# Quarterly Report

September 30, 2012

# Q3

CI Financial

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# Financial Highlights

| (in millions of dollars, except per share and share amounts) | As at Sept. 30, 2012 | As at June 30, 2012 | As at Sept. 30, 2011 | % change quarter-over-quarter | % change year-over-year |
|---|---|---|---|---|---|
| Assets under management | 73,866 | 71,559 | 67,386 | 3 | 10 |
| Total assets | 96,477 | 93,519 | 88,431 | 3 | 9 |
| Shares outstanding | 283,100,829 | 283,342,075 | 286,422,745 | - | (1) |

| | For the quarters ended | | | % change quarter-over-quarter | % change year-over-year |
|---|---|---|---|---|---|
| | Sept. 30, 2012 | June 30, 2012 | Sept. 30, 2011 | | |
| Average assets under management | 72,437 | 71,385 | 70,823 | 1 | 2 |
| Gross sales | 2,433 | 2,010 | 1,844 | 21 | 32 |
| Net sales | 358 | (270) | (91) | n/a | n/a |
| Management fees | 318.8 | 313.5 | 321.4 | 2 | (1) |
| Total revenues | 361.5 | 358.8 | 367.4 | 1 | (2) |
| SG&A | 69.9 | 70.7 | 72.2 | (1) | (3) |
| Trailer fees | 93.5 | 91.6 | 93.7 | 2 | - |
| Net income | 91.3 | 71.3 | 90.8 | 28 | 1 |
| Earnings per share | 0.32 | 0.25 | 0.32 | 28 | - |
| EBITDA* | 175.2 | 173.1 | 176.8 | 1 | (1) |
| EBITDA* per share | 0.62 | 0.61 | 0.61 | 2 | 1 |
| Dividends recorded per share | 0.240 | 0.240 | 0.225 | - | 7 |
| Average shares outstanding | 283,329,979 | 283,561,121 | 287,664,375 | - | (2) |

| | For the nine months ended | | % change year-over-year |
|---|---|---|---|
| | Sept. 30, 2012 | Sept. 30, 2011 | |
| Average assets under management | 72,030 | 73,142 | (2) |
| Gross sales | 7,084 | 7,381 | (4) |
| Net sales | 249 | 684 | (64) |
| Management fees | 951.9 | 990.7 | (4) |
| Total revenues | 1,086.5 | 1,139.6 | (5) |
| SG&A | 212.8 | 220.6 | (4) |
| Trailer fees | 278.2 | 288.6 | (4) |
| Net income | 257.2 | 289.1 | (11) |
| Earnings per share | 0.91 | 1.00 | (9) |
| EBITDA* | 524.8 | 552.5 | (5) |
| EBITDA* per share | 1.85 | 1.92 | (4) |
| Dividends recorded per share | 0.715 | 0.665 | 8 |
| Average shares outstanding | 283,524,412 | 287,853,605 | (2) |

**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.*

**DEAR SHAREHOLDERS,**

The third quarter of 2012 brought an improvement in financial markets on the hope that renewed quantitative easing by the U.S. Federal Reserve would stimulate asset prices, if not the economy itself. The lack of any significant deterioration in the European debt crisis also reduced volatility and risk premiums in most asset classes. The S&P/TSX Composite Index rose 7.0% this quarter, outpacing the S&P 500 Index, which climbed 2.7%, and the MSCI World Index, which gained 3.2%, both in Canadian dollar terms. These gains have been tempered in the past month as corporate earnings have come in below expectations and uncertainty abounds with respect to the U.S. election and how the "fiscal cliff" will be handled.

CI's assets under management ("AUM") moved up 3% during the quarter, to end at $73.9 billion on September 30, 2012. Average AUM of $72.4 billion for the quarter was 1.5% above the $71.4 billion average for the second quarter. Over the past year, CI's AUM has grown 9.6% from $67.4 billion at September 30, 2011, while the average AUM for the quarter was 2.3% above the average for the same quarter a year ago. While the increases in AUM have boosted CI's earnings, the ongoing trend towards fixed-income products, which generally carry lower fee rates, has offset the asset gains of the past year and CI's earnings are relatively flat versus the same quarter of last year.

Gross sales for the third quarter were $2.433 billion compared to $1.844 billion for the third quarter of last year. Redemptions of funds were $2.075 billion this year versus $1.935 billion last year. The jump in gross sales primarily reflected the partial funding of an institutional mandate as well as stronger flows into retail products. Net sales, at $358 million during the quarter, have pushed year-to-date net sales to $249 million.

Assante's third quarter dealer revenues were down slightly year over year, even as administered assets held fairly steady. Total revenue was $56.2 million this quarter, down from $58.3 million in the third quarter of last year. Administered assets of $22.6 billion at the end of September were up from $21.0 billion a year ago, while average levels were comparable at $21.7 billion for both periods. Lower levels of sales commissions on both fund and insurance products contributed to the lower revenue levels.

CI's earnings for the third quarter of 2012 were $91.3 million ($0.32 per share), up 1.3% from $90.1 million ($0.32 per share) in the previous quarter, after adjusting for the $18.8 million non-recurring corporate tax rate adjustment. In the third quarter of last year, CI reported net income of $90.8 million ($0.32 per share). EBITDA for the third quarter of 2012 was $175.2 million, an increase of 1.2% from $173.1 million in the second quarter, and a drop of 0.9% from $176.8 million in the third quarter of last year.

**Outlook**

While the market forecast is as uncertain as ever, CI is reaping the benefits of exceptional performance from its money managers. This has positioned CI well in terms of winning institutional mandates, as well as providing the basis for stronger retail flows.

The Board of Directors declared monthly cash dividends of $0.08 per share payable on December 14, 2012 and January 15 and February 15, 2013 to shareholders of record on November 30 and December 31, 2012, and January 31, 2013, respectively.

William T. Holland
Chairman

Stephen A. MacPhail
President and Chief Executive Officer

**NOVEMBER 6, 2012**

# Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated November 6, 2012, presents an analysis of the financial position of CI Financial Corp. and its subsidiaries ("CI") as at September 30, 2012 compared with December 31, 2011, and the results of operations for the quarter ended September 30, 2012 compared with the quarter ended September 30, 2011 and the quarter ended June 30, 2012.

On January 1, 2011, CI adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes. The financial statements for the three and nine months ended September 30, 2012 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 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 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").

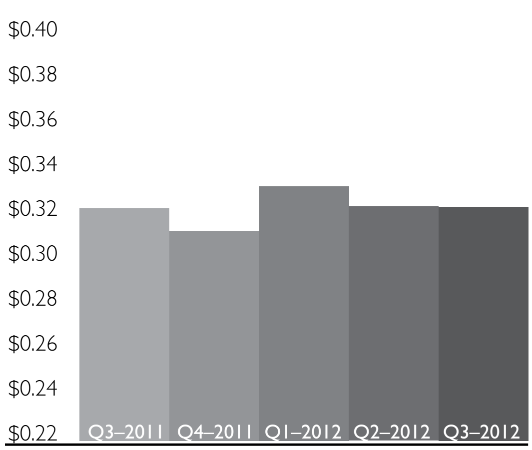
This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to CI and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, these 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, failure to anticipate and respond to changes in the business environment, changes in government regulations or in tax laws, industry competition 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 most recent Annual Information Form, 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 use 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**

