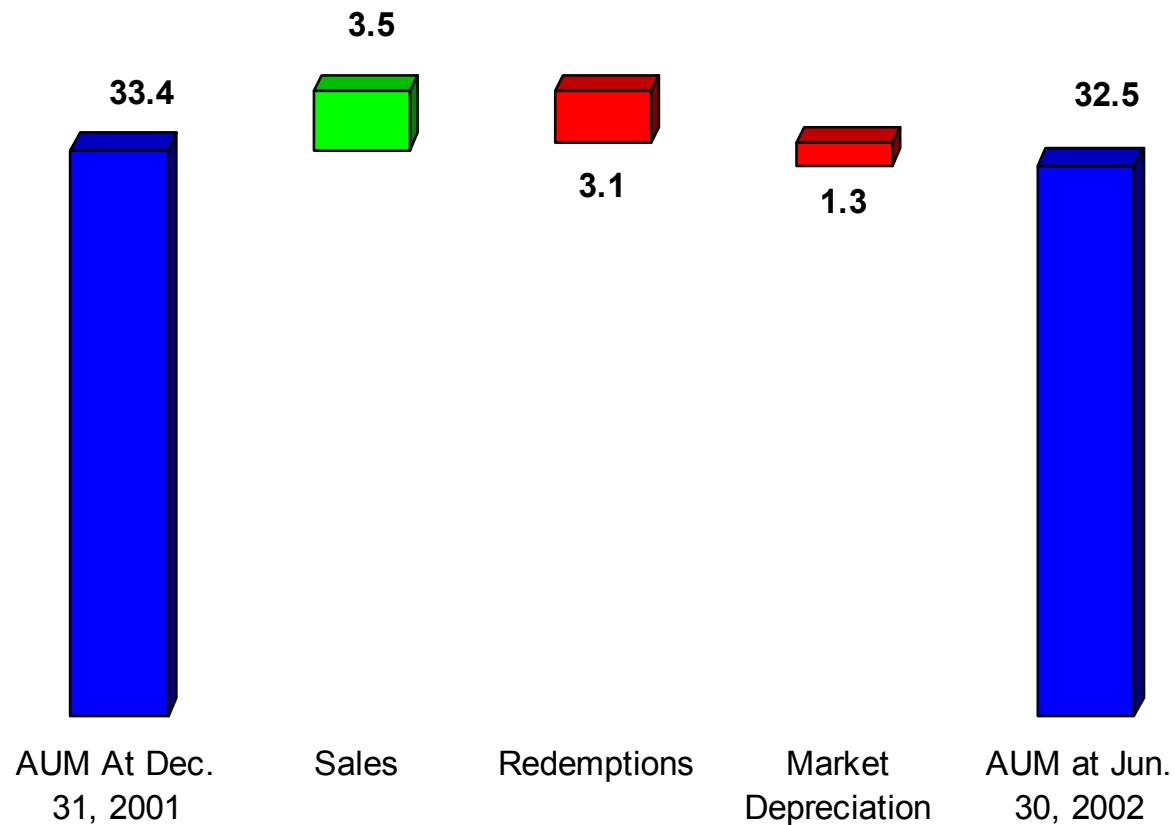


Note: numbers have been retroactively restated to include Maxxum assets (Maxxum operations were transferred to Mackenzie October 5, 2001). Hedge funds are included in Mutual Fund Assets Under Management.

# Mackenzie Change in Canadian AUM

- ◆ *Although net sales of Mackenzie mutual funds have improved substantially, weak equity markets have led to a decrease in assets under management.*

