Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") dated February 18, 2009 presents an analysis of the financial position of CI Financial Income Fund and its subsidiaries ("CI") as at December 31, 2008, compared with December 31, 2007, and the results of operations for the quarter ended and year ended December 31, 2008, compared with the quarter and year ended December 31, 2007.

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

This MD&A contains forward-looking statements with respect to future financial performance, strategy and business conditions. These statements are based on current expectations, estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. These statements are subject to risks and uncertainties, which may prove to be inaccurate. Therefore actual results may differ materially from current expectations and those expressed or implied by CI. Factors that may cause such differences include, but are not limited to, general economic and market conditions including interest and foreign exchange rates, global financial markets, legislative and regulatory changes, industry competition, technological developments and catastrophic events. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of this MD&A and to the "Risk Factors" section of CI's Annual Information Form ("AIF) dated February 29, 2008 and subsequently filed AIFs, which are available at www.sedar.com. The reader is cautioned against undue reliance on these forward-looking statements.

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

Selected Annual Information
(millions, except per unit amounts)

	Year ended December 31, 2008	Year ended December 31, 2007	Twelve months ended December 31, 2006
Total revenue	$1,511.9	$1,654.9	$1,365.6
Total expenses	1,086.0	1,093.6	861.0
Income before income taxes	$425.9	$561.3	$504.6
Income taxes	(19.4)	(63.8)	32.7
Net income	$445.4	$625.1	$471.9
Earnings per unit	$1.60	$2.21	$1.66
Distributions paid per unit	$1.88	$2.20	$1.425
Total assets	$3,594.5	$3,626.5	$2,739.4
Total long-term debt	$999.4	$927.9	$576.1
Units outstanding	292.493	281.514	280.133
Average units outstanding	278.658	282.214	284.232

Summary of Quarterly Results
(millions of dollars, except per unit amounts)

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Management fees	243.3	302.7	316.9	301.0	322.2	326.3	329.7	314.6
Administration fees	58.7	60.0	72.8	74.4	81.3	75.6	94.6	40.8
Other revenues	22.4	18.4	19.0	22.3	23.6	15.9	16.7	13.6
Total revenues	324.4	381.1	408.7	397.7	427.1	417.8	441.0	369.0
Selling, general and administrative	79.8	80.3	94.7	77.8	92.4	88.5	92.4	73.4
Trailer fees	70.7	88.1	91.4	85.9	93.8	92.9	93.1	89.0
Investment dealer fees	35.5	40.2	46.4	47.4	51.8	49.5	56.0	31.9
Amortization of deferred sales commissions	37.7	36.5	35.0	33.4	32.1	30.9	29.4	27.4
Interest expense	11.1	10.7	12.9	11.8	11.4	10.6	10.0	7.6
Other expenses	14.7	25.5	9.0	9.5	9.4	7.7	9.8	2.6
Total expenses	249.5	281.3	289.4	265.8	290.9	280.1	290.7	231.9
Income before income taxes	74.9	99.8	119.3	131.9	136.2	137.7	150.3	137.1
Income taxes	21.7	(18.3)	(15.4)	(7.5)	(51.5)	(6.0)	(1.3)	(5.0)
Net income	53.2	118.1	134.7	139.4	187.7	143.7	151.6	142.1
Earnings per unit	0.19	0.42	0.48	0.50	0.66	0.50	0.54	0.51
Distributions paid per unit	0.34	0.51	0.49	0.54	0.57	0.55	0.54	0.54

Overview

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. CI also became one of the country's largest income trusts in June 2006. In October 2008, CI announced that it would convert back to a corporate structure and on January 1, 2009 effected that conversion. Reporting provided herein as at December 31, 2008 still refers to units, unitholders and distributions; whereas from January 1, 2009 references will be to shares, shareholders and dividends.

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

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

The current economic downturn and market volatility have significantly impacted CI's revenues, as the assets on which CI earns fees have declined sharply. Some expenses, such as trailer fees and investment advisor fees, are directly variable with assets under management and have fallen in step with revenues; however, most of CI's expenses are fixed in nature. CI took a restructuring charge in the third quarter and by trimming its workforce and by reducing discretionary expenses was able to mitigate some of the effect on net income.

As central banks move to combat the weakening economy by cutting interest rates and as bond yields tumble, CI has benefited from reduced funding costs. Ten-year treasury rates dropped from 4.0% early in 2008 to 2.7% by year end. Similarly, 30-day bankers' acceptances, which CI primarily uses to fund its debt, declined from 4.5% to 1.5% over the same period. These declines in interest rates have reduced CI's expected interest expense significantly and the issuance of over $200 million in equity just before year-end reduced CI's debt as well.

In the face of this economic uncertainty, CI's funds have continued to sell well. CI's funds generally have had good relative performance although there are questions as to the appetite for investment funds during times of such extreme market volatility. CI also offers a wide range of segregated funds, which provide safety of capital over a 10 year period, and these have proven to continue to be attractive to investors. Gross sales of funds in the fourth quarter were comparable to those of the prior year and this trend of steady sales has continued.

Fee-Earning Assets and Sales

Total fee-earning assets, which include CI mutual and segregated funds, United funds, structured products, institutional managed assets at KBSH and Altrinsic Global Advisors (collectively, assets under management or AUM), AWM assets under administration, Blackmont assets under administration and other fee-earning assets at December 31, 2008 were $80.3 billion, a decrease of 24% from $105.5 billion at December 31, 2007. As shown in the following chart, these assets are represented by $50.4 billion in retail managed funds, $0.4 billion in structured products, $3.8 billion in institutional managed assets at KBSH and Altrinsic Global Advisors, $18.4 billion in AWM assets under administration, $6.2 billion in Blackmont assets under administration and $1.1 billion in other fee-earning assets.