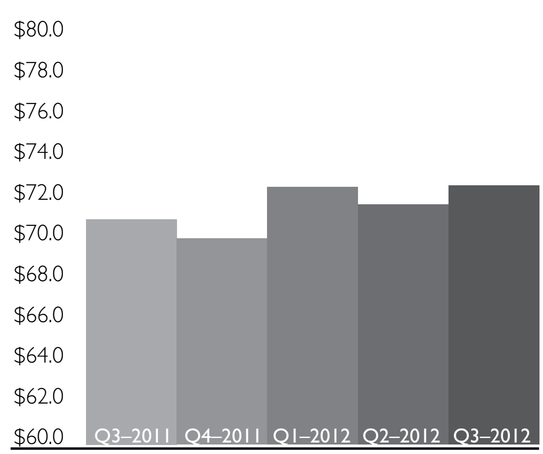
| *(millions of dollars, except per share amounts)* | 2012 | | | 2011 | | | | 2010 |
|---|---|---|---|---|---|---|---|---|
| | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** |
| INCOME STATEMENT DATA | | | | | | | | |
| Management fees | 318.8 | 313.5 | 319.6 | 312.1 | 321.4 | 337.3 | 332.0 | 315.3 |
| Administration fees | 30.1 | 31.3 | 32.8 | 30.6 | 31.6 | 33.2 | 36.8 | 33.7 |
| Other revenues | 12.6 | 14.0 | 13.8 | 14.0 | 14.4 | 15.0 | 17.9 | 19.6 |
| Total revenues | 361.5 | 358.8 | 366.2 | 356.7 | 367.4 | 385.5 | 386.7 | 368.6 |
| Selling, general & administrative | 69.9 | 70.7 | 72.2 | 70.2 | 72.2 | 75.1 | 73.3 | 73.0 |
| Trailer fees | 93.5 | 91.6 | 93.0 | 90.8 | 93.7 | 98.3 | 96.6 | 91.3 |
| Investment dealer fees | 23.3 | 24.5 | 25.8 | 23.8 | 24.8 | 26.0 | 29.1 | 25.8 |
| Amortization of deferred sales commissions | 40.4 | 41.0 | 41.4 | 40.5 | 41.1 | 41.3 | 41.4 | 42.3 |
| Interest expense | 6.3 | 6.2 | 6.3 | 6.8 | 7.0 | 6.7 | 7.0 | 5.4 |
| Other expenses | 2.5 | 1.8 | 1.6 | 1.6 | 3.0 | 2.4 | 2.5 | 3.5 |
| Total expenses | 235.9 | 235.8 | 240.3 | 233.7 | 241.8 | 249.8 | 249.9 | 241.3 |
| Income before income taxes | 125.6 | 123.0 | 125.9 | 123.0 | 125.6 | 135.7 | 136.8 | 127.3 |
| Income taxes | 34.3 | 51.7 | 31.3 | 35.2 | 34.8 | 37.4 | 36.7 | 39.9 |
| Net income | 91.3 | 71.3 | 94.6 | 87.8 | 90.8 | 98.3 | 100.1 | 87.4 |
| Earnings per share | 0.32 | 0.25 | 0.33 | 0.31 | 0.32 | 0.34 | 0.35 | 0.30 |
| Diluted earnings per share | 0.32 | 0.25 | 0.33 | 0.31 | 0.31 | 0.34 | 0.35 | 0.30 |
| Dividends recorded per share | 0.240 | 0.240 | 0.235 | 0.225 | 0.225 | 0.225 | 0.215 | 0.205 |

**EARNINGS PER SHARE**




*Q2–2012 has been adjusted for the non-cash $18.8 million non-recurring future income tax expense.*

**AVERAGE ASSETS UNDER MANAGEMENT (BILLIONS)**



## 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.

The key performance indicator for the Asset Management segment is the level of assets under management ("AUM") and for the Asset Administration segment is the level of assets under administration ("AUA"). CI reports each of these numbers monthly, and together they form CI's total assets. CI's AUM and AUA are driven by the gross sales and redemptions of investment products, and market performance. As most of CI's revenues and expenses are based on daily asset levels throughout the year, average assets for a particular period are critical to the analysis of CI's financial results. While some expenses, such as trailer fees, vary directly with the level of 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.

## ASSETS AND SALES

Total assets, which include mutual, segregated and hedge funds, separately managed accounts, structured products, pooled assets and assets under administration, were $96.5 billion at September 30, 2012, an increase of 9% from $88.4 billion at September 30, 2011. From the peak in the second quarter of last year, stock markets experienced a challenging third quarter in 2011, and assets declined 9%. They have since improved 10% in the last 12 months. CI's market share was approximately 9%, positioning CI as the third-largest investment fund company in Canada with AUM of $73.9 billion and AUA of $22.6 billion as at September 30, 2012, as shown in Table 2.

TABLE 2: TOTAL ASSETS

| *(in billions)* | As at Sept. 30, 2012 | As at Sept. 30, 2011 | % change |
|---|---|---|---|
| Assets under management | $73.9 | $67.4 | 10 |
| Assets under administration* | 22.6 | 21.0 | 8 |
| Total assets | $96.5 | $88.4 | 9 |

**Includes $10.6 billion and $9.5 billion of managed assets in CI and United funds in each of 2012 and 2011, respectively.*

The change in assets under management in each of the past five quarters is detailed in Table 3. Gross sales for the current quarter increased 32% from those of the prior year, while redemptions held fairly steady, leading to an increase in net sales. The increase in sales can be attributed to an improvement in both institutional and retail fund flows. On the institutional side, CI received a portion of a significant mandate during the third quarter of this year. As well, retail sales have strengthened, due in large part to the breadth of CI's product offerings and the strong performance of many of those products. Market performance continues to have a much larger impact on the level of assets than net sales.

The third quarter of 2012 saw a rebound from a mid-year slowdown that resulted from renewed concerns regarding the challenges facing Europe and slowing growth in the world's largest economies. As a result, CI's revenues, income and operating cash flow have improved from the levels of last quarter. CI's average assets in the third quarter of 2012 increased 2.3% from the same period in 2011 and 1.5% from the prior quarter.

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

| *(in billions)* | Sept. 30, 2012 | Jun. 30, 2012 | Mar. 31, 2012 | Dec. 31, 2011 | Sept. 30, 2011 |
|---|---|---|---|---|---|
| Assets under management, beginning | $71.6 | $73.4 | $69.6 | $67.4 | $74.3 |
| Gross sales | 2.4 | 2.0 | 2.6 | 1.7 | 1.8 |
| Redemptions | 2.0 | 2.3 | 2.4 | 2.1 | 1.9 |
| Net sales | 0.4 | (0.3) | 0.2 | (0.4) | (0.1) |
| Market performance | 1.9 | (1.5) | 3.6 | 2.6 | (6.8) |
| Assets under management, ending | $73.9 | $71.6 | $73.4 | $69.6 | $67.4 |
| Average assets under management for the period | $72.437 | $71.385 | $72.262 | $69.349 | $70.823 |

## RESULTS OF OPERATIONS

For the quarter ended September 30, 2012, CI reported net income of $91.3 million ($0.32 per share) versus $90.8 million ($0.32 per share) for the quarter ended September 30, 2011 and $71.3 million ($0.25 per share) for the quarter ended June 30, 2012. For the nine months ended September 30, 2012, CI reported net income of $257.2 million ($0.91 per share) versus $289.1 million ($1.00 per share) for the same period last year.

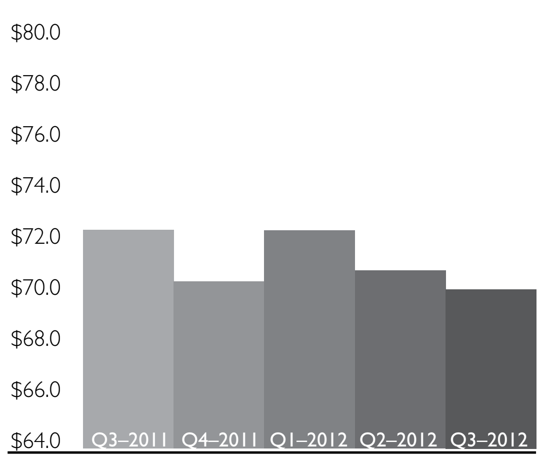
For the third quarter of 2012, CI recorded $34.3 million in income tax expense for an effective tax rate of 27.3%, compared to $34.8 million in the third quarter of 2011 for an effective tax rate of 27.7%. The second quarter of 2012 included $51.7 million in income tax expense, for an effective tax rate of 42.0%. CI's statutory rate for 2012 is 26.5%. The second quarter of 2012 included $18.8 million of non-cash future income taxes related to the Ontario government's decision to rescind previously legislated reductions in corporate tax rates.

Total revenues decreased 2% in the third quarter of 2012 compared with the same period in 2011. The main contributor to this change was the decrease in average management fee rates as a result of a change in asset mix in which funds with lower management fees are accounting for a larger share of AUM. Total revenues increased 1% from the prior quarter due to a 1.5% improvement in average assets under management.

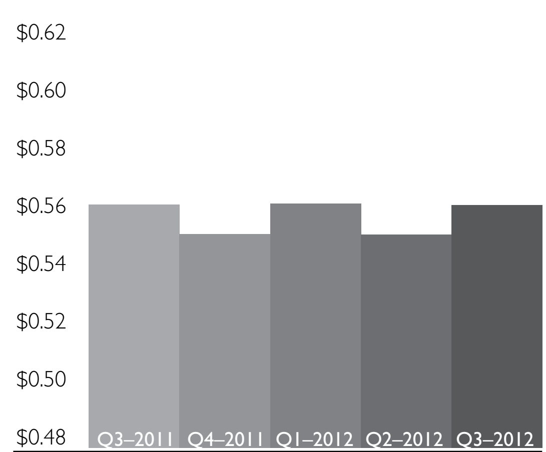
For the quarter ended September 30, 2012, redemption fee revenue was $6.5 million, down slightly from $6.9 million for the quarter ended September 30, 2011 and down from $7.1 million for the quarter ended June 30, 2012.

The third quarter of 2012 included SG&A expenses of $69.9 million, a 3% decline from $72.2 million for the same period in 2011 and a 1% decrease from $70.7 million in the second quarter in 2012. The level of discretionary spend was reduced within both operating segments, although SG&A expenses include portfolio management fees, which increased during the quarter as they are largely driven by the level of average assets under management.

