

AGF Management Limited
Annual Report 2003



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What are you doing after work?





We also made solid progress in our strategy to diversify into related businesses, such as private investment management and third-party fund administration services in Canada and the U.K.

We did so in the face of challenging conditions. Coming off the worst bear market in recent memory, growth of the Canadian economy was tempered by a series of shocks including war, SARS, mad-cow disease, forest fires in B.C., power outages in the East and a soaring loonie.

We have entered 2004 with renewed momentum on a number of fronts. Following a year of very healthy gains in virtually every stock market around the world, investor confidence is poised for a rebound. After 46 years in this business, we've seen time and again that mutual fund sales follow good performance. We believe investor confidence should soon catch up to market returns and translate into a resurgence in sales of long-term equity funds.

Positive economic news for the Canadian and U.S. economies should fuel markets in the year ahead. Earnings continue to recover, capital investment is rising and consumers are spending. Investors won't be far behind. Mutual fund investors in the U.S. have already been returning to long-term equity funds for some time, and we expect the trend to gather steam in Canada, as well.

AGF's 2003 financial results were negatively affected by a one-time, non-cash tax charge. When the Government of Ontario repealed previously enacted corporate income tax rate reductions and increased the tax rate from 12.5% to 14%, we were required to recalculate our future income tax liabilities and record a tax charge of \$40.2 million or \$0.43 per share diluted in the fourth quarter of fiscal 2003.

For the year ended November 30, 2003, AGF's cash flow from operations declined 21.9% to \$208.5 million, or \$2.25 per share diluted, compared with \$267.0 million or \$2.91 per share diluted last year. Consolidated revenue was \$600.8 million, down 8.1% from \$654.1 million in the prior year.

Net income was particularly affected by the one-time tax charge. Consolidated net income was \$44.0 million, compared to \$119.8 million in 2002, a decrease of 63.3%. Without the tax rate increase, AGF's consolidated net income would have been \$84.2 million or \$0.91 per share diluted for the year.

EBITDA was \$284.3 million, down 11.3% from \$320.4 million the previous year.

As a result of our healthy free cash flow, AGF paid down \$114.0 million in long-term debt and raised the dividend twice in the year for a total increase in the dividend rate of 23.1%.

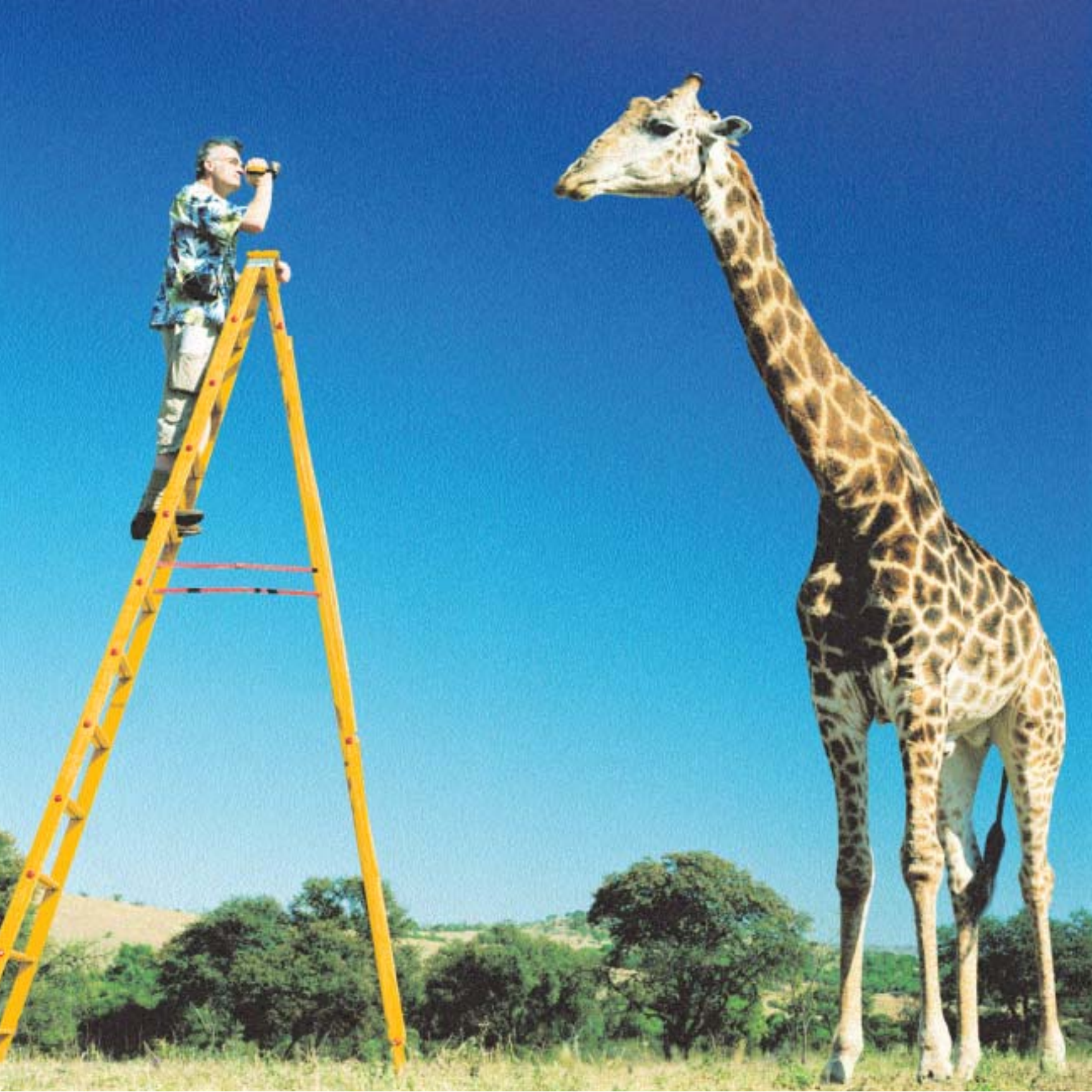
Demonstrating confidence in AGF's future and strong belief in the value of our business, we repurchased 503,300 Class B shares during the fourth quarter of fiscal 2003.