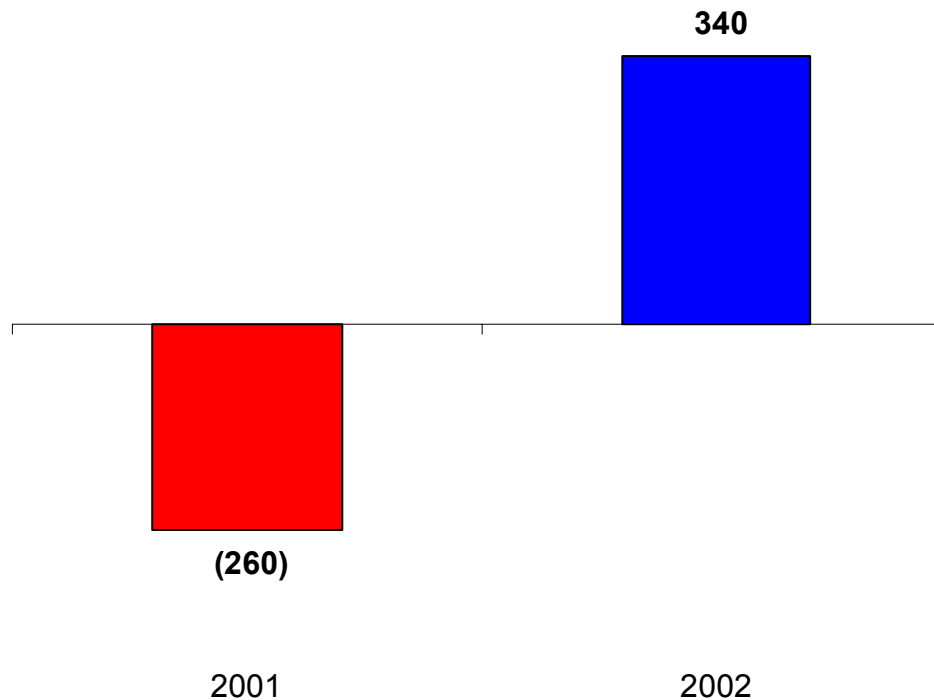
Mackenzie Canadian Mutual Fund Assets Under Management (\$ billions)



# Mackenzie Canadian Mutual Fund Net Sales

- ◆ ***Mackenzie's net sales of long term funds increased considerably during the quarter ended June 30, 2002 relative to the prior year.***

