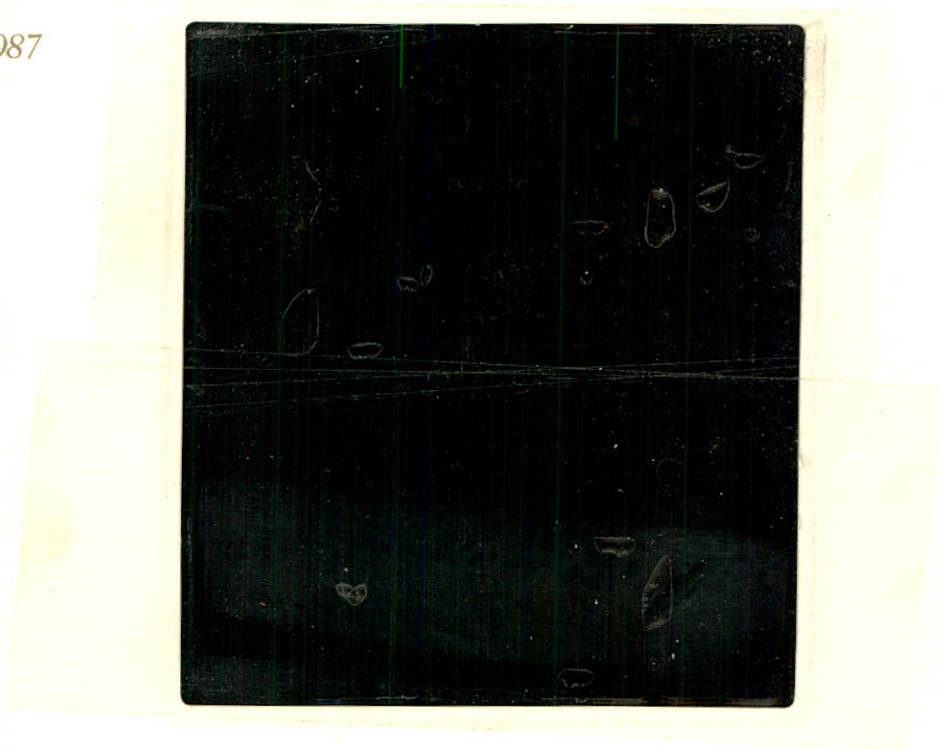
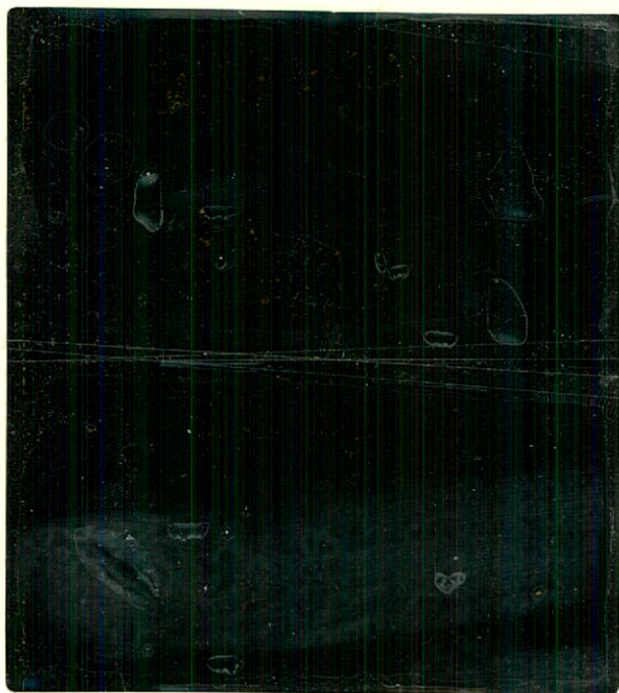


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INVESTORS GROUP INC.

Annual Report 1987





INVESTORS GROUP INC.

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Corporate Profile

The place: Minneapolis, 1894. The company: Investors Syndicate of America, now IDS Financial Services Inc. , offered savings certificates to individuals — encouraging them to plan for financial independence with the idea that “a part of all you earn is yours to keep.”

That same Minneapolis company provided the beginnings for the Investors Group of today — one of Canada’s largest financial services companies. By 1926, IDS had expanded into Canada, and by 1940 Investors Syndicate of Canada was formed in Winnipeg as a wholly-owned subsidiary of IDS. The company’s objective remained the same: to assist the average Canadian become financially independent.

Investors introduced its first mutual fund, Investors Mutual Fund of Canada, in 1950. Along with continued growth came expansion in the company’s range of financial products and services. In 1957, Investors was one of the first companies to offer Registered Retirement Savings Plans.

Investors became a Canadian-owned company in 1956, when IDS sold its shares to a group of Canadian investors. In 1964, the corporate name was changed to The Investors Group, and the company became a financial services holding company. In 1986, a corporate restructuring took place under which Investors Group Inc. acquired the operating subsidiaries of the Investors Group. Today, Investors Group Inc. is a member of the Power Financial Corporation group of companies.

As one of the largest financial services companies in Canada, Investors Group has more than \$8 billion of assets under management or administration. Over 700,000 client accounts across Canada are served by more than 1,800 representatives in over 74 branch offices from coast to coast.

Business has changed since 1894 — but Investors’ objective remains the same: offering financial planning expertise, coupled with the products and services to assist Canadians in achieving their goal: the peace of mind that comes from financial independence.

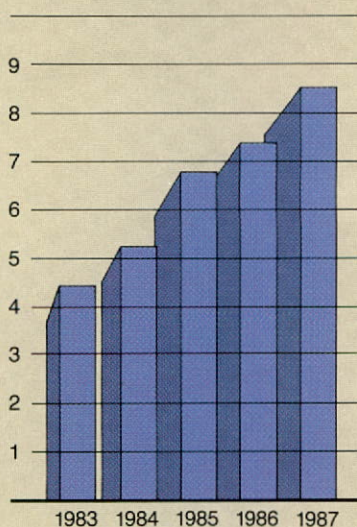
Highlights of the Year

	1987	1986 <i>(Pro forma)</i>	Change
<i>Financial</i>			
Consolidated net income	\$46,129,000	\$34,038,000	+ 36%
Earnings per share	\$1.88	\$1.43	+ 31
Return on invested capital	21.4%	26.1%	- 18
Return on common equity	28.9%	28.2%	+ 2
Total Assets under administration	8,522,000,000	7,562,000,000	+ 13
Corporate assets	1,493,000,000	1,403,900,000	+ 6
Investment income (tax equivalent basis)	169,745,000	178,988,000	- 5
Return on assets	3.03%	2.33%	+ 30

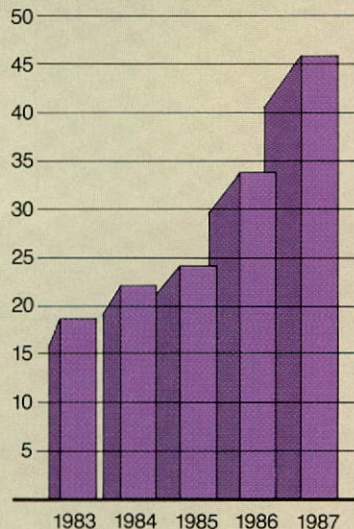
Operational

Sales of financial products and services	\$1,993,500,000	\$1,610,200,000	+ 24%
Including: Mutual Funds	1,498,400,000	1,186,500,000	+ 26
Investment Certificates	282,500,000	154,300,000	+ 83
Insurance and Other	212,600,000	269,400,000	- 21
Mutual Fund assets under management	5,148,100,000	4,378,300,000	+ 18
Mutual Fund Shareholder accounts	601,600	454,800	+ 32
Dividends paid to Mutual Fund Shareholders	384,633,000	309,185,000	+ 24
Investment Certificates (Reserve Value)	1,143,500,000	1,109,000,000	+ 3
Number of Employees and Representatives	2,805	2,416	+ 16
Number of Client Accounts	726,000	588,079	+ 23
Financial Planning Centres	68	62	+ 9

Assets (in \$ billions)



Net Income (in \$ millions)



Directors' Report



ROBERT H. JONES



ARTHUR V. MAURO, C.M., Q.C.

For the fifth consecutive year, Investors Group experienced record levels of sales and earnings. The continuing growth reflects a major increase in the number of financial planners, the introduction of additional products and on-going emphasis on improvement of service to clients.

Financial Results

Net income for the year was \$46,129,000, an increase of 36% over the prior year. Earnings per share on a larger number of shares outstanding were \$1.88 compared with \$1.43 per share in 1986. The increase in operating income results from substantial improvement in certificate operations, along with an increase in fee income.

Gross revenues totalled \$300.2 million, an increase of 5.3% over 1986. Expenses at \$233.2 million were modestly below prior year.

On March 18, 1987, the Company issued an additional 1,000,000 common shares bringing the total issued and outstanding common shares to 24,800,010. Shareholders' equity increased from \$136,747,000 at December 31, 1986 to \$191,738,000 at year-end 1987. The return on common equity was 28.9% and the return on invested capital was 21.4%.

The initial quarterly dividend rate was set at 12.5 cents which was increased in the third quarter to 15 cents, an increase of 20%. A quarterly dividend of 17½ cents per common share has been declared payable on April 29, 1988 to shareholders of record March 28, 1988. The indicated annual dividend of 70 cents represents a 40% increase since the public offering of shares in October of 1986.

Sales

Sales of financial products and services totalled \$1.99 billion, an increase of \$383 million, or 23.8% above 1986 levels. Mutual Fund sales totalled \$1.5 billion, an increase of 26% over the prior year.

In light of the equity market sell-off in October, it is encouraging to note that in the final quarter there was net cash inflow of \$113 million into the Mutual Funds. The redemption rate remains well below industry levels and reflects both the professionalism of our financial planners and the importance of providing improved client service.

Certificate sales at \$282 million were 83% above prior year. Sales of insurance, annuities and other products at \$212 million were down from 1986, due in large part to a shift from annuities to Registered Retirement Income Funds. The Company has taken a leadership role in providing Registered Retirement Income Funds as an alternative to annuities, with sales during the past year totalling \$166.1 million compared to \$65.4 million in 1986. We anticipate continued growth in this area of operations.