The long-term outlook for our business continues to be very positive. The mutual fund industry in Canada is forecast to grow from around \$440 billion in assets under management today to more than \$840 billion by 2012, according to industry research firm Investor Economics. In the near term, interest rates are expected to remain low, while savings rates are growing. Down the road, demographic trends paint a compelling picture. Canadians are getting older and wealthier as the baby boomers enter their peak earnings and savings years. According to Statistics Canada, the number of Canadians between the ages of 50 and 64 will grow almost 30% by 2011 and 38% by 2016.

By making professional money management available to all investors, mutual funds are the most democratic financial product available today. AGF is a strong company with leading products in a growing industry. Our long-term plan is to solidify our position in the Canadian mutual fund industry while generating growth in related attractive opportunities around the world.



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At AGF, we look beyond the horizon for new opportunities to grow. Whether we invest in businesses overseas or uncover potential in a related business at home, we are investing in the future.

This year, AGF expanded across product lines, across businesses and across countries. Through organic growth or acquisition, we expand when we see either a solid fit in a related market, or a strategic investment in an area with high growth potential. In 2003, we made progress on both fronts.

We want to serve our customers for life. Our goal is to be second to none with the top offering in every category of products and services across the wealth continuum.

AGF mutual funds delivered tremendous performance in fiscal 2003. Due to our relatively large offering of international funds, AGF's fund performance was affected by the weakening U.S. dollar. However, fully 85% of our assets performed above median for the year, and that number climbs to 86% over a 10-year period.

Our portfolio management expertise was once again honoured at the Canadian Investment Awards. AGF European Equity Class, managed by John Arnold and Rory Flynn of AGF International Advisors Co. Ltd., was named *Best European Equity Fund* for the third straight year. AGF Global Government Bond Fund, managed by Clive Coombs and Scott Colbourne of AGF Funds Inc., was also a repeat winner, taking home *Best Foreign Bond Fund* for the second year in a row.

In September, we broadened our portfolio management capabilities with the launch of Real Value funds and the introduction of a team of domestic value managers.

AGF Harmony tailored investment program built on great momentum with assets under management reaching \$522 million, a growth of 58%.

We expanded Harmony to deliver on our commitment to excellence in money management and top-quality, flexible service. Subsequent to year-end we launched Harmony Portfolios, fund on funds that offer a complete, professionally-managed portfolio in one purchase. The number of investment advisors offering Harmony rose 40% in fiscal 2003.

We continue to make major strides in AGF Private Investment Management (PIM). AGF PIM acquired the leading Ottawa-based investment counselling firm P.J. Doherty & Associates after the end of the fiscal year, bringing total private investment management assets under administration to approximately \$2.5 billion. The acquisition delivers on our strategy to build a strong high-net-worth management presence in key markets across Canada.

Our reinvestment in AGF Trust Company paid off in a banner year in 2003. Pre-tax income more than doubled, rising 154.2% to \$5.5 million. Revenue grew 44.8% to \$34.7 million. AGF Trust grew assets and gained market share in all product categories, led by a surge in investment and RSP loans, which rose 56.7% to \$279.7 million. With new products and broadened distribution through partnership agreements, AGF Trust is poised for further growth in 2004.

The past year was one of transformation and growth for Unisen Inc. Following the acquisition of Jewelstone Systems Inc. in 2002, the company made significant progress and is on track to complete the integration of operations. Unisen successfully restructured and united more than 1,000 of its employees under one roof in its Mississauga, Ontario, facility. As it consolidates operations, Unisen will benefit from significant economies of scale.