SG&A EXPENSE (MILLIONS)




PRE-TAX OPERATING EARNINGS PER SHARE



Amortization of deferred sales commissions and fund contracts was $40.9 million in the third quarter of 2012, down $0.8 million from the third quarter of 2011 and down $0.6 million from the prior quarter. The decrease from the prior quarters related to the decline in deferred sales commissions paid compared to those paid seven years earlier, which are now fully amortized.

Interest expense of $6.3 million was recorded for the quarter ended September 30, 2012 compared with $7.0 million for the quarter ended September 30, 2011 and $6.2 million for the quarter ended June 30, 2012. The decrease in interest expense from the prior-year period reflected lower average debt levels, as discussed under "Liquidity and Capital Resources."

As shown in Table 4, pre-tax operating earnings were $160.0 million ($0.56 per share) in the third quarter of 2012, unchanged from the same quarter of 2011 and an increase of 2% from the prior quarter. Pre-tax operating earnings remained unchanged year over year reflecting the increase in average assets under management, which were up 2.3% from the third quarter of 2011, offset by a shift in asset mix to lower-fee products. The increase in pre-tax operating earnings from the prior quarter is in line with the increase in average assets under management, which were up 1.5% from the prior quarter. For the nine months ended September 30, 2012, pre-tax operating earnings were $477.5 million ($1.68 per share) compared with $497.5 million ($1.73 per share) for the same period of last year. This change reflects the decline in average assets under management, which were down 1.5%, and the change in asset mix as mentioned above.

**TABLE 4: PRE-TAX OPERATING EARNINGS**

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

| *(in millions, except per share amounts)* | Quarter ended Sept. 30, 2012 | Quarter ended Jun. 30, 2012 | Quarter ended Sept. 30, 2011 | Nine months ended Sept. 30, 2012 | Nine months ended Sept. 30, 2011 |
|---|---|---|---|---|---|
| Income before income taxes | $125.6 | $123.0 | $125.6 | $374.5 | $398.1 |
| Less: | | | | | |
| Redemption fees | 6.5 | 7.1 | 6.9 | 21.2 | 21.7 |
| Non-recurring item(s) | — | — | — | — | 4.9 |
| Gain (loss) on marketable securities | 0.0 | 0.2 | 0.7 | 0.2 | (0.4) |
| Add: | | | | | |
| Amortization of DSC and fund contracts | 40.9 | 41.5 | 41.7 | 124.4 | 125.6 |
| Pre-tax operating earnings | $160.0 | $157.2 | $159.7 | $477.5 | $497.5 |
| per share | $0.56 | $0.55 | $0.56 | $1.68 | $1.73 |

As illustrated in Table 5, EBITDA for the quarter ended September 30, 2012 was $175.2 million ($0.62 per share) compared with $176.8 million ($0.61 per share) for the quarter ended September 30, 2011 and $173.1 million ($0.61 per share) for the quarter ended June 30, 2012. The year-over-year change in quarterly EBITDA primarily reflects the decrease in average management fee rates offset by the increase in average assets under management. For the nine months ended September 30, 2012, EBITDA was $524.8 million ($1.85 per share) compared with $552.5 million ($1.92 per share) for the same period of last year, reflecting the decline in average assets under management and the change in asset mix. The nine months ended September 30, 2011 also included $4.9 million in non-recurring revenue.

EBITDA as a percentage of total revenues (EBITDA margin) for the third quarter of 2012 was 48.5%, up from 48.1% in the third quarter of 2011 and up from the prior quarter. This indicates that on a consecutive quarter basis, CI is earning slightly more profit for every dollar of revenue earned.

**TABLE 5: EBITDA and EBITDA Margin**

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

| *(in millions, except per share amounts)* | Quarter ended Sept. 30, 2012 | Quarter ended Jun. 30, 2012 | Quarter ended Sept. 30, 2011 | Nine months ended Sept. 30, 2012 | Nine months ended Sept. 30, 2011 |
|---|---|---|---|---|---|
| Net income | $91.3 | $71.3 | $90.8 | $257.2 | $289.1 |
| Add: | | | | | |
| Interest expense | 6.3 | 6.2 | 7.0 | 18.7 | 20.7 |
| Income tax expense | 34.3 | 51.7 | 34.8 | 117.3 | 109.0 |
| Amortization of DSC and fund contracts | 40.9 | 41.5 | 41.7 | 124.4 | 125.6 |
| Amortization of other items | 2.4 | 2.4 | 2.5 | 7.2 | 8.1 |
| EBITDA | $175.2 | $173.1 | $176.8 | $524.8 | $552.5 |
| per share | $0.62 | $0.61 | $0.61 | $1.85 | $1.92 |
| EBITDA margin (as a % of revenue) | 48.5% | 48.2% | 48.1% | 48.3% | 48.5% |

## ASSET MANAGEMENT SEGMENT

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

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

| *(in millions, except per share amounts)* | Quarter ended Sept. 30, 2012 | Quarter ended Jun. 30, 2012 | Quarter ended Sept. 30, 2011 | Nine months ended Sept. 30, 2012 | Nine months ended Sept. 30, 2011 |
|---|---|---|---|---|---|
| Management fees | $318.8 | $313.5 | $321.4 | $951.9 | $990.7 |
| Other revenue | 9.0 | 10.2 | 10.3 | 29.0 | 35.4 |
| Total revenue | $327.8 | $323.7 | $331.7 | $980.9 | $1,026.1 |
| Selling, general and administrative | $57.7 | $57.6 | $58.6 | $173.7 | $178.6 |
| Trailer fees | 97.4 | 95.3 | 97.3 | 289.4 | 299.7 |
| Amortization of deferred sales commissions and fund contracts | 41.6 | 42.2 | 42.4 | 126.5 | 127.8 |
| Other expenses | 1.1 | 0.5 | 1.7 | 1.7 | 3.6 |
| Total expenses | $197.8 | $195.6 | $200.0 | $591.3 | $609.7 |
| Income before taxes and non-segmented items | $130.0 | $128.1 | $131.7 | $389.6 | $416.4 |

**Revenues**

Revenues from management fees were $318.8 million for the quarter ended September 30, 2012, a decrease of 1% from $321.4 million for the quarter ended September 30, 2011 and an increase of 2% from $313.5 million for the quarter ended June 30, 2012. The increase in management fees from the prior quarter was a result of the 1.5% increase in average assets under management. Although average assets under management were up 2.3% from the third quarter of last year, the average management fee rate declined from 1.80% to 1.75% over the year as a result of changes in the asset mix of CI's funds and the proportion of funds in each asset class. This caused lower management fee revenues year over year.

The weighting of equity funds declined over the past year in favour of balanced and bond funds, which generally have lower management fees. Similarly, a greater percentage of assets under management are in Class F, Class I and separately managed accounts, which have lower management fees than Class A funds.

For the quarter ended September 30, 2012, other revenue was $9.0 million versus $10.3 million and $10.2 million for the quarters ended September 30, 2011 and June 30, 2012, respectively. Included in other revenue are redemption fees, which were $6.5 million for the quarter ended September 30, 2012 compared with $6.9 million and $7.1 million for the quarters ended September 30, 2011 and June 30, 2012, respectively. For the nine months ended September 30, 2012, other revenue was $29.0 million compared to $35.4 million for the same period in the prior year. Other revenue for the prior nine-month period included $4.9 million in proceeds from an insurance settlement.

### Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were $57.7 million for the quarter ended September 30, 2012, down from $58.6 million in the third quarter of 2011 and relatively unchanged from $57.6 million for the quarter ended June 30, 2012. As a percentage of average assets under management, SG&A expenses were 0.317% for the quarter ended September 30, 2012, down from 0.328% for the quarter ended September 30, 2011 and 0.325% for the prior quarter. The level of spending increased 0.2% over the prior quarter, whereas average AUM increased 1.5%.

Trailer fees were $97.4 million for the quarter ended September 30, 2012 compared with $97.3 million for the quarter ended September 30, 2011 and $95.3 million for the quarter ended June 30, 2012. Net of inter-segment amounts, this expense was $93.5 million for the quarter ended September 30, 2012 versus $93.7 million for the third quarter of 2011 and $91.6 million for the second quarter of 2012. The change from the prior quarters was due to an increase in average assets under management partially offset by a change in asset mix.

Amortization of deferred sales commissions and fund contracts was $41.6 million for the quarter ended September 30, 2012, down $0.6 million from the quarter ended June 30, 2012 and down $0.8 million from the quarter ended September 30, 2011. This decline remains consistent with the lower amount of deferred sales commissions paid in recent years along with accelerated amortization related to redemptions of deferred load funds.

Other expenses were $1.1 million for the quarter ended September 30, 2012 compared to $1.7 million in the quarter ended September 30, 2011 and $0.5 million in the prior quarter.