Mutual Fund assets increased by 18% to \$5.15 billion, while total assets under administration were \$8.5 billion, an increase of \$960 million over year-end 1986.

The number of client accounts at 726,000 represents an increase of 137,000 over 1986. At year-end, there were 1,818 full-time sales representatives operating out of 68 financial planning centres across Canada. During 1988, the Company plans on opening at least 9 additional financial planning centres.

Growth during the past five years has been dramatic. Over the period from 1982, the number of sales representatives has increased from 956 to 1,818, while sales have increased from \$393 million to \$1.99 billion. This represents a compound growth rate in sales of 38.3%.

Operations

The Investors corporate mission is to assist individuals in achieving financial security. Our goal is to deliver personalized financial services that provide value to our clients and profit to our shareholders. We provide this service through a network of full-time financial planning professionals who distribute Investors products exclusively. The continuing growth in sales, client accounts and assets under administration is indicative of the validity of this approach.

The escalating costs of post-secondary education have led many Canadian families to the realization that provision must be made for the eventual burden of the cost of educating their children. To assist in meeting this need, the Company has introduced through the Investors sales force, a self-directed Registered Education Savings Plan (RESP) which provides a tax-effective method by which clients may direct investment in certain of the Investors mutual funds. In addition, the Company has acquired a 40% interest in Scholarship Consultants of North America Ltd. (SCONA), the leading distributor of pooled RESPs in Canada. The SCONA sales force has been effective in serving a client base not served by Investors. As well as providing participation in SCONA earnings, this investment offers the opportunity of distribution through SCONA of Investors financial services suitable to SCONA clients.

“...balanced portfolio investment, coupled with the proven effectiveness of our trained financial planners, provides confidence for the continued growth of the Company.”

The rate of growth over the past five years has required expansion in support facilities. We are pleased to report that new facilities are now available at One Canada Centre. The new Head Office will provide an improved work environment, as well as increased data processing and computer capacity. We are satisfied that both personnel and facilities are available to maintain a high standard of client service.

During the year, the Board of Directors authorized a realignment of responsibilities of the senior officers of the Company designed to allocate executive responsibility for three major areas of operations; namely, Investments and Trust, Sales and Marketing, Finance and Administration. These changes were implemented July 22nd.

On October 21, 1987, Mr. Roy Piper of Elrose, Saskatchewan, was appointed a director of the Company.

The growth experienced during the past year brought with it heavy demands on both staff and field force. The results achieved are due to their dedication and loyalty. The directors and officers express to them our warm appreciation for their outstanding contribution.

Since the dramatic market decline in October, it has become evident that, in the short term, equity fund sales are trending lower. At the same time, an increased demand for fixed-income and interest-sensitive products has been noted. Your Company offers a wide range of such products, including Guaranteed Investment Certificates, as well as Mortgage, Bond, Real Property and Dividend Funds. Our consistent promotion of balanced portfolio investment, coupled with the proven effectiveness of our trained financial planners, provides confidence for the continued growth of the Company.



ROBERT H. JONES
Chairman of the Board



ARTHUR V. MAURO, C.M., Q.C.
President and Chief Executive Officer

February 4, 1988

Review of Operations

The growth in 1987 of sales, client accounts and the salesforce was accompanied by the introduction of new products, additional support to client servicing and continued emphasis on the training of sales representatives.

Marketing Initiatives

Investors newest mutual fund, Summa Fund, was introduced in January in response to a perceived need for an investment vehicle meeting exacting standards of corporate performance. By the year-end assets exceeded \$35 million, well above projected first year sales.

Another marketing initiative was the introduction of "Managing Retirement Resources", a concept approach designed for Canadians nearing retirement or already retired. It provides a personalized financial blueprint for maximizing retirement income. An integral part of the concept is the microcomputer "OPTIONS" program, a method of providing clients with a comprehensive range of available investment options under various economic and tax situations. The acceptance of this concept reflects the growing demand for comprehensive financial planning in the retirement income market.

Investors, which has been offering Retirement Savings Plans since their introduction in 1957, continues to hold a prominent position in this field. RRSP assets under management now total \$2 billion, compared with \$1.8 billion at previous year-end. Sales of Registered Retirement Income Funds totalled \$166 million during 1987, an increase of 153% over prior year.

Investors Registered Education Savings Plan, designed to assist Canadians in providing for the rising costs of educating their children on a tax-assisted basis, was introduced January 1, 1988.

Client Service

The Investors Service Ethic commits management, sales representatives and staff to the highest standard of service in the industry. During 1987 head office Client Relations staff was expanded to accommodate the increase in client accounts due to higher sales and a higher volume of transactions generated as clients repositioned investments in Investors products. Over the past few years the Company has committed significant funding and increased staffing to data processing and upgraded computer systems. A comprehensive semi-annual

report consolidating information on each of a client's accounts is in the final stage of development. During 1988 expansion of microcomputer software packages for financial planning and extended electronic fund transfer capability will further improve service to clients.

Sales Force

The number of Investors Financial Planning Centres across Canada will be increased from 68 at year-end to 77 in early 1988. Much of the planned expansion will occur in Ontario, Quebec and Atlantic Canada where opportunities for growth are especially favorable. Growth of the sales force is constrained only by the corporate policy to recruit new representatives at a rate that permits maintenance of high standards of professional training.

The number of sales representatives at year-end totalled 1,818, an increase of 224 over the prior year. More than 1,500 of these representatives are licensed to distribute both insurance and Investors mutual funds and investment certificates. This is the largest dual-licensed direct salesforce in Canada.



For an Investors representative, ongoing training forms an integral part of a financial planning career with the company. Representatives come to Winnipeg Head Office for week-long training sessions to increase technical knowledge in investment, taxation and insurance matters. Lisa Pflieger, Supervisor, Sales Support conducts an informal question and answer session during an Initial Training School.

There was continued emphasis placed during the year on training. More than 600 representatives attended week-long training seminars in Winnipeg. In all, more than \$2 million was applied to initial and advanced training, with the objective of equipping representatives to obtain the Chartered Financial Planner designation conferred by the Canadian Institute of Financial Planning. Investors continues to have the largest number of CFP course graduates in the industry.

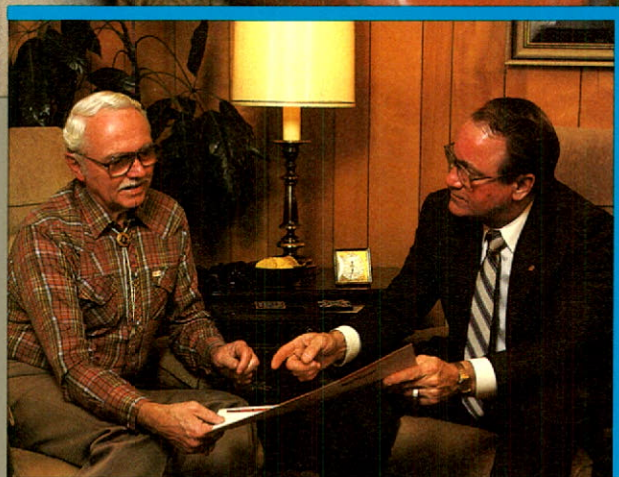
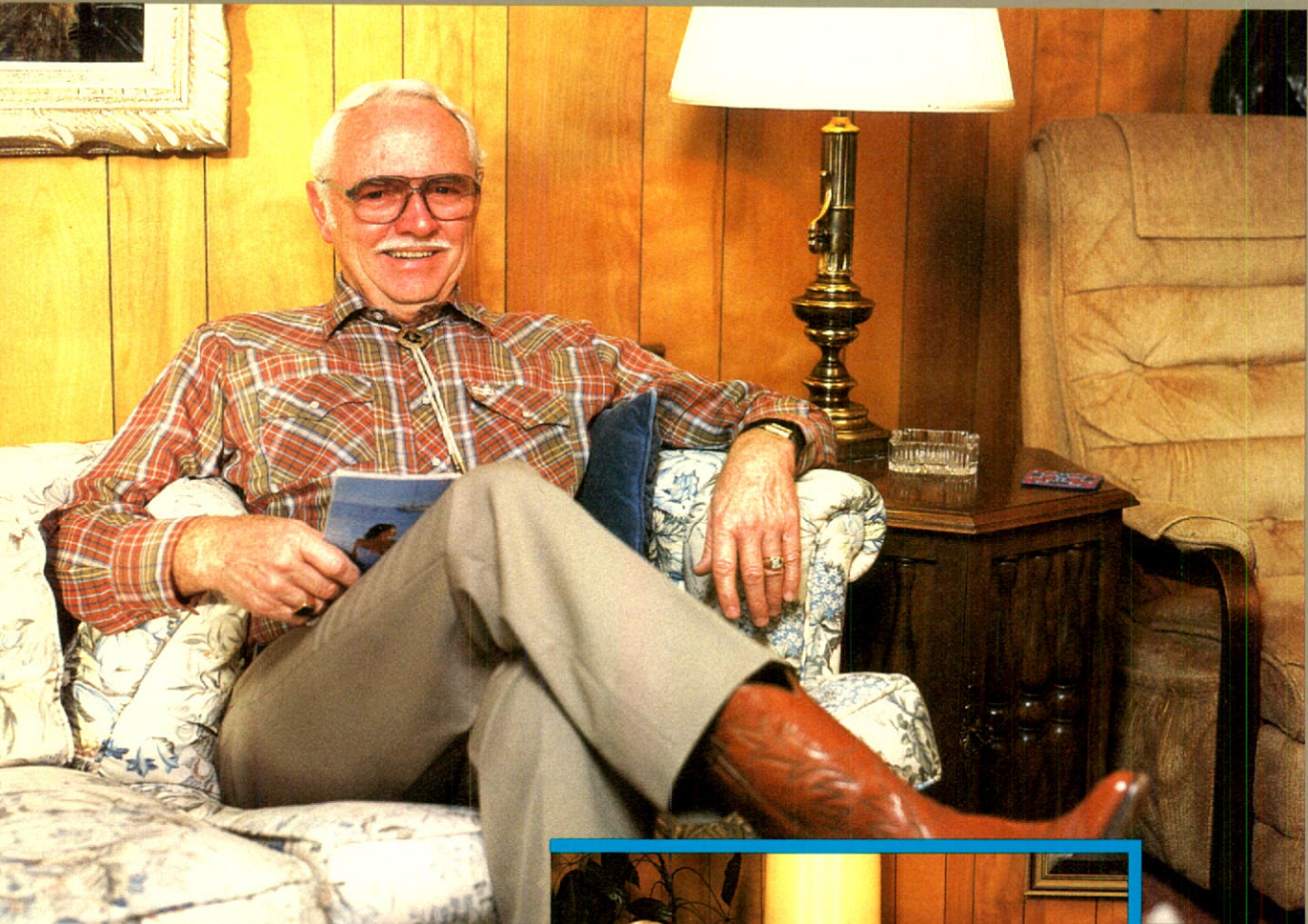
Investment Concepts