Fee-earning Assets
as at December 31

(in billions)	2008	2007	% change
Retail managed funds	$50.4	$63.6	(21)
Structured products	0.4	0.6	(33)
Total retail assets under management	$50.8	$64.2	(21)
Institutional managed assets	3.8	4.9	(22)
Total assets under management	$54.6	$69.1	(21)
AWM assets under administration	18.4	25.7	(28)
Blackmont assets under administration	6.2	9.1	(32)
Total assets under administration*	$24.6	$34.8	(29)
CI other fee-earning assets	1.1	1.6	(31)
Total fee-earning assets	$80.3	$105.5	(24)

*Includes $8.3 billion and $11.1 billion in assets managed by CI Investments and United in 2008 and 2007, respectively.

Retail assets under management form the majority of CI's fee-earning assets and provide most of its revenue and net income. The change in assets under management during the past two years is detailed in the table below.

(in billions)	2008	2007
Retail assets under management at January 1	$64.2	$62.7
Gross sales	11.6	11.4
Redemptions	9.9	9.5
Net sales	$1.7	$1.9
Acquired assets	-	0.4
Market performance	(15.1)	(0.8)
Retail assets under management at December 31	$50.8	$64.2

The table that follows sets out the levels and change in CI's average retail assets under management and the gross and net sales for the relevant periods. As most of CI's revenue and expenses are based on assets throughout the year, average asset levels are critical to the analysis of CI's financial results. The change in CI's 2008 average retail assets from 2007 is the result of negative market performance partially offset by positive net sales. Negative market performance was the result of the significant declines in equity markets around the world in 2008. While this is representative of a sharp downturn in the economic cycle, the full extent or duration of the decline in assets under management cannot be predicted.

(in billions)	Quarter ended December 31, 2008	Quarter ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Average retail AUM	$50.380	$64.485	$60.208	$64.958
Change from prior period	(22%)		(7%)	
Gross sales	$2.5	$2.6	$11.6	$11.4
Net sales	($0.1)	$0.3	$1.7	$1.9

Industry net redemptions of mutual funds reported by the Investment Funds Institute of Canada ("IFIC") were $9.9 billion for the three months ended December 31, 2008, down $16.6 billion from net sales of $6.7 billion in the same period last year. For the year ended December 31, 2008, IFIC reported net redemptions of long-term funds of $14.2 billion, compared with net sales of $27.0 billion for the same period in 2007. Total industry assets as reported by IFIC at December 31, 2008 of $507.0 billion were down 20% from $636.8 at December 31, 2007. Sales and assets reported by IFIC are helpful as indicators of trends affecting a significant portion of CI's business. It should be noted that IFIC figures do not include CI, as CI does not report this information to IFIC.

Results of Operations

CI reported net income of $445.4 million ($1.60 per unit) for the year ended December 31, 2008, a decrease of 29% from the $625.1 million ($2.21 per unit) reported in the year ended December 31, 2007.

The results of operations include amounts recorded for equity-based compensation expense, which varies from period to period based on CI's unit price, the extent of vesting during the period and the price at which options were exercised during the period. Earnings for the year ended December 31, 2008 were increased by an equity-based compensation expense recovery of $20.5 million ($13.7 million after tax), versus an expense of $12.1 million ($7.7 million after tax) in the year ended December 31, 2007.

CI also adjusted the value of its marketable securities by $11.0 million ($9.2 million after tax) during 2008, took an $11.0 million ($7.3 million after tax) restructuring charge and accelerated the vesting of certain employees' deferred equity units, which resulted in additional amortization of $3.3 million ($2.2 million after tax) in 2008. In 2007, there were no adjustments to marketable securities, restructuring charges or acceleration of deferred equity unit amortization.

Net income adjusted for the above items totalled $450.4 million ($1.62 per unit) for the year ended December 31, 2008, a decrease of 29% from the $632.8 million ($2.24 per unit) for the year ended December 31, 2007.

Net income of $53.2 million for the quarter ended December 31, 2008 was 72% lower than the $187.7 million reported for the quarter ended December 31, 2007. On a per unit basis, CI earned $0.19 in the quarter ended December 31, 2008, down from $0.66 reported for the comparative period last year.

In the quarter ended December 31, 2008, the value of marketable securities was adjusted by $6.0 million ($5.0 million after tax) and the amortization of deferred equity units was accelerated by $3.3 million ($2.2 after tax).

The impact of equity-based compensation expense was a recovery of $0.9 million ($0.6 million after tax) in the fourth quarter of 2008, while for the quarter ended December 31, 2007, earnings were decreased by an equity-based compensation expense of $4.8 million ($3.0 million after tax).

Adjusted for these items, net income was $59.8 million ($0.22 per unit) for the quarter ended December 31, 2008, down 69% from $190.7 million ($0.67 per unit) for the quarter ended December 31, 2007.

CI incurred an income tax expense of $21.7 million in the quarter ended December 31, 2008, compared with an income tax recovery of $51.5 million in the quarter ended December 31, 2007. In 2007, future income tax rates were reduced and CI booked an increase to its future tax assets of $36.4 million. In 2008, CI's tax shelter related to its income trust structure was discontinued during the fourth quarter and it reported a non-cash future tax expense of $19.3 million.

CI's pre-tax operating earnings, as set out below, adjust for the impact of equity-based compensation and gains on or adjustments to marketable securities. Redemption fees and the amortization of deferred sales commissions and fund contracts are also deducted to remove the impact of back-end financed assets under management.

Redemption fee revenue increased to $9.4 million in the fourth quarter from $7.6 million in the comparative period last year, and to $36.0 million for the year ended December 31, 2008 from $31.5 million for the year ended December 31, 2007. Redemption fees increased due to higher levels of redemptions at a higher average fee rate.