Income before income taxes and interest expense for CI's principal segment was $130.0 million for the quarter ended September 30, 2012 compared with $131.7 million in the same period in 2011 and $128.1 million in the previous quarter. The change from the comparable periods generally follows the change in average assets under management offset by the impact of the change in asset mix on management fees and trailer fees. For the nine months ended September 30, 2012, income before income taxes and interest expense was $389.6 million compared with $416.4 million for the first nine months of 2011.

## ASSET ADMINISTRATION SEGMENT

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

### TABLE 7: RESULTS OF OPERATIONS – ASSET ADMINISTRATION SEGMENT

| (in millions) | Quarter ended Sept. 30, 2012 | Quarter ended Jun. 30, 2012 | Quarter ended Sept. 30, 2011 | Nine months ended Sept. 30, 2012 | Nine months ended Sept. 30, 2011 |
|---|---|---|---|---|---|
| Administration fees | $52.6 | $54.5 | $54.3 | $165.5 | $173.7 |
| Other revenue | 3.6 | 3.9 | 4.0 | 11.3 | 11.9 |
| Total revenue | $56.2 | $58.4 | $58.3 | $176.8 | $185.6 |
| Selling, general and administrative | $12.3 | $13.0 | $13.6 | $39.1 | $42.0 |
| Investment dealer fees | 41.3 | 43.2 | 43.1 | 130.9 | 138.0 |
| Amortization of fund contracts | 0.4 | 0.4 | 0.4 | 1.1 | 1.1 |
| Other expenses | 0.8 | 0.9 | 0.8 | 2.5 | 2.5 |
| Total expenses | $54.8 | $57.5 | $57.9 | $173.6 | $183.6 |
| Income before taxes and non-segmented items | $1.4 | $0.9 | $0.4 | $3.2 | $2.0 |

**Revenues**

Administration fees are mainly generated from advisor services in AWM and driven by the level of assets under administration. Administration fees were $52.6 million for the quarter ended September 30, 2012, a decrease of 3% from $54.3 million for the same period last year and a decrease of 3% from the prior quarter. Net of inter-segment amounts, administration fee revenue was $30.1 million for the quarter ended September 30, 2012, down from $31.6 million for the quarter ended September 30, 2011 and down from $31.3 million in the previous quarter. The decrease in revenues from the prior quarter and prior year is due to lower mutual fund and insurance commission revenues this quarter.

Other revenues earned by the Asset Administration segment are generally derived from non-advisor related activities. For the quarter ended September 30, 2012, other revenues were $3.6 million, down from $4.0 million in the third quarter last year and $3.9 million in the previous quarter.

**Expenses**

Investment dealer fees, which represent the payout to advisors on revenues they generate, were $41.3 million for the quarter ended September 30, 2012 compared to $43.1 million for the third quarter last year and $43.2 million for the quarter ended June 30, 2012. Investment dealer fees generally vary with the level of administration fees received.

As detailed in Table 8, dealer gross margin was $11.3 million or 21.5% of administration fee revenue for the quarter ended September 30, 2012 compared to $11.2 million or 20.6% for the third quarter of 2011 and $11.3 million or 20.7% for the previous quarter. For the nine months ended September 30, 2012, dealer gross margin was $34.6 million or 20.9% of administration fee revenue compared to $35.7 million or 20.6% for the same period last year. Generally, as advisors generate less revenues, the payout they earn on incremental revenues decreases, which in turn increases dealer gross margin.

Selling, general and administrative ("SG&A") expenses for the segment were $12.3 million for the quarter ended September 30, 2012 compared to $13.6 million in the third quarter in 2011 and $13.0 million in the second quarter of 2012. This quarter saw a decline in the level of discretionary spend.

The Asset Administration segment had income before income taxes and non-segmented items of $1.4 million for the quarter ended September 30, 2012, up from $0.4 million for the third quarter in 2011 and up from $0.9 million in the prior quarter. For the nine-month period, income before income taxes and non-segmented items was $3.2 million in 2012 versus $2.0 million in 2011.

**TABLE 8: DEALER GROSS MARGIN**

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

| *(in millions)* | Quarter ended Sept. 30, 2012 | Quarter ended Jun. 30, 2012 | Quarter ended Sept. 30, 2011 | Nine months ended Sept. 30, 2012 | Nine months ended Sept. 30, 2011 |
|---|---|---|---|---|---|
| Administration fees | $52.6 | $54.5 | $54.3 | $165.5 | $173.7 |
| Less: | | | | | |
| Investment dealer fees | 41.3 | 43.2 | 43.1 | 130.9 | 138.0 |
| | $11.3 | $11.3 | $11.2 | $34.6 | $35.7 |
| Dealer gross margin | 21.5% | 20.7% | 20.6% | 20.9% | 20.6% |

## LIQUIDITY AND CAPITAL RESOURCES

CI generated $409.3 million of operating cash flow in the nine months ended September 30, 2012 down $33.6 million from $442.9 million in the same period of 2011. 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 because working capital flows can be seasonal, 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 purchase of marketable securities, the funding of capital expenditures, the payment of dividends on its shares, 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 flow to meet its obligations and either pay down debt or repurchase shares.

CI paid sales commissions of $95.7 million in the first nine months of 2012. This compares to $113.2 million in the same nine months of last year. The decrease in sales commissions from the prior year is consistent with the trend in lower gross sales for the nine-month period compared to the same period in the prior year, and the increase in no load fund sales versus back end load fund sales.

CI generated free cash flow of $313.6 million so far in 2012, from operating cash flow of $409.3 million less sales commissions of $95.7 million. CI invested $24.5 million in marketable securities in the first nine months of 2012. During the same period, CI received proceeds of $2.7 million from the disposition of marketable securities, which resulted in a $0.2 million capital gain. The fair value of marketable securities at September 30, 2012 was $66.3 million. Marketable securities are comprised of seed capital investments in CI funds and strategic investments.

During the nine months ended September 30, 2012, CI incurred capital expenditures of $3.0 million, primarily relating to leasehold improvements and investments in technology.

For the first nine months of 2012, CI repurchased 1.1 million shares at a cost of $24.4 million under its normal course issuer bid. CI declared dividends of $204.0 million ($201.2 million paid), which was less than net income for the nine-month period by $53.2 million. CI's current dividend payments are $0.08 per share per month, or approximately $272 million per fiscal year.

During the nine-month period ended September 30, 2012, CI paid down $33.0 million in long-term debt.

The statement of financial position for CI at September 30, 2012 reflects total assets of $3.107 billion, an increase of $21.5 million from $3.085 billion at December 31, 2011. This change can be attributed to an increase in current assets of $54.0 million and a decrease in long-term assets of $32.5 million.

CI's cash and cash equivalents increased by $31.6 million to $154.2 million in the first nine months of 2012 as free cash flow was greater than debt repayments, dividends paid and share repurchases. Marketable securities increased by $24.2 million due to a $20.0 million investment along with some smaller investments. Accounts receivable and prepaid expenses remain relatively unchanged at $69.5 million compared to $70.2 million.

Deferred sales commissions decreased $27.0 million during the nine-month period as amortization of $122.7 million exceeded sales commissions paid of $95.7 million. Capital assets decreased $3.2 million as a result of $6.2 million amortized during the period offset by $3.0 million in capital additions.

Total liabilities decreased by $12.5 million during the first nine months of 2012 to $1.452 billion at September 30, 2012. The primary contributors to this change were a $33.0 million decrease in long-term debt offset by an increase of $18.2 million in future income taxes. The increase in future income taxes relates to the Ontario government's decision to rescind previously legislated reductions in corporate tax rates.

At September 30, 2012, CI had $750.0 million in outstanding debentures at an average interest rate of 3.25% and a carrying value of $748.1 million. CI's credit facility was undrawn at the end of the period. At December 31, 2011, CI had $780.4 million of debt outstanding at an average rate of 3.19%. Net of cash and marketable securities, debt was $527.6 million at September 30, 2012, down from $615.7 million at December 31, 2011. The average debt level for the nine months ended September 30, 2012 was approximately $756 million, compared to $852 million for the same period last year.

As mentioned earlier, at September 30, 2012 CI had not drawn against its $250 million credit facility. Principal repayments on any drawn amounts are only required should the bank decide not to renew the facility on its anniversary, in which case 6.25% of the principal would be repaid at each calendar quarter-end, with the balance payable at the end of the credit facility term (March 14, 2015). These payments would be payable beginning March 31, 2013 should the bank not renew the facility.

CI's current ratio of debt (net of excess cash) to EBITDA is 0.8 to 1, slightly below CI's long-term target of 1 to 1. CI expects that, absent acquisitions in which debt is increased, excess cash flow will be used to pay down debt and the ratio of debt to EBITDA will trend lower. CI is within its financial covenants with respect to its credit facility, which requires that the debt-to-EBITDA ratio remain below 2.5 to 1, and assets under management not fall below $40 billion, based on a rolling 30-day average.

On December 17, 2012, $250 million in outstanding debentures will mature. CI intends to use available cash on hand and either a portion of its credit facility or a public debt issue to repay this amount.