The market correction in October of 1987 served to underline the value of Investors emphasis on a balanced portfolio approach to personal investing. Early in the year the sales force was advised that Investors management viewed the equity markets as overvalued. Prior to October there was a significant shift of client funds from equity-based funds to fixed-income funds and products. This trend was evident in new sales as well. Finally the cash component of Investors equity-based funds was maintained at approximately 20% throughout the year. As a result of these factors, the impact of the market correction on most Investors clients following a balanced portfolio program was minimized.

The success of this approach can be measured by the distribution of mutual fund assets at the year-end 1987. The assets of Investors' nine equity-based funds amounted to \$2.2 billion whereas assets of the five fixed-income or interest-sensitive funds totalled \$2.9 billion. Total mutual fund assets of \$5.1 billion were 18% above prior year.

As evidenced by the 83% increase in sales of investment certificates in 1987, it is anticipated that the emphasis on fixed-income and interest-sensitive securities will continue into 1988. Nonetheless, Investors continues to advocate that quality equities be considered as part of the portfolio of the long-term investor. This approach is implicit in the two portfolio concepts "Managing for Capital Growth" and "Managing for Retirement Income".

With a broad product range suitable to the balanced portfolio approach to personal investment, a committed sales force trained in financial planning and a dedication to service to its clients, Investors management is confident that the interests of its clients will continue to be well served in the coming year.



Investors representative Jack Robertson (right) of the Calgary West Region Office, discusses another investment fund opportunity with client Freeman Spracklin of Calgary. A long-time Investors client, Mr. Spracklin, now retired, says: "Investors was instrumental in helping us achieve security in our retirement. The peace of mind my wife and I enjoy now is the result of our commitment and Jack's expertise in achieving our goals."

About our Clients

At 68, Freeman Spracklin is a happy man.

Every morning he is greeted by the spectacular view of the Rocky Mountains from the picture window of his farmhouse just outside Calgary. Freeman and his wife Mary retired to this idyllic setting not just for the view, but also the serenity of life in the country.

Freeman, formerly the President of a mid-size Ontario company, will plainly tell you the real reason for that serenity is the financial security he and his wife now enjoy.

“Investors offered us the best way I know of, as an average investor, to increase our money over the long-term,” explains Freeman. The couple began investing with Investors in 1954. “I was a young manager with Westinghouse in Calgary...on the way up. I didn’t have the time needed to invest and manage money myself,” he adds.

The Spracklins’ financial approach was one of commitment to their financial goals: “We paid our bills and then we paid ourselves — we saved,” says Freeman. The couple investigated other companies before they became clients of Investors. Both agreed that with a lack of time and professional knowledge, investing money can be a daunting task.

The couple’s representative, Jack Robertson, is someone they have dealt with for the last several years. “The service has always been impressive. With Jack’s advice, we diversified our investments. Although I was hesitant at first, when I look back at the market crash of October 19th, Jack was right and we are both glad we agreed to take that direction.”

Freeman maintains that if long-term solid performance is important to an individual, Investors gets top marks. “I have always felt comfortable with Investors. In my view, they have the top management team in Canada. Take a look at their annual reports. Always impressive.”

The Spracklins have been committed to investment with Investors all their working lives. Now, Freeman will tell you, they are enjoying contentment and security in their retirement years.

“You have to make commitments for your own financial peace of mind and future security. Establishing goals and sticking to them are important — especially when your family’s well-being is at stake. Investors has been very good to us. Our family will continue to enjoy these benefits for many years to come.”

Sales and Marketing Questions and Answers



STERLING J. McLEOD,
Executive Vice-President
Sales and Marketing

How would you describe Investors clients overall response to the turbulent market conditions in 1987?

Clearly, clients with holdings in our equity-based mutual funds were affected by the October 19th market slump. It is notable, however, that well prior to that date many had re-positioned their portfolios as a precautionary move. We could see this happening throughout 1987 in terms of new sales and in the inter-fund transfer activity, as clients sought a more protected position. There was a substantial shift from our high variability funds into our debt funds, such as Bond Fund and Mortgage Fund, or the Money Market Fund. The end result was highly encouraging. There was a relatively low number of fund redemptions during the market slump.

What role did Investors representatives play in clients assuming this more defensive posture?

We advised our representatives in January, 1987 that in our view clients would be best served in our lower variability investment portfolios. What I am especially pleased about is the time and energy they dedicated to informing clients of the need for caution during the months leading up to the October market change. While it is the kind of service one would expect from professional Investors people, it was very reassuring to see the extent to which clients heeded their advice.

How do you foster this professionalism among Investors representatives?

I believe the whole thing starts with our initial selection process. We try to select people who have a desire to serve, and who have the capacity and energy to make it happen. Our Career Development program is something we take a good amount of pride in. It is a five-year program leading to the Chartered Financial Planner designation. This training is continual and information updates are given by way of newsletters and videos. We place great emphasis on keeping our people fully informed so that they can relay this knowledge to clients as an added-value service.

What initiatives did you undertake in 1987, in terms of both products and services?

On the product side, we introduced our Managing Retirement Resources program. This innovative concept approach outlines how Canadians nearing or already in retirement can most effectively position their retirement capital. Later in the year we introduced the "Options" program. This computer program allows representatives to show — in a very detailed and personalized way — the various options available to our clients. We have also expanded our range of Registered Retirement Savings products and launched Investors Summa Fund, which gained an acceptance well in excess of our expectations.

On the service side, we continued to improve our client servicing facilities and procedures to ensure a minimum of delay in handling queries and requests.

“Our clients have confidence in our representatives because of their knowledge and the kind of service they have provided.”

What will be the major thrust of your marketing plans for the coming year?

We have demonstrated that we have been able to successfully recruit, develop and retain quality people who share with us our philosophy of financial planning. We intend to build on that strength by expanding our field force. We are opening nine new Region Offices across Canada early in 1988 and this will be the single biggest year of expansion in that respect. Recently we appointed additional Regional Vice-Presidents in Ontario and Western Canada. All these developments were designed to provide extra support to the field management team and the representatives in areas where we think there is opportunity for growth.

Are there any particular geographic areas you have targeted for expansion?

For historical reasons we have always been strongly represented in Western Canada. We expect to expand in some areas where we feel we are under-represented, primarily in Eastern Canada. We are doing well in Ontario, Quebec and Atlantic Canada, but we still have opportunities for an above-average rate of growth in those important parts of the country.

Have you any particular plans for 1988, in light of current stock market and economic conditions?

The recent past has shown we have a range of financial products that can satisfy our clients' needs in all market conditions. Nonetheless, we have some exciting new products under development and several of these are scheduled for introduction in 1988. We will continue to work with our salesforce, keeping them updated on product knowledge, taxation changes and financial planning techniques to assist them to excel.

The challenge in 1988 is to remain faithful to our mission: we believe all Canadians have the right to financial independence and security, and that our role is to help provide that through sound counselling and capable implementation.

It has been clearly demonstrated Investors clients have a great amount of confidence in the Company and its representatives. Why is this?

I believe that confidence is based on the fact clients recognize and accept our Company philosophy, in terms of servicing clients and providing them with added value through a professional salesforce. We also vigorously recommend the balanced portfolio approach, especially when buying mutual funds. The tremendous amount of balancing of portfolios by our clients in 1987 reflects the success we have had in getting this message across.

Our clients have confidence in our representatives because of their knowledge and the kind of service they have provided. They have confidence in the company because of its record of integrity and stability.



Investors representative John Fielding (left) of the Kitchener Region Office, talks to Ivor and Yvonne Magreehan about an update to their financial plan. Mr. and Mrs. Magreehan admit that John has helped them to "pay themselves first." Mr. Magreehan adds, "Investors has helped us put our financial house in order. We now have a plan to meet our goals. It is a good feeling to know we are financially prepared for tomorrow."



About our Clients

The soft lilt in Yvonne Magreehan's voice is a gentle reminder of her hometown just outside Belfast.

"We didn't think people such as ourselves could get ahead", she admits, recalling their move to this country in 1968. Her husband Ivor nods in agreement, adding, "when you are in business for yourself you have to be willing to take a chance." Ivor and Yvonne run a paint and wallpaper business in the city of Kitchener, Ontario.

A little bit of extra cash came their way about five years ago. "It was money from my father's estate. We didn't want to spend it, we wanted to do something constructive instead. That's when we contacted John Fielding — who's been our Investors representative ever since," explains Ivor.

Now both Ivor and Yvonne emphasize they are on the right road. Owning their own business dictated that planning ahead and setting aside money for emergencies were part of their financial plan. "John has been such a marvelous help to us," admits Yvonne. Explaining the importance of financial goals, including retirement, was just what the Magreehans needed.

Parents of a twelve-year-old son, the couple now admits to feeling they have the "security blanket" they need to feel financially comfortable.

"I know we have a brighter future by planning to meet our goals. If we can do it, anyone can. We changed our approach to money...before, we would just spend it, not worrying about what tomorrow would bring. Today, things are different. We now have money set aside for our future, and we are financially ahead", explains Yvonne, who acts as bookkeeper for the business.