Amortization of deferred sales commissions and fund contracts increased to $38.8 million in the quarter ended December 31, 2008 from $33.1 million in the quarter ended December 31, 2007. As well, amortization over the 12 month period increased to $147.2 million from $123.5 million as a result of higher spending on deferred sales commissions, which has grown consistently since 2003.

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, performance fees and investment gains, plus amortization of deferred sales commissions ("DSC") and fund contracts, equity-based compensation expense, restructuring costs and adjustments to marketable securities, and accelerated DEU amortization .

(in millions, except per unit amounts)	Quarter ended Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Income before income taxes	$74.9	$136.2	$425.9	$561.3
Less:				
Redemption fees	9.4	7.6	36.0	31.5
Performance fees	2.8	2.9	3.5	2.9
Gain on marketable securities	-	1.4	-	1.7
Add:				
Amortization of DSC and fund contracts	38.8	33.1	147.2	123.5
Equity-based compensation expense	(0.9)	4.8	(20.5)	12.1
Restructuring costs and adjustment to marketable securities	6.0	-	22.0	-
Accelerated DEU amortization	3.3	-	3.3	-
Pre-tax operating earnings	$109.9	$162.2	$538.4	$660.8
per unit	$0.40	$0.57	$1.93	$2.34

Pre-tax operating earnings were down $52.3 million to $109.9 million for the quarter ended December 31, 2008, compared with the same period in 2007. For the year ended December 31, 2008, CI's pre-tax operating earnings per unit were $1.93, a decrease of 18% from $2.34 for the year ended December 31, 2007.

As shown in the table below, EBITDA decreased to $128.2 million in the quarter ended December 31, 2008 from $184.2 million in the quarter ended December 31, 2007. EBITDA for the year ended December 31, 2008 was $633.6 million, a decrease of 14% from $737.9 million for the year ended December 31, 2007.

After adjusting for the items discussed earlier (equity-based compensation, the acceleration of deferred equity unit amortization and the adjustment to marketable securities), EBITDA per unit for the fourth quarter of 2008 was $0.49, down 27% from $0.67 for the same period in 2007.
The decrease in both EBITDA and pre-tax operating earnings is primarily a result of the decline in average retail managed assets and CI's operating margin.

Interest expenses of $46.6 million were recorded for the year ended December 31, 2008, compared with $39.6 million for the year ended December 31, 2007. This increase in interest expenses reflects higher average debt levels, as discussed under "Liquidity and Capital Resources." CI's average debt level increased primarily due to unit buybacks and was reduced substantially in December when CI issued 15,000,000 units. Debt is generally used to fund growth in the company and to repurchase unit capital. EBITDA provides information on the results of operations prior to the impact on interest expense of such capital structure decisions and financing activities.

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

(in millions, except per unit amounts)	Quarter ended Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Net income	$53.2	$187.7	$445.4	$625.1
Add (deduct):				
Interest expense	11.2	11.4	46.6	39.6
Income tax expense (recovery)	21.7	(51.5)	(19.4)	(63.8)
Amortization of DSC and fund contracts	38.8	33.1	147.2	123.5
Amortization of other items	3.3	3.5	13.8	13.5
EBITDA	$128.2	$184.2	$633.6	$737.9
per unit	$0.46	$0.65	$2.27	$2.61
EBITDA margin (as a % of revenue)	40%	43%	42%	45%

Asset Management Segment

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

Results of Operations

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

(in millions)	Quarter ended Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Management fees	$243.3	$322.2	$1,163.8	$1,292.7
Other revenue	14.0	19.3	48.3	55.6
Total revenue	$257.3	$341.5	$1,212.1	$1,348.3
Selling, general and administrative	49.4	63.2	199.2	242.1
Trailer fees	73.5	97.5	350.3	384.0
Amortization of deferred sales commissions and fund contracts	39.2	33.3	148.5	124.2
Other expenses	4.9	7.9	21.5	18.7
Total expenses	$167.0	$201.9	$719.5	$769.0
Income before taxes and non-segmented items	$90.3	$139.6	$492.6	$579.3

Income before income taxes and interest expense for CI's principal segment was $90.3 million for the quarter ended December 31, 2008, a decrease of 35% from $139.6 million in the same period in 2007. For the year ended December 31, 2008, income before income taxes and interest expense for the Asset Management segment was $492.6 million, a decrease of 15% compared with $579.3 million for the year ended December 31, 2007. The decrease was primarily a result of lower revenues caused by lower average retail assets under management.

Revenues

Revenues from management fees were $243.3 million for the quarter ended December 31, 2008, a decrease of $78.9 million or 24% from the quarter ended December 31, 2007. Management fee revenue for the year ended December 31, 2008 was $1,163.8 million, a decrease of 10% compared with the year ended December 31, 2007. The decrease was mainly attributable to lower average retail assets under management, which were 22% and 7% lower for the quarter and year ended December 31, 2008, respectively, compared with the same periods in 2007. This decrease in assets is due to the significant declines in equity markets around the world in 2008. As a percentage of average retail assets under management, management fees were 1.921% and 1.933% for the quarter and year ended December 31, 2008, down from 1.982% and 1.990% in the respective quarter and year ended December 31, 2007.