**Mackenzie Canadian Net Sales of Long Term Funds  
Quarters ended June 30 (\$ millions)**

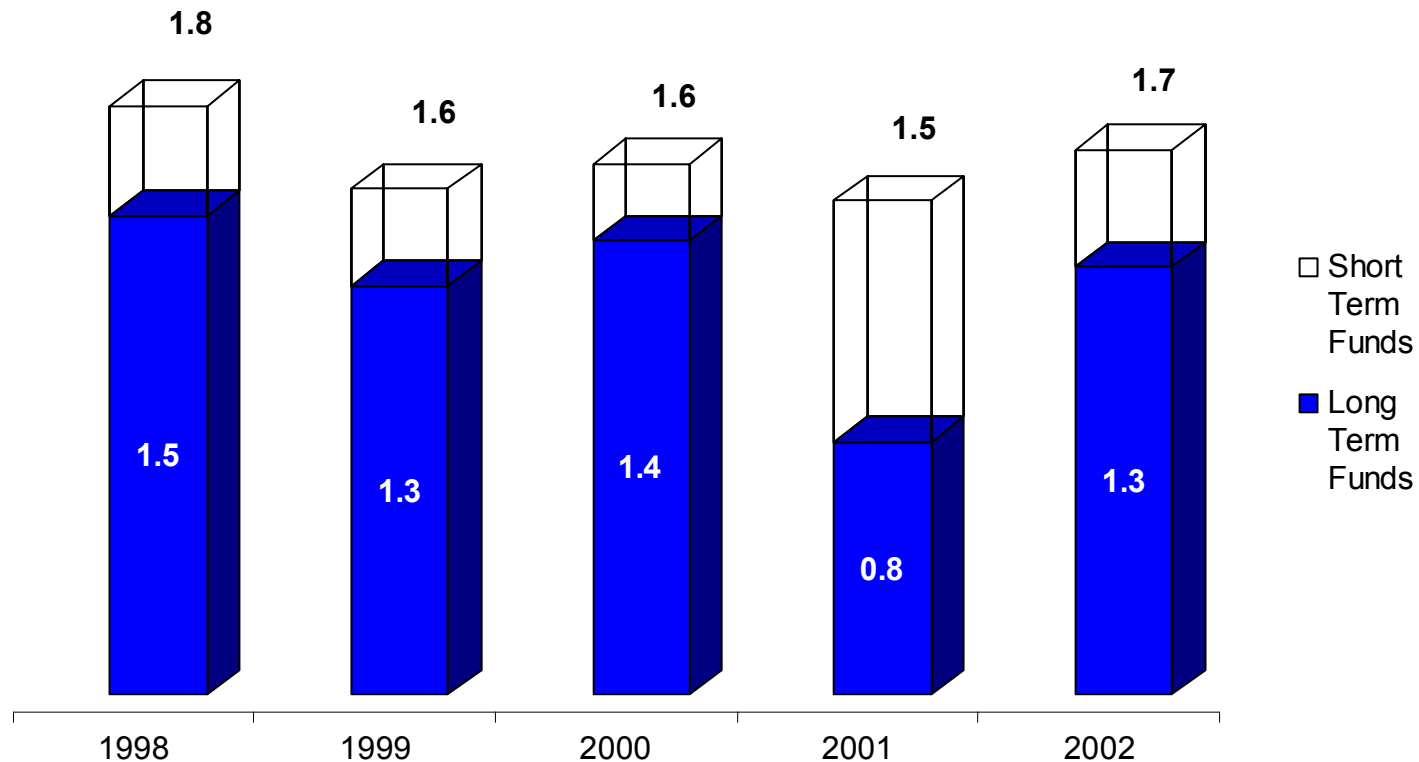


Note: numbers have been retroactively restated to include Maxxum net sales (Maxxum operations were transferred to Mackenzie October 5, 2001)  
Hedge funds are included

# Canadian Mutual Fund Sales

- ◆ While sales during the second quarter of 2002 returned to historical levels, sales into long term funds increased by 68.2% from 2001 .

Mackenzie Canadian Mutual Fund Sales  
Quarters ended June 30 (\$ billions)