Shareholders' equity increased by $34.0 million in the first nine months of 2012 to $1.654 billion at September 30, 2012, which approximates net income less dividends and share repurchases.

## RISK MANAGEMENT

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

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

### MARKET RISK

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and equity and commodity prices. 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 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 ability to pay 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 Operating Officer, with the assistance of the Chief Compliance Officer. CI has a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements. CI's compliance group carefully reviews the exposure to interest rate risk, foreign exchange risk and equity risk. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure.

At September 30, 2012, approximately 25% 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 50 basis point change in the value of these securities would cause a change of about $1 million in annual pre-tax earnings in the Asset Management segment.

At September 30, 2012, about 68% 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 18% 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 about $15 million in the Asset Management segment's annual pre-tax earnings.

About 66% of CI's assets under management were held in equity securities at September 30, 2012, 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 about $54 million in annual pre-tax earnings in the Asset Management segment.

### 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 1% of the total income before non-segmented items (this segment had income of $1.4 million before income taxes and non-segmented items for the quarter ended September 30, 2012). Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate market risk. 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.

**LIQUIDITY RISK**

Liquidity risk is the risk that CI may not be able to generate sufficient funds within the time required in order to meet its obligations as they come due. While CI monitors its liquidity risk through a daily cash management process, access to financing may be negatively impacted by unprecedented market volatility and the European debt crisis. These factors may affect the ability of CI to obtain funds or make other arrangements on terms favourable to CI.

**STRATEGIC RISKS**

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

**DISTRIBUTION RISK**

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

**OPERATIONAL RISKS**

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

**COMPETITION**

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

**REGULATORY AND LEGAL RISK**

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

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

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

### COMMITMENT OF FINANCIAL ADVISORS AND OTHER KEY PERSONNEL

The 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.

### INFORMATION REGARDING GUARANTORS

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

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30* (unaudited)**

| | CI Financial | | CI Investments | | Other Subsidiaries | | Consolidating Adjustments | | Total Consolidated Amounts | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions of dollars)* | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenue | 76.1 | 103.3 | 321.9 | 324.0 | 92.5 | 98.9 | (129.0) | (158.8) | 361.5 | 367.4 |
| Net income | 72.8 | 99.4 | 82.7 | 81.6 | 8.6 | 10.9 | (72.8) | (101.1) | 91.3 | 90.8 |

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30* (unaudited)**

| | CI Financial | | CI Investments | | Other Subsidiaries | | Consolidating Adjustments | | Total Consolidated Amounts | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions of dollars)* | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenue | 211.5 | 541.3 | 961.1 | 1,037.7 | 288.4 | 302.7 | (374.5) | (742.1) | 1,086.5 | 1,139.6 |
| Net income | 201.5 | 529.9 | 230.5 | 301.0 | 26.2 | 26.8 | (201.0) | (568.6) | 257.2 | 289.1 |

**BALANCE SHEET DATA AS AT SEPTEMBER 30, 2012 AND DECEMBER 31, 2011* (unaudited)**

| | CI Financial | | CI Investments | | Other Subsidiaries | | Consolidating Adjustments | | Total Consolidated Amounts | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions of dollars)* | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **ASSETS** | | | | | | | | | | |
| Current assets | 436.4 | 486.8 | 223.6 | 170.2 | 210.2 | 199.9 | (456.4) | (497.1) | 413.8 | 359.8 |
| Non-current assets | 1,751.2 | 1,697.5 | 2,878.7 | 2,936.1 | 146.9 | 137.4 | (2,084.1) | (2,045.8) | 2,692.7 | 2,725.2 |
| Current liabilities | 300.4 | 301.9 | 113.4 | 106.9 | 147.5 | 150.4 | (10.2) | (3.2) | 551.1 | 556.0 |
| Non-current liabilities | 197.7 | 222.1 | 1,238.1 | 1,302.0 | 0.1 | 0.2 | (534.7) | (615.4) | 901.2 | 908.9 |

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

## RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia ("Scotiabank") owns approximately 37% 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 nine months ended September 30, 2012, CI incurred charges for deferred sales commissions of $1.2 million and $3.9 million, respectively [three and nine months ended September 30, 2011 – $1.1 million and $3.9 million, respectively] and trailer fees of $5.0 million and $15.0 million, respectively [three and nine months ended September 30, 2011 – $5.2 million and $15.0 million, respectively] which were paid or payable to Scotiabank and its related parties. The balance payable to Scotiabank and its related parties as at September 30, 2012 of $1.7 million [December 31, 2011 – $1.7 million] is included in accounts payable and accrued liabilities.

### SHARE CAPITAL

As at September 30, 2012, CI had 283,100,829 shares outstanding.

At September 30, 2012, 6.6 million options to purchase shares were outstanding, of which 2.7 million options were exercisable.

**CONTRACTUAL OBLIGATIONS**

The table that follows summarizes CI's contractual obligations at September 30, 2012.

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 | 750.0 | 250.0 | — | 200.0 | — | 300.0 | — |
| Operating leases | 106.6 | 11.0 | 9.5 | 9.0 | 8.9 | 8.5 | 59.7 |
| Total | $856.6 | $261.0 | $9.5 | $209.0 | $8.9 | $308.5 | $59.7 |

## SIGNIFICANT ACCOUNTING ESTIMATES

The September 30, 2012 Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IFRS. For a discussion of all significant accounting policies, please refer to Note 1 of the December 31, 2011 Notes to the Consolidated Financial Statements. Included in the December 31, 2011 Notes to the Consolidated Financial Statements is Note 4, 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 statement of financial position. 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 management and assets under administration for each of CI's operating segments. The multiple used by CI reflects recent transactions and research reports by independent equity research analysts. CI has reviewed 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 statement of financial position.

## 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 September 30, 2012 that has materially affected or is reasonably likely to materially affect the 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 September 30, 2012 (unaudited)

CI Financial Corp.

# Consolidated Statements

**OF FINANCIAL POSITION (UNAUDITED)**

| *[in thousands of Canadian dollars]* | As at September 30, 2012<br>$ | As at December 31, 2011<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **154,196** | 122,550 |
| Client and trust funds on deposit | **123,788** | 124,978 |
| Marketable securities | **66,348** | 42,099 |
| Accounts receivable and prepaid expenses | **69,494** | 70,168 |
| **Total current assets** | **413,826** | 359,795 |
| | | |
| Capital assets, net | **46,418** | 49,634 |
| Deferred sales commissions, net of accumulated | | |
| amortization of $490,768 [December 31, 2011 – $494,642] | **464,163** | 491,216 |
| Intangibles | **2,155,031** | 2,156,433 |
| Other assets | **27,077** | 27,904 |
| | **3,106,515** | 3,084,982 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities *[note 5]* | **124,803** | 120,797 |
| Provisions for other liabilities | **1,200** | 2,417 |
| Dividends payable *[note 7]* | **45,292** | 42,526 |
| Client and trust funds payable | **123,294** | 123,745 |
| Income taxes payable | **6,633** | 8,736 |
| Current portion of long-term debt *[note 2]* | **249,878** | 257,763 |
| Total current liabilities | **551,100** | 555,984 |
| Deferred lease inducement | **17,356** | 18,489 |
| Long-term debt *[note 2]* | **498,236** | 522,592 |
| Provisions for other liabilities | **6,158** | 6,530 |
| Deferred income taxes *[note 8]* | **379,433** | 361,202 |
| Total liabilities | **1,452,283** | 1,464,797 |
| | | |
| **Shareholders' equity** | | |
| Share capital *[note 3(a)]* | **1,965,364** | 1,964,334 |
| Contributed surplus | **14,403** | 20,059 |
| Deficit | **(325,928)** | (362,377) |
| Accumulated other comprehensive income (loss) | **393** | (1,831) |
| Total shareholders' equity | **1,654,232** | 1,620,185 |
| | **3,106,515** | 3,084,982 |

(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 September 30

| *[in thousands of Canadian dollars, except per share amounts]* | **2012** **$** | 2011 $ |
|---|---|---|
| **REVENUE** | | |
| Management fees | **318,807** | 321,431 |
| Administration fees | **30,121** | 31,646 |
| Redemption fees | **6,525** | 6,870 |
| Gain on sale of marketable securities | **4** | 707 |
| Other income | **6,037** | 6,727 |
| | **361,494** | 367,381 |
| **EXPENSES** | | |
| Selling, general and administrative | **69,920** | 72,193 |
| Trailer fees *[note 5]* | **93,535** | 93,717 |
| Investment dealer fees | **23,302** | 24,799 |
| Amortization of deferred sales commissions | **40,361** | 41,133 |
| Amortization of intangibles | **594** | 585 |
| Interest *[note 2]* | **6,267** | 6,976 |
| Other | **1,901** | 2,427 |
| | **235,880** | 241,830 |
| Income before income taxes | **125,614** | 125,551 |
| Provision for income taxes *[note 8]* | | |
| Current | **34,288** | 37,753 |
| Deferred | **33** | (2,986) |
| | **34,321** | 34,767 |
| Net income for the period | **91,293** | 90,784 |
| Other comprehensive income (loss), net of tax | | |
| Unrealized gain (loss) on available-for-sale financial assets, | | |
| net of income taxes of $504 [2011 – $(410)] | **3,304** | (2,496) |
| Total other comprehensive income (loss), net of tax | **3,304** | (2,496) |
| Comprehensive income | **94,597** | 88,288 |
| Basic earnings per share *[note 3(c)]* | **$0.32** | $0.32 |
| Diluted earnings per share *[note 3(c)]* | **$0.32** | $0.31 |