Average management fee rates have decreased as a result of a change in the mix between equity and bond and money market funds. This change in asset mix is a result of the greater market depreciation in equity funds compared to bond and money market funds and investor preference for lower-risk investment products. As well, there is a continuing trend towards a higher proportion of CI's assets being Class F and Class I funds, which have lower management fees. Class F funds pay no trailer fees to advisors, who typically charge their clients a flat or asset-based fee. Class I funds have reduced management fees for institutional clients with large holdings. At December 31, 2008, there was $600.1 million and $5.7 billion in Class F and Class I funds, respectively, making up a combined 12.4% of retail assets under management. At December 31, 2007, the combined Class F and Class I funds were 12.1% of retail assets under management, with $737.8 million in Class F funds and $7.0 billion in Class I funds.

For the quarter ended December 31, 2008, other revenue was $14.0 million, decreasing from $19.3 million for the quarter ended December 31, 2007. Other revenue for the year ended December 31, 2008, was $48.3 million, down from $55.6 million for the year ended December 31, 2007. The largest component of other revenue is redemption fees. Redemption fees were $9.4 million and $36.0 million for the respective three months and year ended December 31, 2008. In comparison, redemption fees were $7.6 million and $31.5 million for the three months and year ended December 31, 2007, respectively. The increase in redemption fees over the comparative periods is a result of higher levels of redemptions.

Also included in other revenue are fees from KBSH. Included in the quarter ended December 31, 2008 is $1.9 million from KBSH compared with $3.0 million from KBSH in the same period in 2007. KBSH contributed $10.2 million to other revenue for the year ended December 31, 2008 compared with $8.7 million for the prior year.

Expenses

Selling, general and administrative ("SG&A") expenses for the Asset Management segment were $49.4 million for the quarter ended December 31, 2008, a decrease of 22% from $63.2 million for the comparative period last year. For the year ended December 31, 2008, SG&A expenses were $199.2 million, a decrease of 18% from $242.1 million for the year ended December 31, 2007. Included in SG&A are expenses relating to CI's equity-based compensation plan. For the respective quarter and year ended December 31, 2008, an equity-based compensation expense recovery of $1.1 million and $22.1 million was recorded, compared with an expense of $4.8 million and $12.1 million for the respective quarter and year ended December 31, 2007. Also included in SG&A expenses is a $3.3 million charge for accelerated DEU amortization for the quarter and year ended December 31, 2008, which is related to CI's equity-based compensation.

At December 31, 2007, based on the price per CI trust unit of $28.07, the potential payment on all vested equity-based compensation outstanding, plus a proportion of unvested amounts, was $27.2 million. Based on the price per CI trust unit at December 31, 2008 of $14.50, the equity-based compensation liability decreased by $27.1 million to $0.1 million, representing the remaining in-the-money options. Though CI acknowledges that the equity-based compensation expense is clearly a cost of business that is tied to the performance of CI's trust unit price, the financial results presented hereinafter both include and exclude the expense to aid the reader in conducting a comparative analysis.

SG&A expenses net of the amount related to equity-based compensation ("net SG&A") were $47.1 million for the quarter ended December 31, 2008 and $58.4 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, net SG&A expenses were $218.0 million, compared to $230.0 million for the year ended December 31, 2007. The decrease from the prior year is a result of management's actions to control expenses during the year's market volatility.

As a percentage of average retail assets under management, net SG&A expenses were 0.372% and 0.362% for the quarter and year ended December 31, 2008, respectively. This compares with 0.359% for the quarter ended December 31, 2007 and 0.354% for the year ended December 31, 2007. The ratios increased from the prior year as a result of the larger drop in average retail assets under management compared to the decrease in SG&A expenses for the quarter and for the year ended December 31, 2008.

Trailer fees decreased from $97.5 million for the quarter ended December 31, 2007 to $73.5 million for the quarter ended December 31, 2008. Net of intersegment amounts, this expense decreased from $93.8 million for the quarter ended December 31, 2007 to $70.7 million for the quarter ended December 31, 2008. Trailer fees decreased from $384.0 million in the year ended December 31, 2007 to $350.3 million for the year ended December 31, 2008. Net of intersegment amounts, this expense decreased from $368.8 million for the year ended December 31, 2007 to $336.1 million for the year ended December 31, 2008.

For the quarter ended December 31, 2008, CI's operating profit margin on the Asset Management segment, as a percentage of average retail assets under management and adjusted for equity-based compensation expense, was 0.990%, down from 1.046% for the same period last year. Similarly, for the year ended December 31, 2008, CI's operating profit margin was 1.013%, down from 1.068% for the year ended December 31, 2007. This was primarily a result of lower weighted average management fees as discussed above.

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

Commissions paid from CI's cash resources on the sale of funds on a deferred sales charge basis are, for financial reporting purposes, amortized evenly over the 36 or 84 months immediately following the sale of the funds, for low-load or full-load deferred sales charges, respectively. The actual cash payment in any period is reported in the Consolidated Statements of Cash Flows under Investing Activities. Amortization of deferred sales commissions was $38.4 million for the quarter ended December 31, 2008, compared with $32.1 million for the quarter ended December 31, 2007. Amortization of deferred sales commissions was $145.3 million for the year ended December 31, 2008, compared with $119.9 million for the year ended December 31, 2007. The increase is consistent with the increase in deferred sales commissions paid in the last several years.

Other expenses decreased from $7.9 million for the quarter ended December 31, 2007 to $4.9 million for the quarter ended December 31, 2008. For the year ended December 31, 2008, other expenses increased to $21.5 million from $18.7 million for the comparative period in 2007. Other expenses included $9.2 million related to KBSH for the year ended December 31, 2008 compared with $10.6 million for the year ended December 31, 2007. Also included in other expenses are distribution fees to limited partnerships and expenditures related to corporate strategic initiatives.

Operating Profit Margin

CI monitors its operating profitability on retail assets under management within its Asset Management segment by measuring the operating profit margin, which is defined as management fees from funds less trailer fees and SG&A expenses net of equity-based compensation expense (recovery), calculated as a percentage of average retail assets under management.