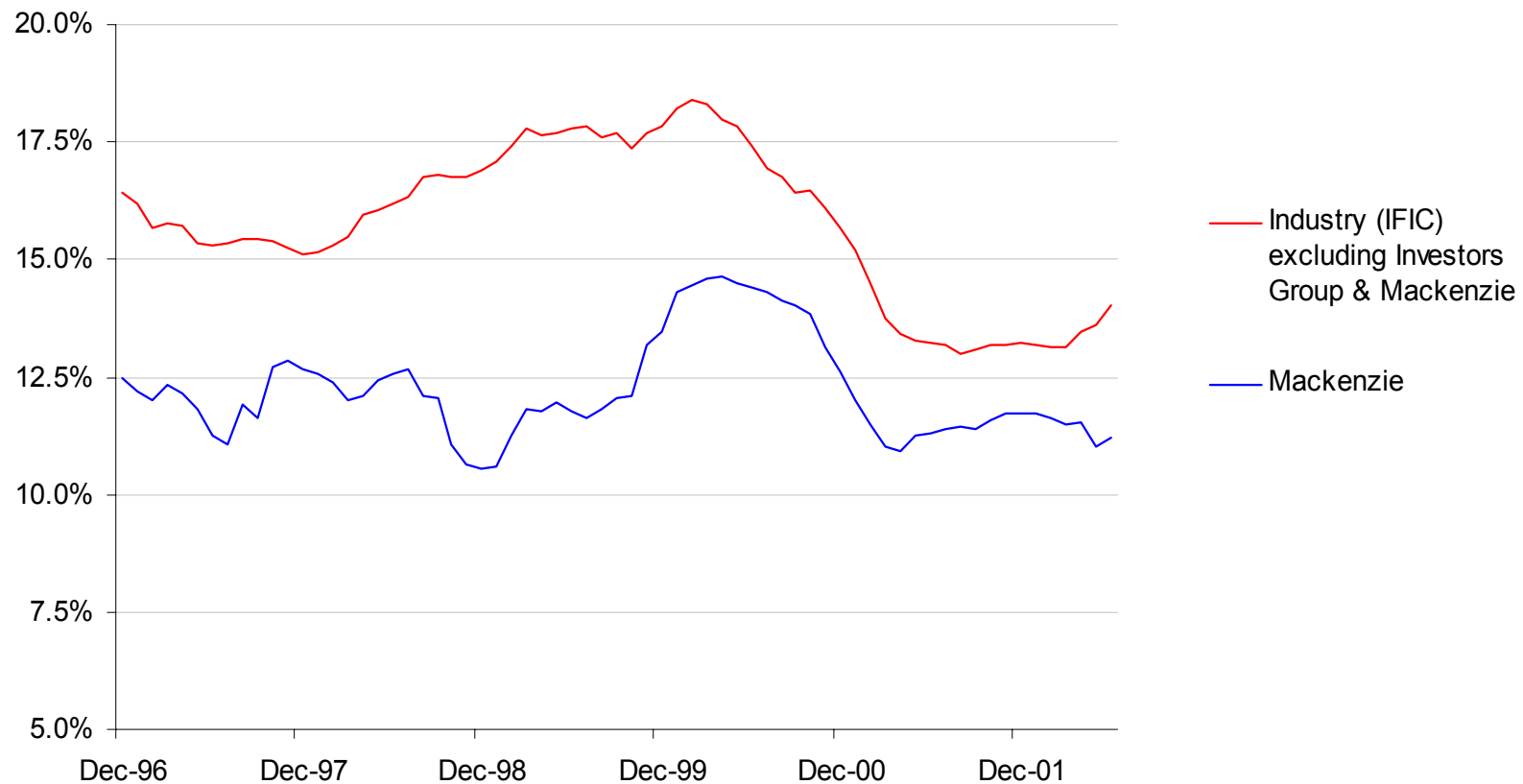


Note: numbers have been retroactively restated to include Maxxum sales (Maxxum operations were transferred to Mackenzie October 5, 2001)  
Hedge funds are included

# Canadian Mutual Fund Redemption Rate

- ◆ **Mackenzie's redemption rate on long term assets declined during the quarter ended June 30 2002, and remains below the industry.**