Retirement is at least another 25 years away, but the Magreehans have plans in motion to ensure their future security. "With John's help, we have managed so well that we are giving ourselves a vacation in Florida. We don't assume we are better off, we know we are."

Investments and Trust Questions and Answers



RICHARD E. ARCHER,
C.F.A.,
*Executive Vice-President,
Investments and Trust*

What was your investment strategy during the difficult market conditions of 1987?

As we came into the year, our concern was that valuation levels seemed to be very high. At the same time, and to complicate the issue, the economy seemed to be quickening. You will recall, there were predictions late in 1986 that 1987 would see slow economic growth. In fact, as we went into the first quarter of 1987, the outlook had improved significantly. In response, the stock market took off and went to levels that caused us even greater concern about valuations.

Consequently, we increased the uninvested portion of the Investors equity funds during the first quarter up to 20 per cent. We held to that strong cash reserves strategy throughout the year. We took a more neutral stance with the Bond Fund until the fall, when we lengthened the average term of the Fund because we found interest rates had risen to quite attractive levels.

Did you employ any special tactics after the October 19th market slump occurred?

We had maintained our policy of holding cash reserves of 20 per cent right up to that eventful day. The sharp market decline happened in a very compressed period of time, two or three days. We made the decision that we would be neither buyers nor sellers during the latter part of the year. The downward adjustment in valuation levels happened so quickly, so dramatically, that we saw some risk of additional fallout — but at the same time, some of the overvaluation had been corrected. The bottom line was that we maintained our strong cash reserves position.

Investors recommends to its clients they follow a balanced portfolio approach. How did that work in practice last October?

There are two investment concepts. The first is called Managing For Capital Growth, and is designed for the accumulation of capital. The other is called Managing for Retirement Income, and concentrates on the accumulation of registered monies. The underlying philosophy for each of these investment approaches is that one should have a mixture of assets. Call it risk management. An investment portfolio should have two or three, or more, different funds. The mix depends on each individual's personal financial goals and the level of risk that he or she is comfortable with.

The sharp drop in prices on October 19th showed the value of the balanced portfolio approach. For example, an Investors client who had a portfolio containing Bond Fund, Mortgage Fund and an equity fund would have seen a sharp decline in the equity portion, but the bond component was up, and the mortgage section steady. Consequently, the market value of the total assets in the portfolio weren't off anywhere near as much as the widely noted drop in the stock market.

Investors Group also has a significant amount of property investments in Canada. What do these consist of?

By definition, property investments are mortgage and real estate holdings. The vast majority of the dollars involved are in mortgages. We have in the vicinity of 20,000 first mortgages representing assets of almost \$2 billion. About half of that total is contained in Investors Mortgage Fund. A total of \$800 million backs up our Guaranteed Investment Certificate and Income Deferred Certificate operations. The balance are mortgages administered for third parties.

“Over the long-term, the best results are achieved from an investment program that features a balanced portfolio of mutual funds.”

Our strategy is to diversify these investments regionally across the country, in relation to the size and economic vitality of each region, and also to diversify by the kind of property securing the loans. We emphasize properties that are in constant demand. For example, we are heavily into housing such as single-family dwellings and apartment blocks.

The other part of the property investment division is represented by Investors Real Property Fund. Here again we diversify both geographically and as to type of property. We look for fully leased buildings in good locations where we can see a steady increase in rental income and property values.

What are the safety factors to consider when undertaking property investments?

First and foremost, there should be geographic diversification. Property investments should not be concentrated in any one area of the country. Secondly, there should be diversification by property type. Besides good-quality housing, investments can be made in well-located office buildings, shopping centres and office/warehouse complexes.

Another important safety factor is to abide by prudent mortgage underwriting standards. For example, there should be an adequate income flow to service the mortgage and the loan level should represent no more than 75% of value unless insured. We are pleased with our experience in this regard. At present less than one-half of one per cent of our mortgage loans are over 90 days in arrears, which is a favorable rate in relation to the industry average.

What advice have you got for people who may be concerned about the stock market turmoil and uncertainty about interest rates?

The thing to keep in mind about stock market investing is that time, not timing, is your best ally. Clearly the ideal thing is to buy low and sell high. However, remarkably few people achieve that ideal. Over the long-term, the best results are achieved from an investment program that features a balanced portfolio of mutual funds. Since last October some stocks which were over-valued have retreated to realistic levels. However, this is not the time to overemphasize equity investments.

The future direction of interest rates will be dictated by a wide variety of influences but there is a general consensus there will be no violent movement of rates in North America in the near future. This augurs well for continued economic growth in Canada.

Does the globalization of the financial services industry offer any special opportunities?

The securities markets have become so inter-connected, through forms of electronic communication, that they are virtually running 24 hours a day. Thus, a market trend started in, say, the London market could become magnified as markets open in North America and then Asia. However, there are very decided currency exchange risks involved in global trading transactions. It is a field best left to the professionals. Investors offers access to the global market through its Japanese Growth, International and Global mutual funds. It is an opportunity for clients to further diversify their assets.



Investors representative Peter Kilburn (right) of the Saskatoon Region Office visits client Urban Donlevy at one of his company's printing plants. A client for more than 18 years, Mr. Donlevy speaks highly of Peter and Investors. "Time is a problem when you run a business. Investors gives me the professional management I need, coupled with expertise and personal service. Investors has provided me with what I need to achieve the results I want."



About our Clients

“How did we get started with Investors? Our son’s education plan. You know the story...the first born in a family makes you think about the future,” says Urban Donlevy, of Saskatoon, President of the Mercury Group of Companies.

His son is now 21 and attending Georgian College in Barrie, Ontario. Urban’s family now includes two other children, who will undoubtedly use the education plans Investors representative Peter Kilburn set up to meet their educational goals.

“We started with education plans, but Investors has played a critical role in our retirement planning and other investments. Peter offered us the expertise and the plans we needed to meet our various financial goals. In that regard, the relationship has been a great success.”

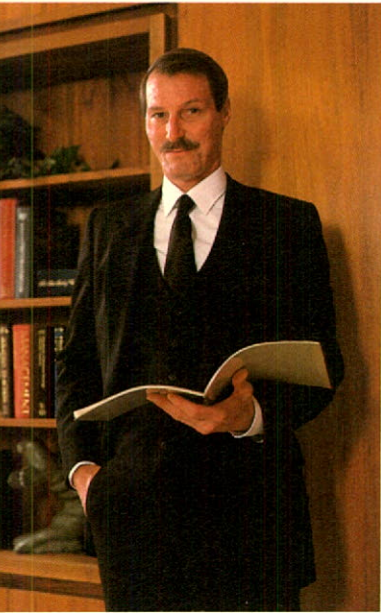
Urban’s business interests cover a range of activities. Two of his companies are in Regina — the first concentrating on specialized printing, the second catering to the high volume laser print market. A third company is involved in electronic publishing while the remaining enterprise is devoted to micrographic hardware. At present, about sixty per cent of all company business is done outside Saskatchewan.

“Our future is tied up in terms of our businesses. Together, they employ about 200 people. My priorities are with my businesses. It is difficult to find the time to manage money, too. That is where Investors does the job for me — a good return on my investment and professional management are two key ingredients.”

For Urban Donlevy, there is no question his money is well looked after. Investors representative Peter Kilburn has assisted several other members of the Donlevy family with their financial planning needs. “Peter occupies a position of trust from our point of view”, Urban emphasizes adding: “there is no question about the integrity of the man or the company he represents.”

Finance and Administration

Questions and Answers



DALE A.G. PARKINSON,
F.C.A.,
*Executive Vice-President,
Finance and Administration*

Service to clients is an important priority for any Company. What has Investors done in this regard?

Our commitment to personalized service commences with the initial step of providing a comprehensive financial plan right in the client's home or office. To complement our growing force of representatives, we are continually expanding our regional office network throughout Canada, and decentralizing key processing elements to those offices because we believe a client's needs are best served at the local level. In 1987, we increased significantly our Head Office professional Client Relations staff, to better enable us to meet the individual requirements of our clientele and Investors representatives.

How do you keep your clientele up-to-date on the status of their investments?

In addition to the usual confirmations evidencing transactions, we issue periodic statements of account. To consolidate pertinent financial information about all of the client's investments with Investors, we are in the final process of introducing a new comprehensive report for semi-annual distribution. As well, we have implemented an on-line computer enquiry system for use at every Region Office to provide instant access to details of client accounts. Further, Investors provides representatives regularly with detailed portfolios of client accounts to assist them in reviewing, at the field level, each individual client's investments.

Can you briefly explain how Investors is using technology to improve client services?

To be successful, it is essential a company be at the leading edge of technology. Systems have to satisfy complex reporting, record maintenance and compliance requirements, simultaneously supporting the business needs and marketing initiatives for competitive advantage. In recent years, our commitment of human and financial resources to data processing hardware and computer systems has been dramatic. Our new Data Centre and the use of 4th Generation Language is really beginning to pay dividends. In that context, we are moving forward with the development of a state-of-the-art mutual fund and certificate administration system. Expansion of the development of micro software packages for use in financial planning by our representatives and the extension of our electronic funds transfer facility to expedite disbursement of funds to our clients are scheduled for 1988.

Investors was one of the first companies in North America to implement optical imaging of client files. This facility permits immediate access to all of the client's documents, statements and correspondence via computer terminal.

How does this series of initiatives directly relate to the servicing of client accounts?

To be meaningful, information must be accurate, timely and in an intelligent form. As we continue to develop sophisticated client-related systems, all three of these criteria must be met. We are addressing these concerns successfully.

How do you encourage your staff to maintain a high level of performance?

Every Investors employee is encouraged to strive to achieve the highest standard of client service. We stress to employees that the client is not a distant individual but rather a person who has the right to exemplary service. Providing anything less is unacceptable. Employee compensation and awards are associated with the Company's stated Service Ethic.

Corporate Organization

Investors Syndicate Limited

is the distributor of the financial products offered by Investors representatives. These products include mutual funds, investment certificates (investment contracts), insurance programs, pension plans, annuities and tax-sheltered plans. It also provides administrative services to other subsidiaries of the Company.