(as a % of average retail AUM)	Quarter ended Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Management fees	1.921	1.982	1.933	1.990
Less:				
Trailer fees	0.559	0.577	0.558	0.568
Net SG&A expenses	0.372	0.359	0.362	0.354
Operating profit margin	0.990	1.046	1.013	1.068

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

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

(in millions)	Quarter ended Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Administration fees	$82.0	$106.8	$366.6	$402.6
Other revenue	8.4	4.3	33.8	14.3
Total revenue	$90.4	$111.1	$400.4	$416.9
Selling, general and administrative	30.5	29.2	133.3	104.6
Investment dealer fees	53.4	72.7	252.0	280.2
Amortization of fund contracts	0.3	0.4	1.5	1.5
Other expenses	2.5	0.5	10.6	7.2
Total expenses	$86.7	$102.8	$397.4	$393.5
Income before taxes and non-segmented items	$3.7	$8.3	$3.0	$23.4

The Asset Administration segment had income before income taxes and non-segmented items of $3.7 million for the quarter ended December 31, 2008, down from $8.3 million for the quarter ended December 31, 2007. Income before income taxes and non-segmented items was $3.0 million for the year ended December 31, 2008, down $20.4 million from $23.4 million for the year ended December 31, 2007. The decrease is mainly attributed to a decrease in revenues as well as an increase in SG&A expenses, as Blackmont was consolidated for a full year.

Revenues
Administration fees are earned on assets under administration in the AWM and Blackmont business and from the administration of third-party business. These fees were $82.0 million for the quarter ended December 31, 2008, a decrease of 23% from the $106.8 million for the same period in 2007. For the year ended December 31, 2008, administration fees were $366.6.million, down 9% from $402.6 million for the year ended December 31, 2007. Net of intersegment amounts, administration fee revenue was $58.7 million for the quarter ended December 31, 2008, compared with $81.3 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, net administration fee revenue was $266.0 million, down from $292.3 million for the year ended December 31, 2007. The decrease in administration fee revenue is due to a decrease in assets under administration and a reduction of fee revenue in the capital market division of Blackmont. Administration fees should be considered in conjunction with investment dealer fees, an expense that represents the payout to financial advisors. The decrease in assets under administration is due to the significant declines in equity markets around the world in 2008.

Other revenues earned by the Asset Administration segment are mainly comprised of interest income on cash balances, fees related to registered accounts and foreign exchange gains and losses. For the quarter ended December 31, 2008, other revenues were $8.4 million, increasing from $4.3 million for quarter ended December 31, 2007. Other revenues were higher at $33.8 million for the year ended December 31, 2008 relative to $14.3 million for the year ended December 31, 2007. The increase from the prior year is a result of including Blackmont for 12 months and a reclassification of overhead charges from expense recovery to other income.

Expenses

Investment dealer fees are the direct costs attributable to the operation of the AWM and Blackmont dealerships, including payments to financial advisors based on the revenues generated from assets under administration. These fees decreased as a result of lower revenues and were $53.4 million and $252.0 million for the quarter and year ended December 31, 2008, respectively, compared to $72.7 million and $280.2 million for the comparable periods last year.

As detailed in the table below, dealer gross margin was $28.6 million or 34.9% of administration fee revenue for the quarter ended December 31, 2008 and $114.6 million or 31.3% of administration fee revenue for the year ended December 31, 2008. These figures compare to $34.1 million or 31.9% and $122.4 million or 30.4% for the same periods last year. The increase in year-over-year gross margin is a result of a decrease in variable compensation in the capital markets division of Blackmont and a reduction in advisor grid payouts as lower rates are paid on lower revenue levels. The compensation directly tied to fee revenue is lower at Blackmont (where SG&A costs are generally paid by Blackmont) than at AWM (where SG&A costs are generally borne by advisors). These two businesses have different business models and are operated separately, sharing certain key infrastructure and services from CI.

Selling, general and administrative ("SG&A") expenses for the segment were $30.5 million for the quarter ended December 31, 2008, slightly higher than the $29.2 million expense in the fourth quarter of 2007. For the year ended December 31, 2008, SG&A expenses were $133.3 million, an increase of 27% from $104.6 million for the year ended 2007. This increase is primarily a result of including Blackmont for a full year and a reclassification of overhead charges from expense recovery to other income.

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 Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007
Administration fees	$82.0	$106.8	$366.6	$402.6
Less:				
Investment dealer fees	53.4	72.7	252.0	280.2
	$28.6	$34.1	$114.6	$122.4
Dealer gross margin	34.9%	31.9%	31.3%	30.4%

Liquidity and Capital Resources

The balance sheet for CI at December 31, 2008 reflects total assets of $3.59 billion, a decrease of $32.0 million from $3.63 billion at December 31, 2007. This decrease can be attributed to a decrease in current assets of $64.7 million and an increase in long-term assets of $32.7 million. CI's cash and cash equivalents balance increased by $24.7 million in the year ended December 31, 2008.

CI generates significant cash flow from its operations. Cash flow provided by operating activities was $583.3 million for the year ended December 31, 2008. Excluding the change in working capital, cash flow from operations was $564.6 million. Both levels of cash flow were sufficient to meet distributions during the period.

As CI has converted back to a corporate structure as of January 1, 2009, there is no longer a requirement to pay out substantially all of its cash flow. At current levels of cash flow and anticipated dividend payout rates, CI would produce considerable excess cash in order to meet its obligations and pay down debt.

CI purchased $1.2 million in marketable securities and disposed of $1.9 million for a net increase in cash of $0.7 million in the year ended December 31, 2008. The fair value of marketable securities at December 31, 2008 was $10.8 million. Marketable securities are comprised of seed capital investments in CI's funds and other strategic investments.