*(see accompanying notes)*

# Consolidated Statements

**OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)**

for the nine-month period ended September 30

| *[in thousands of Canadian dollars, except per share amounts]* | **2012** **$** | 2011 $ |
|---|---|---|
| **REVENUE** | | |
| Management fees | **951,886** | 990,664 |
| Administration fees | **94,247** | 101,666 |
| Redemption fees | **21,249** | 21,722 |
| Gain (loss) on sale of marketable securities | **221** | (396) |
| Other income | **18,911** | 25,978 |
| | **1,086,514** | 1,139,634 |
| **EXPENSES** | | |
| Selling, general and administrative | **212,795** | 220,568 |
| Trailer fees *[note 5]* | **278,164** | 288,611 |
| Investment dealer fees | **73,559** | 79,912 |
| Amortization of deferred sales commissions | **122,719** | 123,886 |
| Amortization of intangibles | **1,761** | 1,816 |
| Interest *[note 2]* | **18,733** | 20,741 |
| Other | **4,261** | 6,002 |
| | **711,992** | 741,536 |
| Income before income taxes | **374,522** | 398,098 |
| Provision for income taxes *[note 8]* | | |
| Current | **99,437** | 94,583 |
| Deferred | **17,891** | 14,388 |
| | **117,328** | 108,971 |
| Net income for the period | **257,194** | 289,127 |
| Other comprehensive income (loss), net of tax | | |
| Unrealized gain (loss) on available-for-sale financial assets, net of income taxes of $333 [2011 – $(400)] | **2,191** | (2,360) |
| Reversal of losses to net income on available-for-sale financial assets, net of income taxes of $6 [2011 – $125] | **33** | 681 |
| Total other comprehensive income (loss), net of tax | **2,224** | (1,679) |
| Comprehensive income | **259,418** | 287,448 |
| Basic and diluted earnings per share *[note 3(c)]* | **$0.91** | $1.00 |

*(see accompanying notes)*

# Consolidated Statements

## OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

for the nine-month period ended September 30

| *[in thousands of Canadian dollars]* | Share capital *[note 3(a)]* $ | Contributed surplus $ | Deficit $ | Accumulated other comprehensive income (loss) $ | Total $ |
|---|---|---|---|---|---|
| **Balance, January 1, 2012** | **1,964,334** | **20,059** | **(362,377)** | **(1,831)** | **1,620,185** |
| Comprehensive income | **—** | **—** | **257,194** | **2,224** | **259,418** |
| Dividends declared *[note 7]* | **—** | **—** | **(204,014)** | **—** | **(204,014)** |
| Shares repurchased | **(7,693)** | **—** | **(16,731)** | **—** | **(24,424)** |
| Issuance of share capital on exercise of options | **8,723** | **(8,593)** | **—** | **—** | **130** |
| Compensation expense for equity-based plans | **—** | **2,937** | **—** | **—** | **2,937** |
| Change during the period | **1,030** | **(5,656)** | **36,449** | **2,224** | **34,047** |
| **Balance, September 30, 2012** | **1,965,364** | **14,403** | **(325,928)** | **393** | **1,654,232** |
| **Balance, January 1, 2011** | 1,984,488 | 21,846 | (440,404) | 144 | 1,566,074 |
| Comprehensive income | — | — | 289,127 | (1,679) | 287,448 |
| Dividends declared *[note 7]* | — | — | (172,723) | — | (172,723) |
| Shares repurchased | (11,920) | | (22,690) | — | (34,610) |
| Issuance of share capital on exercise of options and vesting of deferred equity units | 10,941 | (7,224) | — | — | 3,717 |
| Compensation expense for equity-based plans | — | 5,288 | — | — | 5,288 |
| Change during the period | (979) | (1,936) | 93,714 | (1,679) | 89,120 |
| **Balance, September 30, 2011** | 1,983,509 | 19,910 | (346,690) | (1,535) | 1,655,194 |

*(see accompanying notes)*

# Consolidated Statements

## OF CASH FLOWS (UNAUDITED)

For the three-month period ended September 30

| *[in thousands of Canadian dollars]* | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | 91,293 | 90,784 |
| Add (deduct) items not involving cash | | |
| Gain on sale of marketable securities | (4) | (707) |
| Equity-based compensation | 1,063 | 1,758 |
| Amortization of deferred sales commissions | 40,361 | 41,133 |
| Amortization of intangibles | 594 | 585 |
| Amortization of other | 2,318 | 2,507 |
| Deferred income taxes | 33 | (2,986) |
| Cash provided by operating activities before changes in operating assets and liabilities | 135,658 | 133,074 |
| Net change in non-cash working capital balances | 45,142 | 54,595 |
| Income taxes paid | (23,820) | (31,363) |
| Interest paid | (95) | (746) |
| **Cash provided by operating activities** | 156,885 | 155,560 |
| **INVESTING ACTIVITIES** | | |
| Purchase of marketable securities | (2,183) | (15,017) |
| Proceeds on sale of marketable securities | 101 | 15,028 |
| Additions to capital assets | (187) | (1,172) |
| Deferred sales commissions paid | (25,218) | (28,889) |
| (Increase) decrease in other assets | (125) | 631 |
| Additions to intangibles | (162) | — |
| **Cash used in investing activities** | (27,774) | (29,419) |
| **FINANCING ACTIVITIES** | | |
| Repurchase of share capital *[note 3(a)]* | (5,932) | (34,610) |
| Issuance of share capital *[note 3(a)]* | 12 | — |
| Dividends paid to shareholders *[note 7]* | (67,983) | (64,704) |
| **Cash used in financing activities** | (73,903) | (99,314) |
| **Net increase in cash and cash equivalents during the period** | 55,208 | 26,827 |
| Cash and cash equivalents, beginning of period | 98,988 | 178,964 |
| **Cash and cash equivalents, end of period** | 154,196 | 205,791 |

(see accompanying notes)

# Consolidated Statements

**OF CASH FLOWS (UNAUDITED)**

for the nine-month period ended September 30

| *[in thousands of Canadian dollars]* | **2012** **$** | 2011 $ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | **257,194** | 289,127 |
| Add (deduct) items not involving cash | | |
| (Gain) loss on sale of marketable securities | **(221)** | 396 |
| Equity-based compensation | **2,937** | 5,288 |
| Amortization of deferred sales commissions | **122,719** | 123,886 |
| Amortization of intangibles | **1,761** | 1,816 |
| Amortization of other | **7,021** | 7,967 |
| Deferred income taxes | **17,891** | 14,388 |
| Cash provided by operating activities before changes in operating assets and liabilities | **409,302** | 442,868 |
| Net change in non-cash working capital balances | **115,107** | 116,359 |
| Income taxes paid | **(101,477)** | (189,503) |
| Interest paid | **(12,756)** | (14,619) |
| **Cash provided by operating activities** | **410,176** | 355,105 |
| **INVESTING ACTIVITIES** | | |
| Purchase of marketable securities | **(24,463)** | (32,670) |
| Proceeds on sale of marketable securities | **2,719** | 31,482 |
| Additions to capital assets | **(3,046)** | (20,886) |
| Deferred sales commissions paid | **(95,666)** | (113,246) |
| Decrease in other assets | **827** | 14,356 |
| Additions to intangibles | **(359)** | — |
| **Cash used in investing activities** | **(119,988)** | (120,964) |
| **FINANCING ACTIVITIES** | | |
| Decrease in long-term debt | **(33,000)** | (23,908) |
| Repurchase of share capital *[note 3(a)]* | **(24,424)** | (34,610) |
| Issuance of share capital *[note 3(a)]* | **130** | 3,711 |
| Dividends paid to shareholders *[note 7]* | **(201,248)** | (190,080) |
| **Cash used in financing activities** | **(258,542)** | (244,887) |
| **Net increase (decrease) in cash and cash equivalents during the period** | **31,646** | (10,746) |
| Cash and cash equivalents, beginning of period | **122,550** | 216,537 |
| **Cash and cash equivalents, end of period** | **154,196** | 205,791 |

(see accompanying notes)

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

**September 30, 2012 and 2011**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of CI have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* [“IAS 34”] as issued by the International Accounting Standards Board [“IASB”] and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2011.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of CI on November 6, 2012.

