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***Information about the Settlement Agreement Between CI Funds
and the Ontario Securities Commission***

Dear CI Funds Investor,

This letter is to tell you about an important development in the Ontario Securities Commission (OSC) review of trading practices in the Canadian mutual fund industry and how it might affect you as an investor in CI's funds.

On December 16, 2004, an OSC panel approved settlement agreements with CI Mutual Funds Inc. and three other fund companies: AGF Funds Inc., I.G. Investment Management, Ltd. (Investors Group) and AIC Limited. The OSC has said it is continuing to review trading activity at other fund companies, including Franklin Templeton Investments Corp.

As part of the settlement, CI has agreed to make a payment of \$49.3 million to investors in its mutual funds that were affected by market timing trades carried out by a limited number of third-party investors in certain CI funds. More details about the settlement, including an explanation of market timing, can be found in the attached Q&A.

On behalf of CI Funds, I would like to express our regret over any concern or inconvenience this issue has caused you. I would like to assure you that we have always striven to place the interests of our funds' investors first and foremost. We remain deeply committed to protecting your interests, and to providing you with one of Canada's best lineups of investment funds and services and leading portfolio managers.

If you have any questions, please read the attached Q&A or contact our Client Services Department at 1-800-563-5181 or service@cifunds.com.

Thank you for your loyalty and patience.

Yours truly,

Peter W. Anderson
President and Chief Executive Officer
CI Mutual Funds Inc.

***Q&A on the Settlement Agreement Between CI Funds
and the Ontario Securities Commission***

Q. How did the OSC review come about?

A. The OSC announced a review of trading practices in the Canadian mutual fund industry in November 2003. Public disclosure suggested that the OSC was concerned about the possibility of late trading and market timing by investors in mutual funds. This review followed extensive investigations by U.S. regulators into trading violations at American mutual fund companies.

Q. How was CI involved in the review?

A. The review apparently involved more than 100 fund companies initially. We co-operated fully with the OSC in all phases of the review. In September 2004, the OSC sent notices to CI and three other fund companies (AGF, Investors Group and AIC) expressing concern about trading by a small number of investors in their funds before November 2003. CI and the other companies began discussions with OSC Staff to address their concerns. The discussions led to the recent settlement agreements.

Q. What are the key findings and terms of the settlement agreement between the OSC Staff and CI?

A. The OSC review found that a small number of investors engaged in “frequent trading market timing” strategies in certain CI funds from September 1998 to September 2003. The trades were made by accounts held in nominee name at several Canadian bank-owned brokerage firms. The OSC found that CI had adopted measures that reduced, but did not negate, the harm to the funds resulting from these trades. The settlement indicates that in failing to fully protect certain CI funds in respect of frequent trading market timing, the conduct of CI was contrary to the public interest.

As a result, CI has agreed to make a payment to compensate investors in funds affected by market timing.

Another important finding was that there was no late trading at CI. Late trading is an illegal practice in which mutual fund orders received after the 4 p.m. Eastern Time deadline are executed at the same day’s price. Late orders are required to be processed using the next day’s price.

Q. What is market timing?

A. Market timing is short-term trading that attempts to take advantage of “stale” prices for securities in a mutual fund’s portfolio. Mutual funds typically set prices for their units (the net asset value or NAV per unit) each trading day at 4 p.m. Eastern Time based on the most recent closing prices for the securities in the portfolio. Given that markets in Asia and Europe close

some time before North American markets, the prices for these offshore securities are said to be “stale” if they do not reflect events that took place after the offshore markets closed. For example, if U.S. markets rise one day, then investors might assume that overseas stock prices will also rise the next day. Therefore, in this example, the market timer might buy the fund with stale prices in anticipation of the fund’s price rising the next day.

A distinction is sometimes made between market timing and frequent or short-term trading, which is trading in and out of a fund in less than 30 business days. Not all frequent trading is market timing.

Market timing is not itself illegal.

Q. What are the concerns about market timing?

A. Investors who successfully market time may be making a profit at the expense of long-term investors in the fund. In addition, market timing and frequent trading may lead to increased transaction costs for the fund and disruption of the fund’s portfolio management strategy (by requiring the portfolio manager to hold higher levels of cash or sell securities to meet redemptions from the fund, for example). These inefficiencies may affect the fund’s long-term performance.

Q. Are market timing or frequent trading still occurring in CI’s funds?

A. No. We enhanced our policies and procedures in late 2003 to prevent and detect market timing that could reasonably be expected to be harmful to CI funds and their unitholders.

Q. Were CI employees involved in the market timing?

A. No. The settlement agreement with the OSC confirms that there was no evidence of market timing by any CI insiders (which includes employees and portfolio managers).

Q. What funds were affected by market timing?

A. The funds that were affected by market timing were generally foreign equity funds.

Q. How did you determine what payment to make to investors in those funds?

A. We worked with the OSC to assess the potential impact of market timing on the affected funds. The approach adopted by CI and OSC Staff is consistent with the approach being used by the other fund companies.

It’s also important to remember that this payment is going to investors as compensation. It is not a fine.

Q. How much are you paying to investors?

A. We are paying a total of \$49.3 million, plus interest.

Q. Why is your payment not the same as the total profit the market-timing investors made at CI funds?

A. There are a variety of reasons. Among other things, as reflected in the settlement agreement, not all of the profit made by these investors was the result of frequent trading market timing activities. The payment is intended to compensate affected investors for the potential effects of the frequent trading market timing.

Q. How and when will individual investors be paid?

A. It's important to note that the \$49.3 million payment is the total compensation to be paid to investors in the affected funds. We have yet to determine who will receive compensation and the exact amount each unitholder will receive.

Under the settlement agreement, CI will now prepare a plan to allocate and distribute the compensation to affected investors in a fair and timely manner. This plan will be called the "Plan of Distribution." We have also agreed to hire an independent consultant to oversee the preparation of the Plan of Distribution. The choice of consultant must be approved by the OSC and CI will pay the consultant's expenses.

The allocation of the payment to affected investors is likely to depend on factors such as the amounts they had invested, the funds in which they were invested and time period in which they were invested in these funds.

CI has until September 30, 2005 to submit the Plan of Distribution to the OSC for its approval. If the OSC approves it, then we have another three months to implement the plan. Again, we have agreed to hire, at our expense and subject to OSC approval, an independent consultant to oversee and report to the OSC on this stage of the process.

Q. What if I am no longer a client at CI Mutual Funds?

A. If you otherwise are entitled to compensation, you will receive it regardless of whether or not you are currently a unitholder in CI funds.

Q. Will the payment affect the fees on any funds paid by the unitholders?

A. No. CI Fund Management Inc., the parent company of CI Funds, will compensate affected investors and pay the expenses involved in distributing the payments. The payment will not lead to any increases in the fees or expenses charged to the unitholders of CI's funds.

Q. What if I have more questions?

A. Please contact our Client Services Department at 1-800-563-5181 or service@cifunds.com.