Accounts receivable and prepaid expenses increased to $276.9 million at December 31, 2008 from $211.6 million at December 31, 2007. The primary reason for the increase in accounts receivable is a $32.6 million advance to a related party (see Related Party Transactions for details). Future income tax assets decreased by $8.7 million as a result of the $27.1 million decrease in the equity-based compensation liability.

During the 12 months ended December 31, 2008, long-term assets increased primarily as a result of a $48.4 million increase in deferred sales commissions, which reflected new sales commissions paid totalling $190.9 million net of $142.5 million of amortization.

Liabilities decreased by $183.1 million during the year ended December 31, 2008. The $107.6 million decrease in distributions payable was the main contributor to this change. Current income taxes payable decreased by $1.0 million. Future income taxes payable decreased by $34.2 million, mainly due to an increase in the balance of tax loss carry-forwards, which was partially offset by an increase in future income taxes payable on the balance of deferred sales commissions. In addition, the equity-based compensation liability decreased by $27.1 million, as CI's unit price closed down $13.57 since December 31, 2007 and there were fewer options outstanding at the end of December 31, 2008.

CI drew $71.5 million on its credit facility during the year ended December 31, 2008, increasing long-term debt. At December 31, 2008, CI had drawn $999.4 million at an average rate of 3.17%, compared with $927.9 million drawn at an average rate of 4.90% at December 31, 2007. Net of cash and marketable securities, debt was $908.5 million at December 31, 2008, versus $848.3 million at December 31, 2007.

Principal repayments are only required under the facility should the banks decide not to renew the facility on its anniversary, in which case 50% of the principal would be repaid in eight equal calendar quarterly instalments with the balance payable two years following the first quarterly instalment. These payments would be payable beginning June 30, 2009 should the banks not renew the facility. On January 14, 2008, the facility was amended to increase the amount that may be borrowed by $100 million. On July 8, 2008, the facility was further amended to increase the amount that may be borrowed by $150 million. The current limit on the facility is $1.25 billion.

CI's current ratio of debt to EBITDA is 1.6:1. CI is comfortable with this ratio and has a long-term target of 1:1. CI expects that, absent acquisitions in which debt is increased, the amount of debt incurred to finance growth will fall below the amount of increase in EBITDA and the ratio of debt to EBITDA will trend lower. CI's current debt service ratio is 11:1.

CI is well within its financial covenants with respect to its credit facility, which requires that the debt service ratio remain above 1.5, the debt to EBITDA ratio remain below 2.5 to 1, and assets under management not fall below $45 billion for a period of seven consecutive business days.

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

CI paid sales commissions of $190.9 million in the year ended December 31, 2008. This compares to $180.0 million in the year ended December 31, 2007. The amount of deferred sales commissions incurred in the 12 month period ended December 31, 2008 relates to sales of back-end load units of approximately $330 million per month. Sales have continued at approximately the same level as in 2008, and CI expects that current levels of cash flow will be sufficient to continue to fund sales commissions.

During the year ended December 31, 2008, CI incurred capital expenditures of $9.4 million compared to $3.9 million in 2007, primarily for computer hardware and software. While CI has delayed certain minor capital expenditures in the wake of the economic slowdown, key initiatives are continuing and capital expenditures in 2009 should approximate the levels of prior years.

Unitholders' equity increased $151.0 million in the year ended December 31, 2008. During the year, CI repurchased Trust units under its normal course issuer bid, in part to satisfy obligations under its deferred equity unit plan, at a cost of $108.1 million. In December 2008, CI issued 15 million units at a price of $14.00 per unit, raising $202.2 million, net of expenses of $7.8 million. CI declared distributions of $416.7 million ($524.3 million paid), which was less than net income for the year ended December 31, 2008 by $28.7 million. CI has indicated that future dividend levels are expected to be $0.12 per share per quarter, or approximately $140 million per year.

Distributable Cash

(in millions, except per unit)	Quarter ended Dec. 31, 2008	Quarter ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Inception to Dec. 31, 2008
Cash flow from operating activities	$112.6	$186.7	$583.3	$677.6	$1,515.4
Less standardized items:					
Capital expenditures	0.8	1.7	9.4	3.9	18.0
Deferred sales commissions	39.7	41.0	190.9	180.0	444.9
Restrictions on distributions	-	-	-	-	-
Standardized distributable cash	$72.1	$144.0	$383.0	$493.7	$1,052.5
per unit	$0.26	$0.51	$1.37	$1.75	$3.74
Add adjusting items:					
Growth portion of deferred sales commissions	25.7	27.0	134.9	123.0	301.9
Equity-based compensation	0.5	1.7	4.3	17.9	49.3
Non-cash working capital change	0.6	(12.7)	(18.7)	(4.3)	17.5
Adjusted distribution base	$104.7	$160.0	$503.5	$630.3	$1,421.2
per unit	$0.38	$0.56	$1.81	$2.23	$5.05
Distributions paid	$94.2	$163.1	$524.3	$623.9	$1,433.0
per unit	$0.34	$0.57	$1.88	$2.20	$5.09
Cost of unit repurchases	$5.4	$81.9	$108.1	$115.2	$327.9
Pay-out ratio on standardized distributable cash	138%	170%	165%	150%	167%
Pay-out ratio on adjusted distribution base	95%	153%	126%	117%	124%
Pay-out ratio on adjusted distribution base, net of unit repurchases	90%	102%	104%	99%	101%

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

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

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

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

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

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

The pay-out ratio on standardized distributable cash, as set out in the table above, includes the amount disbursed on the repurchase of units during the period. The pay-out ratio on the adjusted distribution base is calculated both with and without the unit repurchase amount. To date, all distributions paid have been on account of income.