Les Services Investors Limitée

is the distributor of Investors' full range of financial services and products in the Province of Quebec.

Investors Syndicate Property Corp.

holds the Company's Canadian real estate investments and has committed \$40.7 million towards the construction of Investors' head office building, One Canada Centre. Investors occupies the major portion of the new building.

Investors Group Trust Co. Ltd.

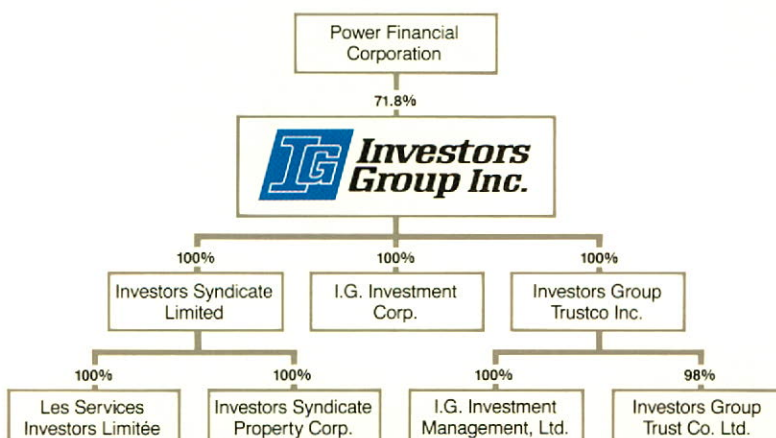
is the issuer of guaranteed investment certificates and term certain annuities. It acts as trustee for registered retirement savings plans, registered retirement income funds and other tax-sheltered plans. It also provides a complete range of individual, group and corporate pension plan services including administration.

I.G. Investment Management, Ltd.

provides primarily investment management and administrative services for the company's fourteen mutual funds and to Investors' subsidiaries. It also originates first mortgages across Canada on residential, commercial and industrial property. Its function also involves investment management and administrative services for pension plans administered by Investors Group Trust Co. Ltd.

I.G. Investment Corp.

holds investments in real estate joint ventures in the United States.



Investors Concepts

Investors representatives like Jack Robertson, Peter Kilburn and John Fielding all have one thing in common: they strive to see people achieve their goals.

Investors representatives are trained professionals with both the expertise and time to spend with clients interested in achieving financial success. Investors has developed unique portfolio concepts to assist clients to meet various goals at different stages in their lives.

Personal Financial Program — Accumulating Money

The first step is the Personal Financial Review, which establishes the individual's net worth and basic financial needs. Goals are identified, and a Personal Financial Program, which embodies Investors' four cornerstone approach — a short term reserve, income protection, fixed investment and equity assets — is designed to achieve those financial goals. This concept approach helps to create good financial management and savings habits.

Managing for Capital Growth

During most of our working lives, the main concern is to accumulate enough money to ensure we can meet our obligations. But, at a certain point, many people want to manage their money with a direction in mind, to feel secure in the knowledge they are in control of their financial future.

To assist clients in this regard, Investors offers the “portfolio” approach to investing which we call “Managing for Capital Growth.” Coupled with the professional advice of an Investors representative, the portfolio concept enables the client to choose an investment direction based on their goals and “comfort” level.

There are many factors influencing an investment choice: the total return desired, a need for a regular income from the investment, stability and preservation of capital and an individual's tax situation. The time available to achieve these objectives as well as the need for ready access to those monies are also key factors.

Most important in the choice of a portfolio is the tolerance for investment risk, or a personal “comfort zone” — how comfortable clients are with respect to variability in results.



The computer-based "Options" program enables Investors representatives to offer clients at or near retirement a personalized financial blueprint for a comprehensive view of their financial future.

The next step, of course, is implementing the plan. The Investors representative assists clients in choosing from one or more of Investors' 14 investment funds and a range of investment certificates.

Managing for Retirement Income

Retirement years compose about one third of the life of every Canadian.

Planning a retirement income strategy is not usually a priority for most Canadians. However, Investors experience in financial planning has pinpointed the importance of this need. Hence, the development of the Managing for Retirement Income concept.

In years past, many Canadians looked at their retirement income as a very standard set of options. Usually, the choice was either income from a pension or an annuity from a Registered Retirement Plan.

Today, there are many new options available to help individuals maintain a comfortable standard of living and protect retirement assets in years to come. Managing for Retirement Income gathers up all these options in one package to make it easy for the representative and client to determine which choices will meet specific goals.

This concept approach simplifies the decision-making process: review RRSP retirement options; determine retirement portfolio objectives and finally, with the assistance of an Investors representative, create a personalized retirement portfolio.

Another step is to determine the exact status of available retirement resources. Once these steps are completed, Investors' clients can be assured income needs will be matched to available resources. As part of this concept, a computer program called "Options" will assist in demonstrating how these resources can be utilized to meet specific goals.

All three of these unique Investors concept approaches have one objective: assisting Investors clients in achieving their goals.

Investors Mutual Funds

The investments in each of Investors mutual funds are carefully selected and managed by a highly-trained, experienced professional portfolio manager, who is responsible for the fund.

Each of Investors' 14 mutual funds has its own unique investment objective. The objective sets limitations on the type of investment holding allowed in the fund and the degree of risk variability:

Dividend Fund

Provides an above-average yield through investment in Canadian "blue chip" income-producing securities. (1978)

TOTAL NET ASSETS: \$1,037,658,000 SHAREHOLDER ACCOUNTS: 42,540

*Mortgage Fund**

Diversified mortgage portfolio with a good income yield. Tax deferral options. (1973)

TOTAL NET ASSETS: \$1,079,630,000 SHAREHOLDER ACCOUNTS: 101,478

*Retirement Mutual Fund**

Seeks long-term capital growth. Tax deferral options. (1971)

TOTAL NET ASSETS: \$680,648,000 SHAREHOLDER ACCOUNTS: 121,052

*Bond Fund**

High income portfolio of quality bonds. Tax deferral options. (1979)

TOTAL NET ASSETS: \$517,310,000 SHAREHOLDER ACCOUNTS: 73,909

Growth Fund of Canada

Diversified portfolio of primarily Canadian growth companies. (1957)

TOTAL NET ASSETS: \$420,496,000 SHAREHOLDER ACCOUNTS: 59,810

Mutual of Canada

Balanced stock fund providing income, stability and long-term growth. (1950)

TOTAL NET ASSETS: \$291,307,000 SHAREHOLDER ACCOUNTS: 18,175

International Mutual Fund

Seeks capital appreciation through participation in U.S. growth companies. (1962)

TOTAL NET ASSETS: \$197,617,000 SHAREHOLDER ACCOUNTS: 32,853

Japanese Growth Fund

A capital growth opportunity with "blue chip" Japanese companies. (1971)

TOTAL NET ASSETS: \$192,282,000 SHAREHOLDER ACCOUNTS: 20,736

*Money Market Fund**

Provides a good level of current income through investment in short-term Canadian money market securities. Tax deferral options. (1985)
TOTAL NET ASSETS: \$119,181,000 SHAREHOLDER ACCOUNTS: 8,927

Provident Stock Fund

Seeks capital growth with smaller Canadian and U.S. companies. (1968)
TOTAL NET ASSETS: \$69,048,000 SHAREHOLDER ACCOUNTS: 17,775

Global Fund

Seeks opportunities for capital growth in both stronger world economies as well as those in less mature emerging markets. (1986)
TOTAL NET ASSETS: \$236,020,000 SHAREHOLDER ACCOUNTS: 37,276

*Real Property Fund**

Provides income and long-term capital growth through investment in quality Canadian real estate. Tax deferral options. (1984)
TOTAL NET ASSETS: \$139,687,000 SHAREHOLDER ACCOUNTS: 16,541

*Canadian Equity Fund**

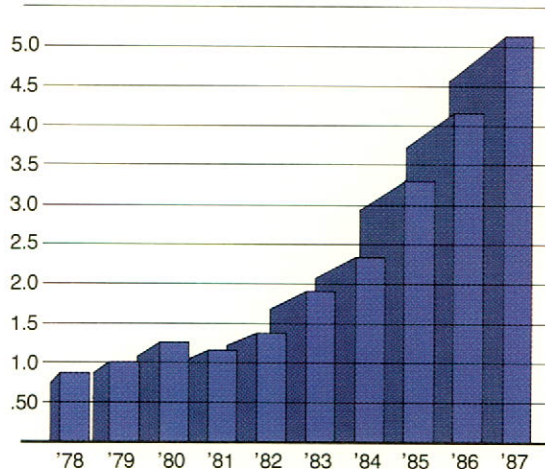
Seeks capital appreciation through investment in Canadian common stocks. Tax deferral options. (1983)
TOTAL NET ASSETS: \$134,665,000 SHAREHOLDER ACCOUNTS: 36,809

*Summa Fund**

Offers an opportunity to achieve long-term capital growth through investment in the securities of companies which meet the highest standards of corporate citizenship. Tax deferral options. (1987)
TOTAL NET ASSETS: \$35,227,000 SHAREHOLDER ACCOUNTS: 13,688

* Eligible for RRSP investments.