Unisen is poised to become the leader in fund industry back-office outsourcing in Canada. With more than \$185 billion in assets under administration and over 160 clients, it administered 20 million individual investor fund accounts during the year. Unisen offers the opportunity to participate in the growing trend to outsource business processes.

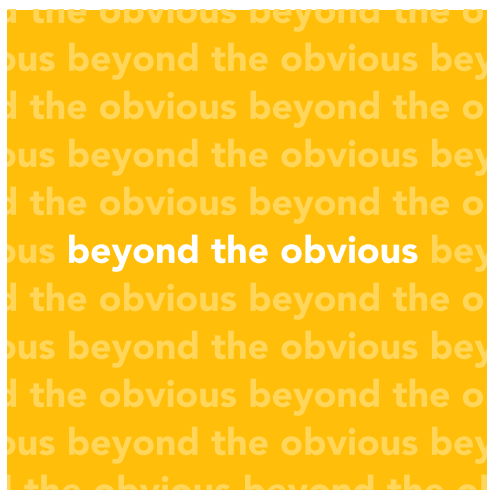
AGF also made significant progress building on our two U.K. investments. Our wholly-owned subsidiary Investmaster Group Ltd. is now the U.K.'s largest supplier of integrated systems for private wealth managers, accounting for 25% of the daily private client volumes traded through the London Stock Exchange. AGF strengthened the business through the acquisition of software supplier Consort Information Systems in April, 2003.

AGF owns 30% of Smith & Williamson Holdings Ltd., one of the largest independent, integrated private client financial services firms in the U.K. During the year, Smith & Williamson strengthened its position as a provider of a full range of financial services for high-net-worth clients, reaching £6.1 billion in assets under investment management as of December 31, 2003. The investment in Smith & Williamson not only gives AGF a strong position in this highly profitable and growing area of the U.K. financial services market, but also offers us the opportunity to generate revenue for other businesses, from back-office services to investment management.



beyond the obvious





Sometimes you have to look a little closer, work a little harder and swim against the tide to get where you want to go.

At AGF, we have a solid corporate strategy designed to build strength from not just what we can anticipate, but what we can't. Our solid focus and clear direction have carried us through down and up markets.

As always, the top priority of that strategy is excellence in investment management across the wealth continuum. We aim to deliver top-performing mutual funds complemented by tailored investment programs, discretionary wealth management and other related financial products.

One word defines our investment philosophy: DEPTH, which stands for Discipline, Experience, Performance, Trust and History. This philosophy represents a proven way of managing money that has earned the trust of advisors and investors. It says who we are and what we stand for.

We are committed to complementing our leading investment management with unparalleled customer service. We are investing in initiatives to better understand our customers and serve them more effectively and are continually setting a higher standard to meet their needs.

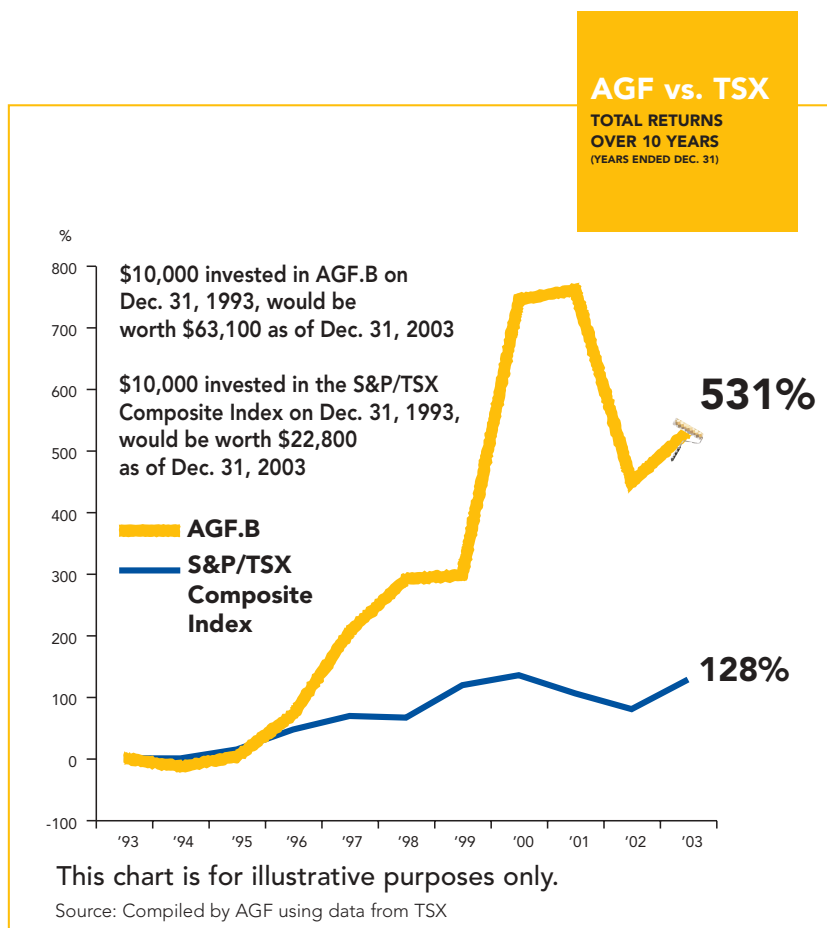
The AGF brand plays a key role in achieving that aim. Our strong and distinct brand is a leader among investment firms, offering us a clear competitive advantage in our key customer marketplace. The brand equity in our “What are you doing after work?”[®] positioning is an important strategic asset, and we will continue to reinforce this advantage.