Effective January 1, 2009, CI converted to a corporate structure and will no longer calculate distributable cash.

Risk Management

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

Market Risk

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

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

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

Asset Management Segment

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

Management of the Asset Management segment's market risk is the responsibility of the Chief Compliance Officer, who reports to CI's senior management. Management and Compliance have established a control environment that ensures risks are reviewed regularly and that risk controls throughout CI are operating in accordance with regulatory requirements, including risk mitigation where appropriate. Compliance carefully reviews the exposure to interest rate risk, foreign currency risk and equity risk by monitoring and identifying any potential market risks to CI's senior management. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure. During the year, CI's corporate policy remained unchanged but additional resources were allocated to monitor and mitigate market risks.

At December 31, 2008, approximately 20% 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 $0.3 million in annual pre-tax earnings in the Asset Management segment.

At December 31, 2008, close to 68% of CI's assets under management were based in Canadian currency, which diminishes the exposure to foreign exchange risk. However, approximately 13% of CI's assets under management were based in U.S. currency at December 31, 2008. Any change in the value of the Canadian dollar relative to the U.S. currency will cause fluctuations in CI's assets under management upon which CI's management fees are calculated. CI estimates that a 10% change in Canadian/U.S. exchange rates would cause a change of $8.2 million in the Asset Management segment's annual pre-tax earnings.

About 63% of CI's assets under management were held in equity securities, which are subject to equity risk. Equity risk is classified into two categories: general equity risk and issuer-specific risk. CI employs internal and external fund managers to take advantage of these individuals' expertise in particular market niches, sectors and products and to reduce issuer-specific risk through diversification. CI estimates that a 10% change in the prices of equity indices would cause a change of $54.5 million in annual pre-tax earnings.

Asset Administration Segment

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

Risk management for the Asset Administration segment is the responsibility of the Chief Compliance 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 exposed to market risk impacting the Asset Administration segment given that this segment usually generates about 1% of the total income before non-segmented items. This segment had income of $3.0 million before income taxes for the year ended December 31, 2008. Investment advisors regularly review their client portfolios to assess market risk and consult with clients to make appropriate changes to mitigate it. The effect of a 10% change in any component of market risk (comprised of interest rate risk, foreign exchange risk and equity risk) would have resulted in a change of 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 to CI arises when CI extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. CI faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and if CI is unable to recover sufficient value from the collateral held. The credit extended is limited by regulatory requirements and by CI's internal credit policy. Credit risk is managed by dealing with counterparties CI believes to be creditworthy and by actively monitoring credit and margin exposure

and the financial health of the counterparties. CI has concluded that current economic and credit conditions have not significantly impacted its financial assets.

Changes in Economic, Political and Market Conditions

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

Investment Performance of the Funds

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

Competition

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

Management Fees and Other Costs

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

Risks of Significant Redemptions of CI's Assets Under Management

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

Administration Vulnerability and Error

The administrative services provided by CI depend on software supplied by third-party suppliers. Failure of a key supplier, the loss of these suppliers' products, or problems or errors related to such products would have a material adverse effect on the ability of the 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 the CI. There can be no assurances that the CI's systems will operate or that the 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 the CI could have a material adverse effect on its business, financial condition and operating results. CI may also experience losses in connection with employee errors. Although expenses incurred by CI in connection with employee errors have not been significant in the past, there can be no assurances that these expenses will not increase in the future.

Sufficiency of Insurance

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

Regulation of CI

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

General Business Risk and Liability

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

Leverage and Restrictive Covenants

The ability of CI to make distributions or dividends or other payments is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of CI and its subsidiaries (including CI's credit facility). The degree to which CI is leveraged could have important consequences to unitholders, including: CI's ability to obtain additional financing for working capital, capital expenditures or

acquisitions in the future may be limited; CI may be unable to refinance indebtedness on terms acceptable to it or at all; and a significant portion of CI's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing the funds available for future operations. The credit facility contains several restrictive covenants that limit the discretion of CI with respect to certain business matters or require lender consent and a number of financial covenants that require CI to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in CI's credit facility could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under CI's current credit facility were to be accelerated, there can be no assurance that CI's assets would be sufficient to repay in full that indebtedness. In addition, should the lenders elect not to extend the term of CI's current credit facility upon its annual renewal, 50% of the principal would be repaid in eight equal calendar quarterly instalments with the remaining balance payable two years following the first quarterly instalment. There can be no assurance that future borrowings or equity financing will be available to CI, or available on acceptable terms, in an amount sufficient to fund CI's needs.

Unit Price Risk

Unit price risk arises from the potential adverse impact on CI's earnings due to movements in CI's unit price. CI's equity-based compensation liability is directly affected by fluctuations in CI's unit price. CI's senior management actively manages equity risk by employing a number of techniques. This includes closely monitoring fluctuations in CI's unit price and purchasing CI units at optimal times on the open market for the trust created solely for the purposes of holding CI units for CI's equity-based compensation. As well, CI has in the past entered into total return swap transactions to mitigate its exposure to the price of CI units and the resulting fluctuations in its equity based compensation. The effect of a $1.00 change in CI's unit price at December 31, 2008 would have resulted in a change of approximately $2.4 million in equity-based compensation.

Related Party Transactions

On October 6, 2008, Sun Life announced the sale of its 37% interest in CI to Bank of Nova Scotia ("Scotiabank") for $22.00 per unit for a total compensation of $2.3 billion. The transaction closed on December 12, 2008 and as a result, Sun Life is no longer a related party of CI and Scotiabank became a related party for financial reporting purposes.