Mutual Fund Assets Under Management
(in \$ billions)



Investors Group Inc. *Ten-Year Review*

Condensed Summary of Operations (\$000) (Note 1)

	1987	1986	1985	1984
Investment income	142,859	151,055	146,638	139,344
Fee income	153,947	130,586	95,239	70,286
Net gain on investments	<u>3,429</u>	<u>3,384</u>	<u>2,431</u>	<u>192</u>
	<u>300,235</u>	<u>285,025</u>	<u>244,308</u>	<u>209,822</u>
Interest expense	101,846	121,904	123,366	112,294
Operating expenses	131,346	117,399	90,401	71,529
Income tax	<u>20,914</u>	<u>11,684</u>	<u>6,174</u>	<u>4,785</u>
	<u>254,106</u>	<u>250,987</u>	<u>219,941</u>	<u>188,608</u>
Net income — Company and wholly-owned subsidiaries	<u>46,129</u>	<u>34,038</u>	<u>24,367</u>	<u>21,214</u>
Earnings per share (Note 2)	<u>\$1.88</u>	<u>\$1.43</u>	<u>\$1.02</u>	<u>\$.89</u>

Statistical Data

Sales (in \$ millions) Mutual Funds	1,498.4	1,186.5	834.0	495.1
Certificates	282.5	154.3	121.4	97.7
Insurance and other (Note 3)	212.6	269.4	100.8	103.5
	<u>1,993.5</u>	<u>1,610.2</u>	<u>1,056.2</u>	<u>696.3</u>
Number of sales representatives	<u>1,818</u>	<u>1,594</u>	<u>1,297</u>	<u>1,129</u>
Assets (in \$ millions) Corporate	1,492.8	1,403.9	1,352.6	1,256.4
Mutual Funds	5,148.1	4,378.3	3,330.4	2,328.8
Pension Funds	1,881.2	1,780.1	1,651.4	1,260.3
	<u>8,522.1</u>	<u>7,562.3</u>	<u>6,334.4</u>	<u>4,845.5</u>

Notes:

1. *The Company acquired its interest in the wholly-owned subsidiary companies on October 1, 1986. The earnings for the years 1978 to 1986 inclusive, show what the Company's earnings would have been if the wholly-owned subsidiary companies had been acquired on January 1, 1978.*
2. *The earnings per share for 1987 are based on an average of 24,591,791 shares outstanding for the year. All other years per share earnings are based on 23,800,010 shares being outstanding.*
3. *The basis of reporting sales was changed in 1987 and the 1986 figure has been restated for comparative purposes.*

1983	1982	1981	1980	1979	1978
129,995	118,401	105,053	84,221	72,813	60,882
58,711	30,894	23,758	20,811	17,256	14,995
<u>2,790</u>	<u>1,063</u>	<u>(935)</u>	<u>252</u>	<u>983</u>	<u>(5,026)</u>
<u>191,496</u>	<u>150,358</u>	<u>127,876</u>	<u>105,284</u>	<u>91,052</u>	<u>70,851</u>

105,280	92,833	67,675	52,846	43,935	37,430
62,869	44,285	38,469	32,058	27,198	24,339
<u>4,410</u>	<u>(1,132)</u>	<u>3,254</u>	<u>3,901</u>	<u>3,668</u>	<u>1,025</u>
<u>172,559</u>	<u>135,986</u>	<u>109,398</u>	<u>88,805</u>	<u>74,801</u>	<u>62,794</u>

<u>18,937</u>	<u>14,372</u>	<u>18,478</u>	<u>16,479</u>	<u>16,251</u>	<u>8,057</u>
<u>\$.80</u>	<u>\$.60</u>	<u>\$.78</u>	<u>\$.69</u>	<u>\$.68</u>	<u>\$.34</u>

468.8	193.2	127.6	113.9	91.1	77.3
82.0	116.4	166.4	143.1	97.8	98.2
<u>73.0</u>	<u>83.4</u>	<u>94.0</u>	<u>76.4</u>	<u>68.6</u>	<u>67.1</u>
<u>623.8</u>	<u>393.0</u>	<u>388.0</u>	<u>333.4</u>	<u>257.5</u>	<u>242.6</u>

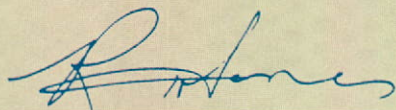
<u>1,028</u>	<u>956</u>	<u>793</u>	<u>827</u>	<u>727</u>	<u>681</u>
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1,171.9	1,099.4	1,015.1	925.3	825.3	738.8
1,954.5	1,363.8	1,115.7	1,169.1	1,006.8	874.0
<u>1,258.9</u>	<u>1,054.4</u>	<u>907.7</u>	<u>823.8</u>	<u>628.8</u>	<u>554.0</u>
<u>4,385.3</u>	<u>3,517.6</u>	<u>3,038.5</u>	<u>2,918.2</u>	<u>2,460.9</u>	<u>2,166.8</u>

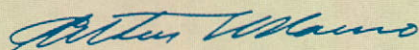
Investors Group Inc.
Consolidated Balance Sheet
 As at December 31, 1987

	<u>1987</u>	<u>\$000</u>	<u>1986</u>
<i>Assets</i>			
Cash and investments			
Cash and temporary investments	\$ 77,772		\$ 47,132
Marketable securities and accrued income (Note 4)	455,791		458,209
Mortgages on real estate and accrued income	842,205		833,220
Real estate	26,015		22,605
Loans to certificate holders	<u>3,086</u>		<u>6,801</u>
	<u>1,404,869</u>		<u>1,367,967</u>
Office premises (Note 10)	50,250		11,309
Deferred expenses and receivables	21,312		15,092
Other assets	<u>16,351</u>		<u>9,503</u>
	<u>\$1,492,782</u>		<u>\$1,403,871</u>

On behalf of the Board



Director



Director

	<u>1987</u>	<u>\$000</u>	<u>1986</u>
<i>Liabilities</i>			
Certificate and other liabilities			
Certificate liabilities (Note 5)	\$ 625,276		\$ 672,320
Provision for additional certificate credits	2,845		3,876
Guaranteed trust accounts (Note 3)	515,419		432,896
Bank loans	29,948		—
Demand note payable to parent company	—		35,000
Tax deposits on mortgages	22,572		21,246
Dividends payable	3,720		2,975
Other liabilities	32,675		30,104
Income taxes payable	1,880		12,530
	<u>1,234,335</u>		<u>1,210,947</u>
Income deferred to future years	2,827		3,762
Deferred income taxes	9,752		2,415
Long-term debt (Note 6)	54,130		50,000
	<u>1,301,044</u>		<u>1,267,124</u>
Contingencies and commitments (Note 10)			
<i>Shareholders' Equity</i>			
Capital stock (Note 7)	154,401		130,901
Retained earnings	37,337		5,846
	<u>191,738</u>		<u>136,747</u>
	<u>\$1,492,782</u>		<u>\$1,403,871</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

For the year ended December 31, 1987

	\$000	
	1987	1986
Income for the year		
Investment income	\$140,779	\$149,303
Service fees	2,080	1,752
Management and distribution fees	148,937	126,476
Trust fees	5,010	4,110
Net gain on investments	3,429	3,384
	300,235	285,025
Expenses for the year		
Interest on certificate and trust liabilities	74,275	85,495
Additional credits to certificates	22,271	31,327
Interest on long term debt	5,300	5,082
Certificate and service fee costs	17,577	19,376
Management and distribution costs	109,892	94,857
Trust operating costs	3,877	3,166
	233,192	239,303
Income from operations for the year	67,043	45,722
Provision for income taxes <i>(Note 8)</i>	20,914	11,684
Net operating income for the year	46,129	34,038
Pre-acquisition net operating income <i>(9 months)</i>	—	24,047
Net income <i>(1986 — for 3 months)</i>	\$ 46,129	\$ 9,991
Earnings per share <i>(1986 — for 3 months)</i>	\$1.88	\$.45
Pro forma earnings per share for 1986 <i>(Note 1)</i>		\$1.43

To facilitate comparison, the consolidated statement of income for 1986 has been shown for the whole year with adjustment made to eliminate pre-acquisition net operating income.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1987

	\$000	
	1987	1986 (3 months - Note 1)
Operations		
Net income	\$ 46,129	\$ 9,991
Non-cash charges (<i>credits</i>) to operations		
Deferred income taxes	7,337	(3,053)
Other	1,543	811
	55,009	7,749
Add (<i>deduct</i>)		
Interest and additional credits on certificate and trust liabilities	96,546	26,141
Certificate and guaranteed trust sales and receipts	370,813	64,400
Certificate maturities and surrenders	(430,995)	(128,634)
Other	(25,399)	12,005
Cash available (<i>deficiency</i>) from operations	65,974	(18,339)
Financing		
Proceeds from issue of shares	23,500	54,000
Increase in bank loans	29,949	—
Increase in long term debt	4,130	—
Demand note repayment to parent company	(35,000)	(35,000)
Share issue expenses	(815)	(2,505)
Common dividends paid	(13,515)	—
	8,249	16,495
Investment activities		
Proceeds from security transactions	86,444	2,525
Mortgage principal collections and sales	119,501	27,587
Net proceeds from (<i>additions to</i>) real estate	689	(7,048)
Net additions to office premises	(40,414)	(3,572)
Decrease in loans to certificate holders	3,619	492
Investment in marketable securities	(78,551)	(14,879)
Investment in mortgages	(134,871)	(18,040)
	(43,583)	(12,935)
Increase (<i>decrease</i>) in cash and temporary investments	30,640	(14,779)
Balance, beginning of period	47,132	61,911
Cash and temporary investments, end of year	\$ 77,772	\$ 47,132

See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1987

	<u>\$000</u>	
	<u>1987</u>	<u>1986</u> <i>(3 months - Note 1)</i>
Balance, beginning of period	\$ 5,846	\$ —
Net income	46,129	9,991
Share issue expenses, net of income taxes of \$437,000 (1986 — \$1,335,000)	(378)	(1,170)
Dividends	<u>(14,260)</u>	<u>(2,975)</u>
Balance, end of year	<u>\$37,337</u>	<u>\$ 5,846</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1987

1. BASIS OF PRESENTATION

The company became operational on October 1, 1986 when it acquired from Power Financial Corporation (formerly The Investors Group) its interest in the wholly-owned subsidiary companies.

The pro forma earnings per share for 1986 as set out in the consolidated statement of income are presented to show what the company's earnings per share would have been if Investors Group Inc. had acquired the wholly-owned subsidiary companies at the beginning of 1986, calculated on the basis of 23,800,010 common shares being outstanding for the complete year.