**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. The notes presented in these unaudited interim condensed consolidated financial statements include, in general, only significant changes and transactions occurring since CI’s last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2011.

**Basis of consolidation**

The unaudited interim condensed consolidated financial statements include the accounts of CI, CI Investments Inc. [“CI Investments”] and Assante Wealth Management (Canada) Ltd. [“AWM”] and their subsidiaries, which are entities over which CI has control. Control exists when CI has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Hereinafter, CI and its subsidiaries are referred to as CI.

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

## 2. LONG-TERM DEBT

Long-term debt consists of the following:

| | As at September 30, 2012 $ | As at December 31, 2011 $ |
|---|---|---|
| **Credit facility** | | |
| Bankers' acceptances | — | 26,000 |
| Prime rate loan | — | 7,000 |
| | — | 33,000 |
| **Debentures** | | |
| $250 million, 3.30%, due December 17, 2012 | **249,878** | 249,514 |
| $200 million, 4.19%, due December 16, 2014 | **199,466** | 199,258 |
| $300 million, 3.94% until December 13, 2015 and floating rate until December 14, 2016 | **298,770** | 298,583 |
| | **748,114** | 747,355 |
| | **748,114** | 780,355 |
| **Current portion of long-term debt** | **249,878** | 257,763 |

### Credit facility

Effective March 1, 2012, CI renewed its revolving credit facility with two chartered banks and on May 11, 2012 increased the amount that may be borrowed under the credit facility to $250 million. All other financial terms of the credit facility were not amended.

### 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 September 30, 2012, the fair value of the interest rate swap was an unrealized gain of $7,002 [December 31, 2011 – unrealized gain of $9,899] 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, 2010** | **287,434** | **1,984,488** |
| Issuance of share capital on vesting of deferred equity units and exercise of share options | 863 | 12,575 |
| Share repurchase | (4,730) | (32,729) |
| **Common shares, balance, December 31, 2011** | **283,567** | **1,964,334** |
| Issuance of share capital on exercise of share options | 442 | 7,010 |
| Share repurchase | (301) | (2,083) |
| **Common shares, balance, March 31, 2012** | **283,708** | **1,969,261** |
| Issuance of share capital on exercise of share options | 180 | 1,454 |
| Share repurchase | (545) | (3,786) |
| **Common shares, balance, June 30, 2012** | **283,343** | **1,966,929** |
| Issuance of share capital on exercise of share options | 21 | 259 |
| Share repurchase | (263) | (1,824) |
| **Common shares, balance, September 30, 2012** | **283,101** | **1,965,364** |

**[B] EMPLOYEE INCENTIVE SHARE OPTION PLAN**

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

CI granted 243,360 and 1,989,052 options, respectively during the three months ended June 30 and March 31, 2012 [three months ended March 31, 2011 – 1,577,170 options] to employees. The fair value method of accounting is used for the valuation of the 2012 and 2011 share option grants. Compensation expense is recognized over the three-year vesting period, assuming an estimated forfeiture rate of 0% and 1.4%, respectively for the options issued during the three months ended June 30 and March 31, 2012 [options issued 2011 – 0% - 1%], 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 2012 and 2011 option grants was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| Year of grant | 2012 | 2012 | 2011 | 2011 |
|---|---|---|---|---|
| # of options grants *[in thousands]* | 243 | 1,989 | 370 | 1,207 |
| Vesting terms | 1/3 at end of each year | 1/3 at end of each year | 1/3 at end of each year | 1/3 at end of each year |
| Dividend yield | 4.892% – 5.257% | 4.837% – 5.197% | 4.514% – 4.833% | 4.702% – 5.035% |
| Expected volatility | 18% | 18% | 20% | 20% |
| Risk-free interest rate | 1.335% – 1.439% | 1.374% – 1.528% | 2.276% – 2.637% | 2.202% – 2.592% |
| Expected life *[years]* | 2.7 – 4.0 | 2.7 – 4.0 | 3.0 – 4.2 | 3.0 – 4.2 |
| Fair value per stock option | $1.81 – $2.01 | $1.84 – $2.06 | $2.40 – $2.71 | $2.26 – $2.54 |
| Exercise price | $21.73 | $21.98 | $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, 2010** | **6,270** | **15.50** |
| **Options exercisable, December 31, 2010** | **727** | **13.52** |
| Options granted | 1,577 | 21.76 |
| Options exercised (*) | (1,665) | 12.90 |
| Options cancelled | (164) | 18.02 |
| **Options outstanding, December 31, 2011** | **6,018** | **17.08** |
| **Options exercisable, December 31, 2011** | **1,585** | **15.96** |
| Options granted | 1,989 | 21.98 |
| Options exercised (*) | (1,174) | 12.01 |
| Options cancelled | (41) | 20.34 |
| **Options outstanding, March 31, 2012** | **6,792** | **20.01** |
| **Options exercisable, March 31, 2012** | **2,731** | **17.88** |
| Options granted | 243 | 21.73 |
| Options exercised (*) | (293) | 14.48 |
| Options cancelled | (27) | 21.61 |
| **Options outstanding, June 30, 2012** | **6,715** | **20.31** |
| **Options exercisable, June 30, 2012** | **2,731** | **18.20** |
| Options exercised (*) | (52) | 14.53 |
| Options cancelled | (27) | 21.50 |
| **Options outstanding, September 30, 2012** | **6,636** | **20.35** |
| **Options exercisable, September 30, 2012** | **2,678** | **18.27** |

*(*) Weighted-average share price of exercises was $22.63 and $21.88 during the three and nine months ended September 30, 2012 [year ended December 31, 2011 – $21.68]*

Options outstanding and exercisable as at September 30, 2012 are as follows:

| Exercise price<br>$ | Number of<br>options outstanding<br>*[in thousands]* | Weighted average<br>remaining contractual life<br>*[years]* | Number of<br>options exercisable<br>*[in thousands]* |
|---|---|---|---|
| 11.60 | 553 | 1.4 | 553 |
| 12.57 | 166 | 1.2 | 166 |
| 15.59 | 151 | 1.5 | 151 |
| 18.20 | 135 | 1.7 | 135 |
| 19.48 | 184 | 2.6 | 119 |
| 21.27 | 1,761 | 2.4 | 1,075 |
| 21.55 | 1,110 | 3.3 | 356 |
| 21.73 | 243 | 4.7 | — |
| 21.98 | 1,963 | 4.4 | — |
| 22.45 | 370 | 3.4 | 123 |
| **11.60 to 22.45** | **6,636** | **3.1** | **2,678** |

### [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 nine months ended September 30:

| *[in thousands]* | **3 months ended Sept. 30, 2012** | **9 months ended Sept. 30, 2012** | 3 months ended Sept. 30, 2011 | 9 months ended Sept. 30, 2011 |
|---|---|---|---|---|
| **Numerator:** | | | | |
| Net income – basic and diluted | **$91,293** | **$257,194** | $90,784 | $289,127 |
| **Denominator:** | | | | |
| Weighted average number of common shares – basic | **283,330** | **283,524** | 287,664 | 287,854 |
| Weighted average effect of dilutive stock options and deferred equity units (*) | **504** | **615** | 1,083 | 1,302 |
| **Weighted average number of common shares – diluted** | **283,834** | **284,139** | 288,747 | 289,156 |
| **Net earnings per common share** | | | | |
| **Basic** | **$0.32** | **$0.91** | $0.32 | $1.00 |
| **Diluted** | **$0.32** | **$0.91** | $0.31 | $1.00 |

*(*) The determination of the weighted average number of common shares – diluted excludes 3,686 and 2,576 thousand shares related to stock options that were anti-dilutive for the three and nine months ended September 30, 2012, respectively [1,539 thousand for the three and nine months ended September 30, 2011]*

### [D] MAXIMUM SHARE DILUTION

The following table presents the maximum number of shares that would be outstanding if all the outstanding options as at October 31, 2012 were exercised:

| *[in thousands]* | |
|---|---|
| Shares outstanding at October 31, 2012 | 283,075 |
| Options to purchase shares | 6,621 |
| | 289,696 |

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

## 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 September 30, 2012, CI met its capital requirements.

CI's capital consists of the following:

| | **As at September 30, 2012 $** | As at December 31, 2011 $ |
|---|---|---|
| Shareholders' equity | **1,654,232** | 1,620,185 |
| Long-term debt (including current portion) | **748,114** | 780,355 |
| Total capital | **2,402,346** | 2,400,540 |

## 5. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia ["Scotiabank"] owns approximately 37% 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 nine months ended September 30, 2012, CI incurred charges for deferred sales commissions of $1,150 and $3,929, respectively [three and nine months ended September 30, 2011 – $1,101 and $3,922, respectively] and trailer fees of $5,044 and $15,009, respectively [three and nine months ended September 30, 2011 – $5,177 and $14,978, respectively] which were paid or payable to Scotiabank and its related parties. The balance payable to Scotiabank and its related parties as at September 30, 2012 of $1,673 [December 31, 2011 – $1,681] is included in accounts payable and accrued liabilities.