CI and Sun Life entered into an arrangement whereby, among other things, Sun Life would distribute CI's funds through Sun Life's sales force on a preferred basis and that CI would perform essentially all administrative and management services to Sun Life's Clarica and SunWise segregated funds. These activities are in the normal course of business for CI and Sun Life is compensated at normal commercial rates as a distributor of fund products as disclosed in the funds' prospectus or other offering documents. These payments are in the form of commissions on sales of funds on a deferred sales charge basis ($41.8 million for the period from January 1, 2008 to December 12, 2008 versus $46.4 million for the 12 months ended December 31, 2007) and trailer fees ($90.3 million for the period from January 1, 2008 to December 12, 2008 versus $101.7 million for the 12 months ended December 31, 2007).

CI entered into transactions related to the advisory and distribution of its mutual funds with Scotiabank. These transactions were in the normal course of operations and were recorded at the agreed upon exchange amounts. During the period from December 13, 2008 to December 31, 2008, CI incurred charges for deferred sales commissions of $0.04 million and trailer fees of $0.24 million which were paid or payable to Scotiabank. The balance payable to Scotiabank as at December 31, 2008 of $0.4 million is included in accounts payable and accrued liabilities.

Scotiabank is the agent for CI's revolving credit facility. As at December 31, 2008, CI had drawn $999.4 million against this facility in the form of banker's acceptances ($990.0 million) and a prime rate loan ($9.4 million). During the period of December 13, 2008 to December 31, 2008, CI incurred interest and stamping fees of $1.4 million, which were recorded as interest expense.

During 2008, CI provided a demand loan to one of its managed funds pursuant to a promissory note agreement. The loan facility is for a maximum of $50.0 million and interest is calculated at above market rates. The loan is secured by the assets of the fund by way of a pledge agreement. As at December 31, 2008, $32.6 million was outstanding including interest and is included in accounts receivable and prepaid expenses. During the year ended December 31, 2008, interest of $0.3 million was recorded and included in other income.

Unit Capital

As at December 31, 2008, CI had 234,757,501 Trust units and 57,735,304 Exchangeable LP units outstanding. Effective January 1, 2009, CI converted back to a corporate structure and all Trust and LP units were exchanged on a one-for-one basis into common shares of CI Financial Corp., which is the continuing entity for CI Financial Income Fund.

At December 31, 2008, 3.4 million options to purchase Trust units were outstanding, of which 2.5 million options were exercisable. These options are now all options to purchase common shares under their original terms and conditions.

Contractual Obligations

The table that follows summarizes CI's contractual obligations at December 31, 2008.

Payments Due by Period

(millions)	Total	Less than 1 year	2	3	4	5	5 or more years
Long-term debt	$999.4	$187.4	$249.8	$562.2	$-	$-	$–
Operating leases	54.2	19.2	12.6	7.9	5.7	4.5	4.3
Total	$1,053.6	$206.6	$262.4	$570.1	$5.7	$4.5	$4.3

Significant Accounting Estimates

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. For a discussion of significant accounting policies, refer to Note 1 and Note 2 of the Notes to the Consolidated Financial Statements included in CI's 2008 Annual Report. CI's ongoing review of the fair value of financial instruments resulted in a writedown of $5 million in the third quarter and a writedown of $6 million in the fourth quarter of 2008. CI carries significant goodwill and intangible assets on its balance sheet. CI uses valuation models that use estimates of future market returns and sales and redemptions of investment products as the primary determinants of fair value. CI has reassessed these key variables in light of the current economic climate. Estimates of sales and redemptions are very likely to change as economic conditions either improve or deteriorate, whereas estimates of future market returns are less likely to do so. The models are most sensitive to current levels of assets under management and administration as well as estimates of future market returns. While these balances are not currently impaired, a decline of 10% in the fair value of certain models may result in an impairment of goodwill or other intangibles recorded on the balance sheet.

Changes in Significant Accounting Policies

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

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

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

These standards require significant new disclosures found in Note 12 and Note 13 to the consolidated interim financial statements. The new standards did not have an impact on the financial position or results of operations of CI.

Future Accounting Changes

In February 2008, the AcSB confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for years beginning on or after January 1, 2011. CI will adopt IFRS for the year beginning January 1, 2011 and will present the interim and annual consolidated financial statements including comparative 2010 financial statements in accordance with IFRS.

CI has developed a transition plan for the changeover to IFRS. During the first half of 2009, CI will assess the impact IFRS has on accounting policies and implementation decisions; information technology and data systems; financial statement presentation and disclosures; internal control over financial reporting; disclosure controls and procedures and business activities including the impact on debt covenants. Following this assessment, an implementation plan will be developed to transition CI's financial reporting process, including internal controls and information systems to IFRS. During 2010, CI will internally report its financial results in accordance with IFRS in preparation of adoption on January 1, 2011.

CI is currently in the process of assessing the differences between IFRS and Canadian GAAP, as well as the alternatives available upon adoption. The impact these differences may have on the financial results has not been yet been determined and will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations.

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with management, have designed and evaluated the effectiveness of CI's disclosure controls and procedures as at December 31, 2008. They have concluded that they are reasonably assured these Internal Controls over Financial Reporting ("ICFR") and Disclosure Controls and Procedures ("DC&P"), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, were effective and that material information relating to CI was made known to them within the time periods specified under applicable securities legislation.

The CEO and CFO have designed or caused the design of ICFR and DC&P. The COSO framework was used to assist the CEO and CFO in the evaluation of CI's ICFR. The CEO and CFO used various tools to evaluate ICFR and DC&P which included interaction with key control systems, review of policy and procedure documentation, observation or reperformance of control procedures. There were no reportable deficiencies or material weaknesses identified during the evaluation process. For the year ended December 31, 2008, there were no changes to ICFR.

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.