The earnings per share for 1987 have been calculated on the basis of an average of 24,591,791 shares outstanding for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by Investors Group Inc. and its subsidiaries are in accordance with generally accepted accounting principles.

a. Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies.

b. Marketable securities

The company amortizes any differences between the original cost of bonds and debentures and their par value over the period to maturity in such a manner as to equalize the yield to maturity. The bonds and debentures included in this category are carried at amortized cost and all other securities are carried at original cost.

c. Mortgages and real estate

Mortgages are valued at amortized cost less provision for losses. Real estate is valued at cost less provision for losses.

d. Office premises

Office premises are recorded at cost less accumulated depreciation of \$4,531,000 (1986 — \$3,314,000). The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated life.

e. Certificate liabilities

Investment certificates entitle certificate holders to receive at maturity a definite sum of money. A portion of payments made by instalment certificate holders is added to certificate liabilities and the balance to service fee income. The

portion of the certificate payments added to certificate liabilities, when combined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date. The aggregate accumulated certificate liabilities always exceed the aggregate cash surrender values of the outstanding investment certificates.

f. Deferred expenses

Commissions and other selling expenses on Single Payment and Guaranteed Investment Certificates, Term Certain Annuities and Registered Retirement Income Funds are deferred and amortized over the terms of the certificates or contracts, with a maximum amortization period of five years.

g. Pension costs

Effective January 1, 1987, the company changed its method of accounting for pension costs in accordance with the new recommendations issued by the Canadian Institute of Chartered Accountants. This change has been treated on a prospective basis and did not have a material effect on the company's operating income.

h. Additional credits

In addition to the guaranteed maturity and cash surrender values, certificate holders are entitled to additional amounts. Full provision has been made for all additional credits, both earned and accrued.

i. Income taxes

The company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred as a result of claims made in excess of charges in the accounts for capital cost allowances, mortgage reserves and certificate selling costs.

3. ASSETS HELD FOR GUARANTEED TRUST ACCOUNTS

Included in the consolidated balance sheet are the following assets of the guaranteed trust accounts of Investors Group Trust Co. Ltd.

	\$000	
	1987	1986
Cash and temporary investments	\$ 93,107	\$ 76,795
Marketable securities	56,269	38,514
First mortgages	366,043	317,587
	<u>\$515,419</u>	<u>\$432,896</u>

4. MARKETABLE SECURITIES AND ACCRUED INCOME

	\$000			
	1987		1986	
	Cost	Market	Cost	Market
Canadian government and corporate bonds	\$107,265	\$109,844	\$112,900	\$121,104
Canadian preferred stocks	294,701	268,729	295,557	293,553
Canadian common stocks	40,746	59,999	47,410	69,787
Other investments	13,079	13,079	2,342	2,342
	<u>\$455,791</u>	<u>\$451,651</u>	<u>\$458,209</u>	<u>\$486,786</u>

5. CERTIFICATE LIABILITIES

As security for investment certificates issued by a subsidiary, assets which qualify as investments under the Canadian and British Insurance Companies Act having a value in excess of net certificate liabilities must be lodged by the subsidiary with an approved depository. As at December 31, 1987 the excess was \$96,998,000 (1986 — \$132,254,000).

6. LONG-TERM DEBT

	\$000
Due to Power Financial Corporation, 10.60%, due 2006	\$50,000
Capitalized lease obligations, 11.78%, due 1988-1995	4,130
	<u>\$54,130</u>

The aggregate amount of sinking fund and annual principal payments required for each of the five years following the balance sheet date are as follows:

1988	\$375
1989	\$409
1990	\$457
1991	\$511
1992	\$2,356

7. CAPITAL STOCK

Authorized	
First preferred shares, issuable in series	- unlimited
Second preferred shares, issuable in series	- unlimited
Common shares	- unlimited
Class 1 non-voting shares	- unlimited

Issued and outstanding Common shares

	Number	\$000
Balance, beginning of period	23,800,010	\$130,901
Issued for cash	1,000,000	23,500
Balance, end of year	<u>24,800,010</u>	<u>\$154,401</u>

8. INCOME TAXES

	\$000	
	1987	1986
Income from operations for the year	\$67,043	\$45,722
Deduct dividend and other non-taxable income	27,316	23,755
Adjusted income from operations	<u>\$39,727</u>	<u>\$21,967</u>
Effective rate of income taxes	52.64%	53.19%
Provision for taxes on income from operations	<u>\$20,914</u>	<u>\$11,684</u>

9. PENSION PLAN

The company maintains a defined benefit, final average pension plan which covers substantially all of its employees. The present value of the accrued pension obligations and the pension fund assets available to meet these obligations, calculated in accordance with the recommendations of the Canadian Institute of Chartered Accountants, as at December 31, 1987 are as follows:

	\$000
Pension fund assets	\$40,755
Accrued pension obligations	\$29,743

10. CONTINGENCIES AND COMMITMENTS

a. The company has agreed to indemnify its parent company, Power Financial Corporation (P.F.C.) against any liabilities or commitments existing as at September 30, 1986 resulting from its business operations and the business operations of its operating subsidiaries, and against any costs or losses resulting from commitments and guarantees given by the parent company and directly related to the operations of the company and its subsidiaries as follows:

i) Investors Mortgage Fund, a mutual fund managed by a subsidiary, invests in first mortgages on improved real estate in Canada. It is anticipated that there will always be ample cash and marketable securities in the Fund available to meet future withdrawals. However, should the withdrawals exceed cash and marketable securities, P.F.C. has guaranteed to find a purchaser for (or failing

to do so, purchase itself) sufficient mortgages at prices not less than 95% of the then prevailing market value thereof, to realize sufficient monies to enable the Trustee to meet all such withdrawals.

As at December 31, 1987 total net assets of Investors Mortgage Fund were \$1,079,630,000 comprising \$202,599,000 in cash and other liquid assets, net of liabilities, and \$877,031,000 in mortgages.

- ii) A subsidiary, Investors Syndicate Property Corp., and P.F.C. as a covenantor, are committed to the construction and completion of an office building by March 31, 1988 at an estimated cost of \$40,700,000, of which \$35,968,000 (including capitalized interest of \$1,762,000) had been expended to December 31, 1987.
- b. In connection with the company's real estate investments, Investors Group Inc. is contingently liable for guarantees of mortgage financing totalling \$1,519,000 and letters of credit totalling \$8,038,000, less guarantees of \$1,970,000 from a participant in certain real estate projects.

11. RELATED PARTY TRANSACTIONS

Transactions with related companies comprise the following:

- a. The provision of life and health insurance by The Great-West Life Assurance Company and transfer agent services by Montreal Trustco Inc. These transactions are not significant.
- b. The provision of investment management services by wholly-owned subsidiaries to affiliated mutual funds.

In all cases, such services are made in the normal course of business and at competitive rates.

12. SEGMENTED INFORMATION

The company operates only in the financial services industry.

13. OTHER

- a. Expenses for the year include depreciation and amortization charges of \$1,822,000 (1986 — \$1,932,000).
- b. Certain comparative figures have been reclassified to conform with the current presentation.

Auditors' Report

*To the Shareholders,
Investors Group Inc.*

We have examined the consolidated balance sheet of Investors Group Inc. as at December 31, 1987 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

*Winnipeg, Manitoba
February 4, 1988.*

*Touche Ross & Co.
Chartered Accountants*

Board of Directors



DOUGLAS A. BERLIS, Q.C.
Counsel
Messrs. Aird & Berlis
Toronto, Ontario



A. GARNET BROWN
President
A.G. Brown and Sons Limited
Halifax, Nova Scotia



JAMES W. BURNS
*Chairman and
Chief Executive Officer*
Power Financial Corporation;
Deputy Chairman
Power Corporation of Canada
Montreal, Quebec



GORDON H.
COWPERTHWAIT, F.C.A.
Company Director
Toronto, Ontario



PAUL DESMARAIS, C.C.
*Chairman and
Chief Executive Officer*
Power Corporation of Canada
Montreal, Quebec



PAUL DESMARAIS, JR.
*President and
Chief Operating Officer*
Power Financial Corporation
Montreal, Quebec



F. WILLIAM FITZPATRICK
Company Director
Calgary, Alberta



J.F. FRASER
*President and
Chief Executive Officer*
Federal Industries Ltd.
Winnipeg, Manitoba



ROBERT H. JONES
Chairman of the Board
Investors Group Inc.
Winnipeg, Manitoba



A.F. KNOWLES, C.A.
*President and
Chief Operating Officer*
Power Corporation of Canada
Montreal, Quebec



ARTHUR V.
MAURO, C.M., Q.C.
*President and
Chief Executive Officer*
Investors Group Inc.
Winnipeg, Manitoba



HON. W.J. McKEAG
President
McKeag Realty Ltd.
Winnipeg, Manitoba



ROY W. PIPER
Self-employed Farmer
Elrose, Saskatchewan



HON. P. MICHAEL
PITFIELD, P.C., Q.C.
Vice-Chairman
Power Corporation of Canada
Montreal, Quebec

Executive Committee

JAMES W. BURNS, *Chairman*

DOUGLAS A. BERLIS
PAUL DESMARAIS, JR.
F. WILLIAM FITZPATRICK

ROBERT H. JONES
A.F. KNOWLES
ARTHUR V. MAURO

Audit Committee

GORDON H. COWPERTHWAITTE,
Chairman

J.F. FRASER
A.F. KNOWLES

W.J. McKEAG
P. MICHAEL PITFIELD

Public Policy Committee

W.J. McKEAG, *Chairman*

A. GARNET BROWN
JAMES W. BURNS

J.F. FRASER

Officers

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Chairman of the Board
ARTHUR V. MAURO, C.M., Q.C.
President and Chief Executive Officer
RICHARD E. ARCHER, C.F.A.
*Executive Vice-President,
Investments and Trust*
STERLING J. McLEOD
*Executive Vice-President,
Sales and Marketing*

DALE A.G. PARKINSON, F.C.A.
*Executive Vice-President,
Finance and Administration*
D. CARL BJARNASON
*Senior Vice-President,
Corporate Affairs and Secretary*
WALTER S. HILL, C.A.
*Senior Vice-President,
Information Systems
and Corporate Planning*

DONALD E. RETTIE, C.A.
*Senior Vice-President,
Finance and Treasurer*
CLIFFORD F. SCHMIDT, C.A.
Senior Vice-President, Administration
WAYNE S. WALKER, C.A., C.F.P.
Senior Vice-President, Marketing
HERBERT W. MIDDLESTEAD, C.M.A.
Vice-President and Controller



HEAD OFFICE

One Canada Centre
447 Portage Avenue
Winnipeg, Manitoba
R3C 3B6

AUDITORS

Touche Ross & Co.