**Redemption Rate on Canadian Long Term Mutual Funds  
(Last Twelve Month % of Average AUM)**

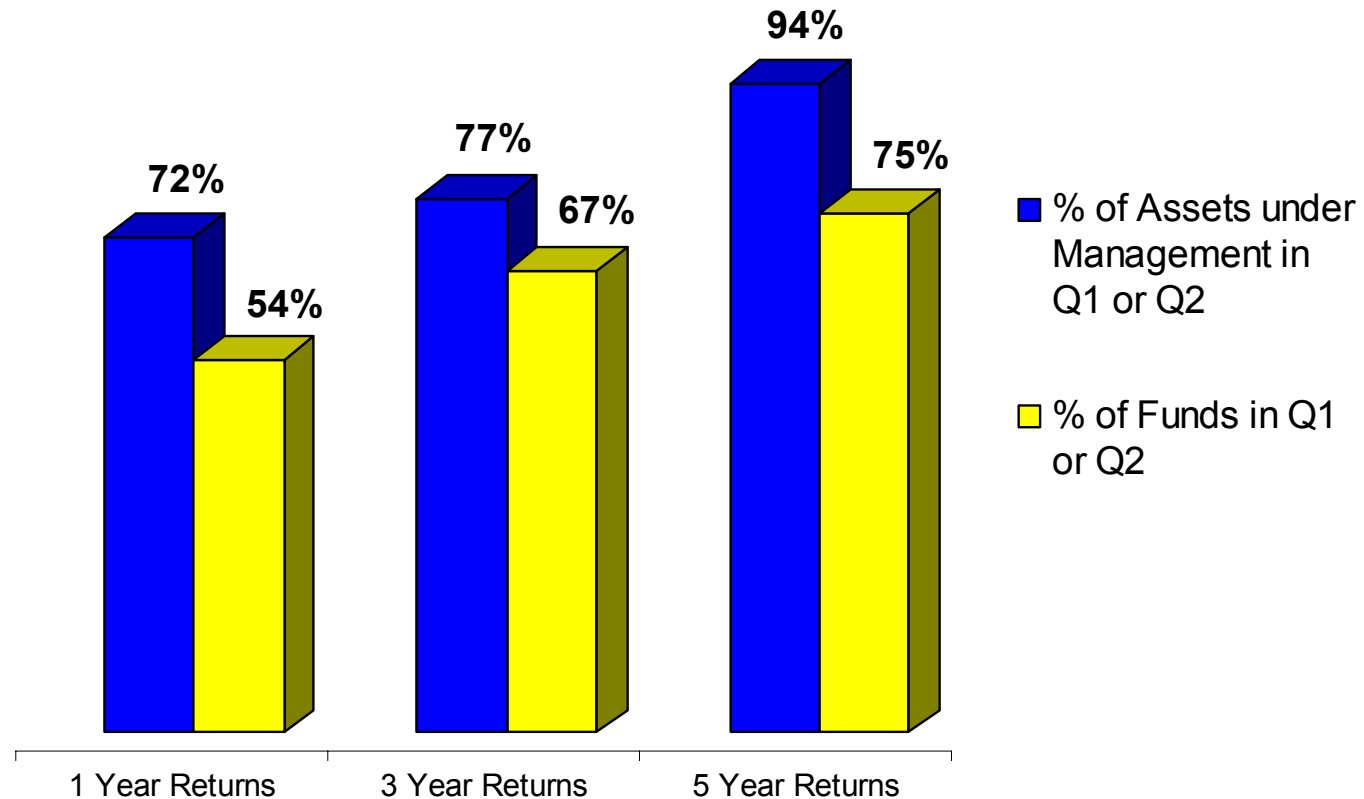


Note: numbers have been retroactively restated to include Maxxum redemptions (Maxxum operations were transferred to Mackenzie October 5, 2001)  
Hedge funds have been excluded from Mackenzie numbers for comparability (these funds do not report with IFIC).

# Mackenzie Fund Performance

- ◆ *Mackenzie's relative investment performance has been exceptional, with 75% of its funds delivering first or second quartile performance in terms of five year returns.*

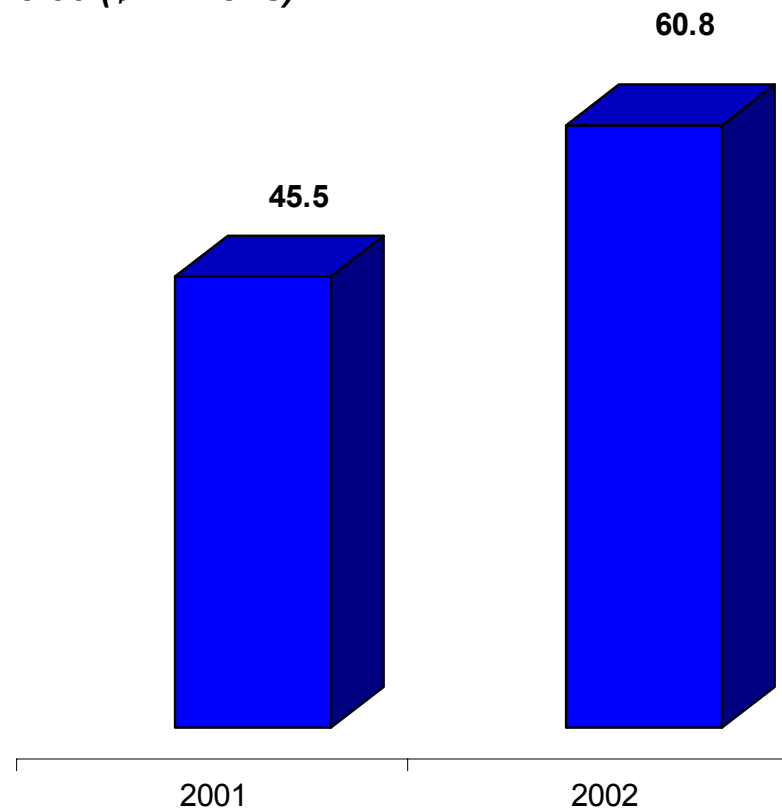
Mackenzie Canadian Funds in First or Second Quartile at June 30, 2002



## Mackenzie Net Operating Income before Interest & Taxes - Second Quarter

- ◆ ***Mackenzie Financial's Net Operating Income before Interest and Taxes increased by 33.6% during the quarter ended June 30, 2002 relative to the prior year.***