Steadfastly working to implement our vision, we are not afraid to part ways with the crowd when they board a different bandwagon. We’re proud to stand up and stand out on issues we believe in.

We strongly believe that we have an important role to play as an independent company that can compete on the strength of our investment performance, client service and product innovation.

We maintain independence of thought, of research and of advice. And we’ll do everything we can to support that model because it best serves the interests of investors and advisors.

Our strategy is to earn shelf space by delivering top products that investors want to own and advisors want to sell, backed up by a strong focus on client relationships. In short, we want to work with investment advisors, not compete against them.



As consolidation in the industry is sure to continue, I believe AGF has a strategic advantage as a strong, independent player.

The success of our long-term strategy is borne out in our stock performance and the value created for shareholders. For the 10 years ended December 31, 2003, AGF Class B shares returned a compound 20.3%.

Over 20 years we are an acclaimed leader. According to a report published in February, 2004, by *National Post Business* magazine, AGF Class B shares were ranked the second-highest performing stock on the S&P/TSX Composite Index over the 20 years from November 25, 1983, to November 27, 2003. A \$10,000 investment in our stock at the beginning of that period would be worth \$424,809 today, not including dividends. Overcoming market cycles and industry conditions, I'm proud to say we've delivered extraordinary growth.



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We're proud of the long-term growth of our business, but we gauge our success by more than just numbers. For AGF, the cornerstone of our business is trust. Our future depends on the trust of investors, advisors, shareholders, suppliers, employees, management and each other. We believe we must earn this trust everyday.

Investors entrust us with their life savings, and we take that responsibility very seriously. We have always put the interests of our unitholders first. We were one of the first companies in the industry to establish independent mutual fund boards with an independent chair. These boards are responsible for advising on the activities of each fund and protecting the interests of fund holders.

In light of the scrutiny on mutual fund companies and their trading practices in the U.S., Canadian fund companies have been asked to provide fund purchase and redemption information to the Ontario Securities Commission. AGF welcomes this opportunity. We understand that we must continually demonstrate our integrity to fund holders and shareholders.

I am personally committed to ensuring all our practices meet the highest standards.

As professional investors, we understand the importance of having confidence in company management, and we know that building long-term value for the company depends on aligning our interests with those of our shareholders.

It is my pleasure to thank and congratulate the employees of AGF for their unmatched energy, outstanding ability and dedication to building the company. I am honoured to work with such a distinguished group. I also extend my appreciation to the board of directors for their guidance.

To our shareholders, I express gratitude for their confidence. We will continue to build AGF for long-term growth and profitability with a focus on creating value.

And finally, I thank our customers – thousands of advisors from coast to coast who believe in our products and support our company. Earning your business continues to be our priority in 2004.



Blake C. Goldring, CFA
President and Chief Executive Officer

A look at AGF

Founded in 1957, AGF is one of Canada's premier investment management companies with offices across Canada and subsidiaries around the world.

With about \$28 billion in total assets under management, AGF serves more than one million investors with offerings across the wealth continuum. AGF's products and services include a diversified family of more than 50 mutual funds, AGF Harmony tailored investment program, AGF Private Investment Management and AGF Trust GICs, loans and mortgages.

AGF is committed to offering great products and services backed up by outstanding support to clients. Serving nearly 40,000 investment advisors across Canada in full-service brokerages and planning firms, AGF has also broadened its distribution platform through banks, discount brokerages and insurance companies.

AGF has exported its success to become a global company with a Canadian home. In addition to offices across Canada, AGF has international operations in London, Dublin, Singapore, Tokyo and Beijing.

An independent, Canadian-owned company, AGF Management Limited is listed on the Toronto Stock Exchange (AGF.B).

To learn more, visit us at AGF.com.

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What are you doing after work?

**AGF
MUTUAL
FUNDS**

**AGF TAILORED
INVESTMENT
PROGRAMS**
Harmony

**AGF PRIVATE
INVESTMENT
MANAGEMENT**

**AGF
TRUST**

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