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company
of Canada:
Vancouver, Calgary, Regina
Winnipeg, Toronto, Halifax
Montreal Trust Company:
Montreal

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Montreal Exchange
The Winnipeg Stock Exchange

ANNUAL MEETING

The annual meeting of Investors Group Inc. will be held at the Holiday Inn, 350 St. Mary Avenue, Winnipeg, Manitoba on Wednesday, April 20, 1988 at 2:30 p.m. Central Daylight Time.

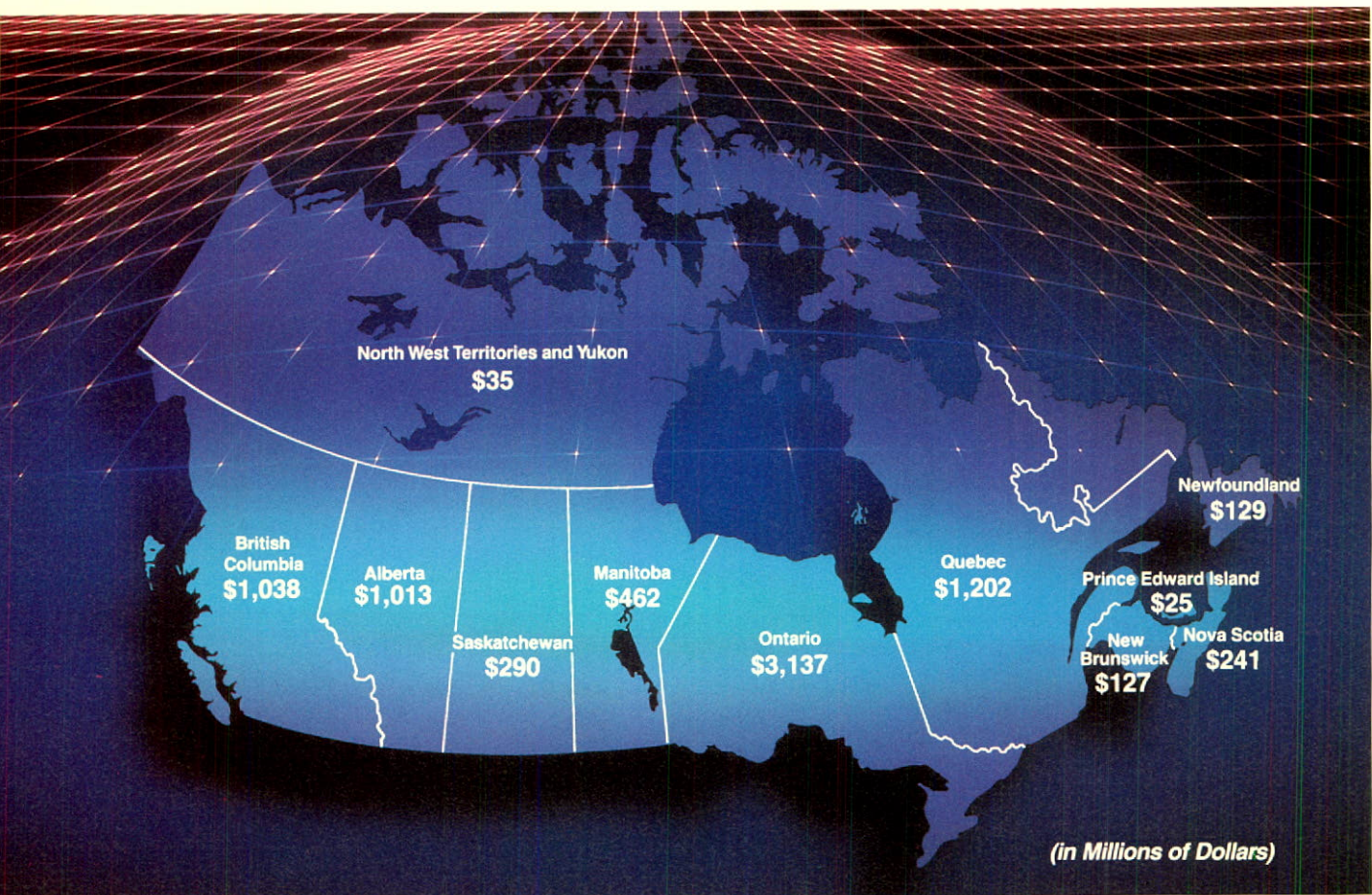
Investments in Canada

As a company, Investors continues to pursue an investment policy of diversification as a matter of good investment practice.

The map shows \$7.7 billion of the savings and investments entrusted to us have been put to productive work throughout Canada. The total invested in each province or territory roughly matches the amount consigned to our care by clients living in that part of the country.

The assets we directly manage on behalf of our clients, by type of investment are:

Common Stocks (Cdn.)	\$1,839,845,500
Preferred Stocks (Cdn.)	957,525,600
Bonds and Debentures	1,325,886,015
Common and Preferred Stocks (Foreign)	816,996,102
Mortgages	1,906,000,000
Cash and Other Investments	1,675,819,783
	<hr/>
	\$8,522,073,000



Si vous préférez recevoir ce rapport en français, veuillez vous adresser au secrétaire, Groupe Investors Inc., Un Centre Canada, 447, avenue Portage, Winnipeg, Manitoba R3C 3B6.

Investors Financial Planning Centres

Pacific Canada

Jon Morris,
Regional Vice-President

British Columbia

ABBOTSFORD
Fred Veldhuis, *Division Manager*
101-33119 South Fraser Way

CAMPBELL RIVER
Jackie McMath, *Division Manager*
100-1260 Island Highway

COURTENAY
Dan Daly, *Division Manager*
100-2885 Cliffe Avenue

KAMLOOPS
Norm Martin, *Division Manager*
101-125 4th Avenue

KELOWNA
John Wickstrom, *Region Manager*
100-565 Bernard Avenue

NANAIMO
Fred Kolodrubsky, *Region Manager*
256 Wallace Street

NELSON
Bruce Morrison, *Division Manager*
715 Vernon Street

NEW WESTMINSTER
Jack Meier, *Region Manager*
337 Sixth Street

PENTICTON
Eugene Walsh, *Region Manager*
201-246 Martin Street

RICHMOND
Earl Yasin, *Region Manager*
701-8100 Granville Avenue

VANCOUVER
Jerry Munn, *Region Manager*
789 West Pender Street

VANCOUVER
Gerry Legge, *Region Manager*
101-1755 West Broadway

VANCOUVER
Jack Meier, *Region Manager*
202-5701 Granville Street

VERNON
Lyle Regier, *Region Manager*
3107B-31st Avenue

VICTORIA
Don Jenson, *Region Manager*
734 Broughton Street

Mountain Canada

Ernie Roberts,
Regional Vice-President

Alberta

CALGARY
George Thomson, *Region Manager*
1003-1333 8th Street S.W.

CALGARY
Lee Loveridge, *Region Manager*
806-7015 MacLeod Trail, South

EDMONTON
John Evans, *Region Manager*
4445 Calgary Trail, South

EDMONTON
Floyd Black, *Region Manager*
9109-82nd Avenue

EDMONTON
Ross Flintoft, *Region Manager*
100, 17010-103rd Avenue

EDMONTON
Petra Hagemann, *Region Manager*
10160-112th Street

LETHBRIDGE
Terry Basaraba, *Division Manager*
102-1122-3rd Avenue South

PRINCE GEORGE
Ken Loveridge, *Region Manager*
696 Brunswick Street

RED DEER
Phil Foreman, *Region Manager*
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Ronald D. Sprague,
Regional Vice-President

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200-444 St. Mary Avenue

WINNIPEG
Don McKinnon, *Region Manager*
600-310 Broadway Avenue

WINNIPEG
Glen Torgerson, *Region Manager*
300-1630 Ness Avenue

WINNIPEG
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10-5 Scurfield Boulevard

Ontario

NORTH BAY
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205 Main Street, East

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Ken Desaulnier, *Division Manager*
123 East Street

SUDBURY
Ab Dennis, *Region Manager*
128 Larch Street

THUNDER BAY
Garth McGinnis, *Region Manager*
581 Red River Road

Central Ontario

R. William Roth,
Regional Vice-President

Ontario

BARRIE
Wayne Stephenson, *Region Manager*
201-85 Bayfield Street

BRAMPTON
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Two Country Court Boulevard

BRANTFORD
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309-1 Market Street

HAMILTON
Tim Tufford, *Region Manager*
310-25 Main Street, West

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Mike Croucher, *Region Manager*
610-700 Dorval Drive

ST. CATHARINES
Paul Moroz, *Region Manager*
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TORONTO
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204-1210 Sheppard Avenue East

TORONTO
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604-304 The East Mall

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301-40 Wynford Drive

TORONTO
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1502-180 Dundas Street, West

Southern Ontario

David S. Gluckstein,
Regional Vice-President

Ontario

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Robert Metcalfe, *Division Manager*
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Nepean

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Len Buckborough, *Region Manager*
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Quebec

Gerard Boyer,
Regional Vice-President

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Rejean Deraspe, *Division Manager*
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Jonquiere

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Andre Marcotte, *Region Manager*
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Ile des Soeurs

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MONTREAL
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920-1080 Cote du Beaver Hall

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SHERBROOKE
Jean-Yves Dupuis, *Region Manager*
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VAL D'OR
Jules Dionne, *Division Manager*
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2^e etage

Atlantic Canada

Gerry Bray,
Regional Vice-President

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Newfoundland

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Dave Reid, *Region Manager*
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ST. JOHN'S
Barry Mann, *Region Manager*
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Winnipeg, Manitoba R3C 3B6

Investors Group Inc. is a member of the Power Financial Corporation group of companies.