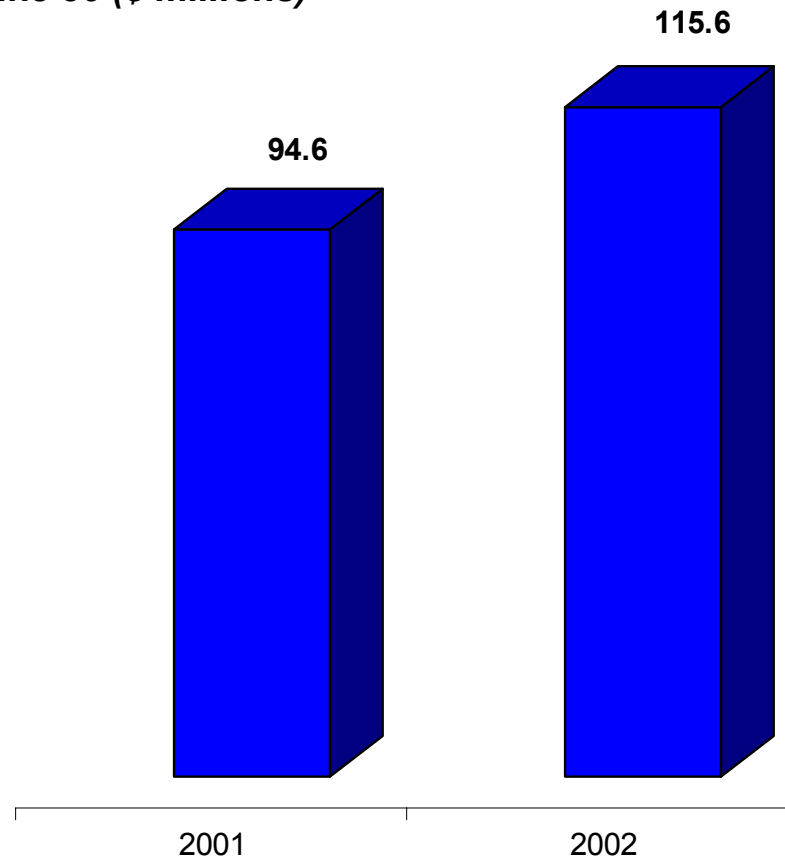
Net Operating Income before Interest and Taxes  
Quarters ended June 30 (\$ millions)



## Mackenzie Net Operating Income before Interest & Taxes - Six Months Ended June 30

- ◆ ***Mackenzie Financial's Net Operating Income before Interest and Taxes increased by 22.2% during the six months ended June 30, 2002 relative to the prior year.***

Net Operating Income before Interest and Taxes  
Six months ended June 30 (\$ millions)



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# Transition Background and Synergies

- ◆ Mackenzie Financial operates separately with its own brand, distribution, investment management operations and corporate leadership. However, the transition of the companies has provided numerous opportunities to achieve operating efficiencies and product enhancements which benefit all stakeholders of Investors Group and Mackenzie Financial.
  - Annual synergies of \$100 million per year (pre-tax) continue to be achievable based on our initial estimate of \$75 million annual synergies to Investors Group shareholders and an additional \$25 million per year in synergies to fund unitholders.
  - These synergy targets are expected to be fully achieved by the second quarter of 2003 (two years after the acquisition).
- ◆ Annual synergies of \$68 million per year (pre-tax) were achieved as of June 30, 2002 representing over 2/3 of our stated targets. These achieved synergies are comprised of:
  - Shareholder annualized synergies of \$50 million (including an avoidance of \$12 million in annual costs) and
  - Unitholder annualized synergies of \$18 million

## Transition Progress - Source of Synergies

- ◆ These synergies have resulted from many areas including:
  - Integration of MAXXUM into the operations of Mackenzie
  - Renegotiated vendor relationships including sub-advisory investment arrangements, printing contracts, telephony services, etc.
  - Consolidation of a number of systems and management activities such as web-hosting support, data telecommunications services and selected corporate services
  - Lower administration costs for both Investors Group and Mackenzie Financial unitholders through a review of “best demonstrated practices”

## Transition Progress - Areas of Focus

- ◆ Organizational alignments have naturally occurred as significant progress has been made on Transition activities and identification of synergies:
  - Laurie Munro of Mackenzie Financial will now guide Transition activities as Murray Taylor will now lead the Financial Services Division of Investors Group.
  - Progress in the quarter has continued in the:
    - Development of systems efficiencies and adoption of “Best Demonstrated Practices” for shareholder administration.
    - Fund management assignments for mandates previously managed by Scudder.
    - Further development of MRS and Winfund.
      - Andrew Dalglish has assumed responsibilities for MRS as President and CEO replacing Laurie Munro in this role.
    - Review of US operations.

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# Investors Group Inc.

## Q2, 2002 Results

## Analyst Presentation

*August 1, 2002*

*8:30 AM CDT*