## 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 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 September 30, 2012 is as follows:

| | Asset management $ | Asset administration $ | Intersegment eliminations $ | Total $ |
|---|---|---|---|---|
| Management fees | 318,807 | — | — | 318,807 |
| Administration fees | — | 52,563 | (22,442) | 30,121 |
| Other revenues | 8,947 | 3,619 | — | 12,566 |
| **Total revenue** | 327,754 | 56,182 | (22,442) | 361,494 |
| Selling, general and administrative | 57,662 | 12,258 | — | 69,920 |
| Trailer fees | 97,372 | — | (3,837) | 93,535 |
| Investment dealer fees | — | 41,290 | (17,988) | 23,302 |
| Amortization of deferred sales commissions and intangibles | 41,606 | 375 | (1,026) | 40,955 |
| Other expenses | 1,068 | 833 | — | 1,901 |
| **Total expenses** | 197,708 | 54,756 | (22,851) | 229,613 |
| **Income before income taxes and non-segmented items** | 130,046 | 1,426 | 409 | 131,881 |
| Interest expense | | | | (6,267) |
| Provision for income taxes | | | | (34,321) |
| **Net income for the period** | | | | 91,293 |

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

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

| | Asset management $ | Asset administration $ | Intersegment eliminations $ | Total $ |
|---|---|---|---|---|
| Management fees | 321,431 | — | — | 321,431 |
| Administration fees | — | 54,333 | (22,687) | 31,646 |
| Other revenues | 10,283 | 4,021 | — | 14,304 |
| **Total revenue** | 331,714 | 58,354 | (22,687) | 367,381 |
| Selling, general and administrative | 58,570 | 13,623 | — | 72,193 |
| Trailer fees | 97,323 | — | (3,606) | 93,717 |
| Investment dealer fees | — | 43,122 | (18,323) | 24,799 |
| Amortization of deferred sales commissions and intangibles | 42,445 | 376 | (1,103) | 41,718 |
| Other expenses | 1,632 | 795 | — | 2,427 |
| **Total expenses** | 199,970 | 57,916 | (23,032) | 234,854 |
| **Income before income taxes and non-segmented items** | 131,744 | 438 | 345 | 132,527 |
| Interest expense | | | | (6,976) |
| Provision for income taxes | | | | (34,767) |
| **Net income for the period** | | | | 90,784 |

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

Segmented information as at and for the nine months ended September 30, 2012 is as follows:

| | Asset management $ | Asset administration $ | Intersegment eliminations $ | Total $ |
|---|---|---|---|---|
| Management fees | 951,886 | — | — | 951,886 |
| Administration fees | — | 165,479 | (71,232) | 94,247 |
| Other revenues | 29,010 | 11,371 | — | 40,381 |
| **Total revenue** | 980,896 | 176,850 | (71,232) | 1,086,514 |
| Selling, general and administrative | 173,690 | 39,105 | — | 212,795 |
| Trailer fees | 289,381 | — | (11,217) | 278,164 |
| Investment dealer fees | — | 130,870 | (57,311) | 73,559 |
| Amortization of deferred sales commissions and intangibles | 126,481 | 1,127 | (3,128) | 124,480 |
| Other expenses | 1,751 | 2,510 | — | 4,261 |
| **Total expenses** | 591,303 | 173,612 | (71,656) | 693,259 |
| **Income before income taxes and non-segmented items** | 389,593 | 3,238 | 424 | 393,255 |
| Interest expense | | | | (18,733) |
| Provision for income taxes | | | | (117,328) |
| **Net income for the period** | | | | 257,194 |
| Identifiable assets | 741,927 | 257,236 | (11,656) | 987,507 |
| Indefinite life intangibles | | | | |
| Goodwill | 927,344 | 192,582 | — | 1,119,926 |
| Fund contracts | 999,082 | — | — | 999,082 |
| **Total assets** | 2,668,353 | 449,818 | (11,656) | 3,106,515 |

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

Segmented information for the nine months ended September 30, 2011 is as follows:

| | Asset management $ | Asset administration $ | Intersegment eliminations $ | Total $ |
|---|---|---|---|---|
| Management fees | 990,664 | — | — | 990,664 |
| Administration fees | — | 173,703 | (72,037) | 101,666 |
| Other revenues | 35,379 | 11,925 | — | 47,304 |
| **Total revenue** | 1,026,043 | 185,628 | (72,037) | 1,139,634 |
| Selling, general and administrative | 178,602 | 41,966 | — | 220,568 |
| Trailer fees | 299,735 | — | (11,124) | 288,611 |
| Investment dealer fees | — | 138,028 | (58,116) | 79,912 |
| Amortization of deferred sales commissions and intangibles | 127,835 | 1,128 | (3,261) | 125,702 |
| Other expenses | 3,485 | 2,517 | — | 6,002 |
| **Total expenses** | 609,657 | 183,639 | (72,501) | 720,795 |
| **Income before income taxes and non-segmented items** | 416,386 | 1,989 | 464 | 418,839 |
| Interest expense | | | | (20,741) |
| Provision for income taxes | | | | (108,971) |
| **Net income for the period** | | | | 289,127 |
| **As at December 31, 2011** | | | | |
| Identifiable assets | 731,810 | 246,536 | (12,372) | 965,974 |
| Indefinite life intangibles | | | | |
| Goodwill | 927,344 | 192,582 | — | 1,119,926 |
| Fund contracts | 999,082 | — | — | 999,082 |
| **Total assets** | 2,658,236 | 439,118 | (12,372) | 3,084,982 |

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

## 7. DIVIDENDS

The following dividends were paid by CI during the three and nine months ended September 30, 2012:

| Record date | Payment date | Cash dividend per share $ | Total dividend amount $ |
|---|---|---|---|
| December 31, 2011 | January 13, 2012 | 0.075 | 21,220 |
| January 31, 2012 | February 15, 2012 | 0.075 | 21,274 |
| February 29, 2012 | March 15, 2012 | 0.080 | 22,702 |
| Paid during the three months ended March 31, 2012 | | | 65,196 |
| March 31, 2012 | April 13, 2012 | 0.08 | 22,698 |
| April 30, 2012 | May 15, 2012 | 0.08 | 22,705 |
| May 31, 2012 | June 15, 2012 | 0.08 | 22,666 |
| Paid during the three months ended June 30, 2012 | | | 68,069 |
| Paid during the six months ended June 30, 2012 | | | 133,265 |
| June 30, 2012 | July 13, 2012 | 0.08 | 22,668 |
| July 31, 2012 | August 15, 2012 | 0.08 | 22,668 |
| August 31, 2012 | September 14, 2012 | 0.08 | 22,647 |
| Paid during the three months ended September 30, 2012 | | | 67,983 |
| Paid during the nine months ended September 30, 2012 | | | 201,248 |

The following dividends were declared but not paid during the three months ended September 30, 2012:

| Record date | Payment date | Cash dividend per share $ | Total dividend amount $ |
|---|---|---|---|
| September 30, 2012 | October 15, 2012 | 0.08 | 22,646 |
| October 31, 2012 | November 15, 2012 | 0.08 | 22,646 |
| Declared and accrued as at September 30, 2012 | | | 45,292 |

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

The following dividends were paid by CI during the three and nine months ended September 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 |
| June 30, 2011 | July 15, 2011 | 0.075 | 21,634 |
| July 31, 2011 | August 15, 2011 | 0.075 | 21,501 |
| August 31, 2011 | September 15, 2011 | 0.075 | 21,569 |
| Paid during the three months ended September 30, 2011 | | | 64,704 |
| Paid during the nine months ended September 30, 2011 | | | 190,080 |

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

| Record date | Payment date | Cash dividend per share $ | Total dividend amount $ |
|---|---|---|---|
| September 30, 2011 | October 14, 2011 | 0.075 | 21,482 |
| October 31, 2011 | November 15, 2011 | 0.075 | 21,481 |
| Declared and accrued as at September 30, 2011 | | | 42,963 |

On November 6, 2012, The Board of Directors declared monthly cash dividends of $0.08 per share payable on December 14, 2012, January 15, 2013 and February 15, 2013 to shareholders of record on November 30, 2012, December 31, 2012 and January 31, 2013, respectively.

## 8. INCOME TAXES

The Ontario general corporate tax rate was scheduled to be reduced to 11% effective July 1, 2012, and to 10% effective July 1, 2013. On March 27, 2012, the Ontario Ministry of Finance, in its 2012 Budget, proposed freezing the general corporate tax rate at 11.5% and deferring previously enacted corporate tax rate reductions. On June 20, 2012, the legislation became substantively enacted resulting in a $18.8 million non-cash future income tax expense for the quarter ended June 30, 2012.

# Q3

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