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AGF MANAGEMENT LIMITED

First Quarter Report to Shareholders for the three months ended February 28, 2009

AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

AGF reports net income of \$12.2 million

Toronto | March 25, 2009

AGF Management Limited (AGF) today announced financial results for the first quarter ended February 28, 2009 with net income of \$12.2 million, down from \$62.7 million for the same period in 2008 as a result of declines in Investment Management Operations revenue and an increase in Trust Company Operations provision for loan losses. Additionally, 2008 included an income tax reduction of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012.

Earnings per share in the first quarter of 2009, on a fully diluted basis, were \$0.14 compared with \$0.70 in the first quarter of last year. Excluding the impact of the \$19.5 million tax reduction, earnings per share, on a fully diluted basis, were \$0.48 last year.

Global stock market volatility prevailed in the first quarter of 2009, resulting in a 33.1% decline in average daily mutual fund assets under management (AUM), 29.0% decline in revenue and a 52.2% decrease in earnings before interest, taxes, depreciation and amortization (EBITDA) compared with the first quarter of 2008.

“Declining stock markets and investor reluctance to commit new money to long-term equity funds have led to a substantial reduction in revenue on a year-over-year basis,” said Chairman and CEO Blake C. Goldring. “Our number one priority to mitigate the revenue reduction is cost control. We have taken and will continue to take action to reduce costs in a manner that enhances our future operating capabilities while remaining well positioned for long-term growth.”

In the first quarter of fiscal 2009, total consolidated revenue decreased to \$138.0 million compared with \$194.3 million in the first quarter of the prior year. EBITDA totalled \$42.8 million for the three months ended February 28, 2009, compared with \$89.5 million for the three months ended February 29, 2008. For the first quarter of 2009, EBITDA margins declined to 31.0% from 46.1% in the same period a year earlier.

Total AUM decreased 33.9% to \$32.6 billion at February 28, 2009 from \$49.3 billion as at February 29, 2008. Over the same period, mutual fund assets declined by 34.8% primarily as a result of market depreciation combined with net redemptions, which were relatively flat on a year-over-year basis. Institutional and high-net-worth client assets declined 32.6% year-over-year primarily as a result of market depreciation.

In keeping with our stated strategy to slow loan growth and suspend new originations of lower margin lending products, our Trust Company Operations loan assets achieved modest growth of 6.7% over February 29, 2008 to \$4.3 billion as at February 28, 2009.

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, performance and opportunities. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Managing Risk – Overview' section of this MD&A and to the 'Risk Factors and Risk Management' section of our 2008 annual MD&A.

Dear fellow shareholders

Unprecedented global stock market volatility, the slowing of economic growth, and the reluctance of investors to commit new money to long-term funds continued to have a negative impact on our industry and our company in the first quarter of fiscal 2009. While we remain profitable in all segments of our business, our task is to focus on cost control and revenue enhancement while ensuring we continue to meet our clients' needs during these difficult economic times. This determination will ensure that AGF maintains its strong financial position.

Total assets under management (AUM) were \$32.6 billion at the end of the first quarter of fiscal 2009, down 33.9% from February 2008 levels. This decline in AUM served to reduce revenues in the Investment Management Operations segment by 33.5% for the first quarter of fiscal 2009 compared to the prior year. Accordingly, we have taken and will continue to take further action to reduce costs while doing so in a manner that enhances our future operating capabilities and sustainability.

Our Trust Company Operations experienced modest growth, when compared with previous periods, with loan assets increasing 6.7% year-over-year by the end of the first quarter of fiscal 2009 and net interest income increased 16.2%. This deceleration of growth in our Trust business reflects our stated strategy to ensure that AGF Trust remains well-capitalized and focused on credit and collection activities. AGF Trust remained a profitable contributor to AGF during the first quarter of fiscal 2009 in spite of the increased provision for loan losses.

Consolidated revenue was \$138.0 million, compared with \$194.3 million in the first quarter of the prior year. Earnings before interest, taxes, depreciation and amortization¹ (EBITDA) from continuing operations declined to \$42.8 million from \$89.5 million for the three months ended February 29, 2008 as declining revenue outpaced expense savings. Selling, general, and administrative (SG&A) expenses of \$53.0 million were 5.4% lower compared to \$56.0 million in the first quarter of last year. We continue to target permanent SG&A expense savings compared with 2008, but will experience some short-term costs such as severance and restructuring charges.

For the three months ended February 28, 2009, AGF reported cash flow from continuing operations¹ (before net change in non-cash balances related to operations) of \$46.7 million, compared with \$83.5 million one year ago. Free cash flow¹ (cash flow from continuing operations less selling commissions paid) for the same period was \$34.2 million, compared with \$56.7 million one year ago.

With over 50 years in business, we have lived through many bull and bear markets and our key focus continues to be providing excellence in the investment management business. We believe that prudent management of our expenses and balance sheet will allow AGF to weather the downturn and position us appropriately for the future. We remain committed to achieving our long-term objectives and delivering superior value to our shareholders, clients and unit holders.



Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
March 25, 2009

¹ Cash flow from continuing operations, free cash flow and EBITDA are non-GAAP measures. Please refer to pages 5 and 6 of this report for definitions of these metrics.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three months ended February 28, 2009

This Management's Discussion and Analysis (MD&A) presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (AGF) as at February 28, 2009, compared with November 30, 2008. The MD&A also includes the results of operations for the three months ended February 28, 2009, compared with the corresponding period of 2008. This discussion should be read in conjunction with our 2008 annual MD&A and 2008 annual audited Consolidated Financial Statements and Notes. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. The financial information presented herein has been prepared on the basis of Canadian Generally Accepted Accounting Principles (GAAP). Percentage changes are calculated using numbers, rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the 2008 annual MD&A: "Risk Factors and Risk Management", "Controls and Procedures", "Contractual Obligations", "Intercompany and Related Party Transactions" and "Government Regulations". The "Key Performance Indicators and Non-GAAP Measures" section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

With \$32.6 billion in assets under management (AUM) as at February 28, 2009, AGF is one of Canada's premier investment management companies, with operations and investments in Canada, the United Kingdom, Ireland and Asia. The origin of our company dates back to 1957 with the introduction of the American Growth Fund (AGF), the first mutual fund available to Canadians seeking to invest in the United States. As of February 28, 2009, our products and services include a diversified family of more than 50 mutual funds, the evolutionary AGF Elements portfolios, the Harmony managed asset program, AGF Asset Management Group services for institutional and high-net-worth clients, as well as AGF Trust GICs, loans and mortgages.

For purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as "we", "us", "our" or "the Company". The financial results relating to the operations have been reported in three segments: Investment Management Operations, Trust Company Operations and Other.

The Investment Management Operations segment includes the results of our retail mutual fund, institutional and high-net-worth client businesses. The Trust Company Operations segment includes the results of AGF Trust Company, and the Other segment includes our equity interest in Smith and Williamson Holdings Limited (S&WHL).

Strategy and Quarterly Overview

As stated in our 2008 annual MD&A, our overall business strategy is to foster the development of best-in-class operating segments to provide world-class financial services to investors in Canada and internationally. We will continue to identify opportunities within our business segments, ensuring that the appropriate resources are allocated to each of these segments so that shareholder value is maximized over the long term. Our strategy also recognizes that our investment management and trust businesses operate in cyclical industries and our financial results will be affected by global stock markets, credit availability, employment levels and other economic factors.

Stock market declines and general economic deterioration continued to have an effect on our businesses in the first quarter of 2009. During the first quarter of 2009:

- Revenue decreased 29.0% as compared with the same period in 2008 driven primarily by a 33.5% decline in Investment Management Operations revenue which was directly related to lower year-over year AUM levels. Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 52.2% during the same period to \$42.8 million as declining revenue outpaced expense savings.
- Net income decreased 80.5% over the same period in 2008 primarily due to a decline in Investment Management Operations revenue and an increase in Trust Company Operations provision for loan losses, partly offset by lower interest and amortization expenses. In addition, the first quarter of 2008 included an income tax reduction of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012.

- Market volatility continued in the first quarter of 2009, resulting in total AUM declining 33.9% from \$49.3 billion at February 29, 2008 to \$32.6 billion as at February 28, 2009. AUM declined by \$3.0 billion or 8.3% from November 30, 2008.
- SG&A expenses declined by 5.4% in the quarter ended February 28, 2009 as compared to the corresponding period in 2008 as a result of cost reduction initiatives.
- AGF Trust real estate secured loan assets grew 5.4% over the previous year and investment loans grew 7.8% with total loan assets rising a modest 6.7% year-over-year. This moderate growth is reflective of our strategy to suspend new originations of lower margin lending products and slow loan growth in 2009.
- In spite of a higher provision for loan losses, AGF Trust remained profitable in the first quarter of 2009, representing 38.7% of AGF Management Limited's pre-tax income.
- We delivered value directly to our shareholders through dividend payments. Dividends paid, including dividends reinvested, on Class A voting common shares (Class A shares) and Class B non-voting shares (Class B shares) increased 24.2% to \$22.1 million in the first quarter of 2009 compared to \$17.8 million in the same period in 2008.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our business strategies using a number of key performance indicators (KPIs), which are outlined below. With the exception of revenue, the following KPIs are not measurements in accordance with Canadian GAAP. They should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of KPIs that are relevant to each segment.

(a) Consolidated Operations

Revenue

Revenue is a measurement defined by Canadian GAAP and is recorded net of fee rebates, sales taxes and distribution fees paid to limited partnerships. Revenue is indicative of the potential to deliver cash flow.

We derive our revenue principally from a combination of:

- management and advisory fees based on AUM
- deferred sales charges (DSC) earned from investors when mutual fund securities sold on a DSC basis are redeemed
- net interest income earned on AGF Trust's loan portfolio

EBITDA

We define EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts to understand and compare results. We believe this is an important measure because it allows us to assess our investment management businesses without the impact of amortization. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our investment loan and real estate secured loan programs and are therefore considered an operating cost directly related to generating interest revenue. We include this interest expense in Trust Company Operations EBITDA to provide a meaningful comparison to our other business segments and our competitors.

Please see the "Consolidated Operating Results" section on page 12 of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

Cash Flow from Operations

We report cash flow from operations before net changes in non-cash balances related to operations. Cash flow from operations helps to assess the ability of the business to generate cash, which is used to pay dividends, repurchase shares, pay down debt and fund other needs.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Net cash provided by continuing operating activities	\$ 6.0	\$ 12.2
Less: net changes in non-cash balances related to operations	(40.7)	(71.3)
Cash flow from continuing operations	\$ 46.7	\$ 83.5

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Free Cash Flow from Operations

We define free cash flow as cash flow from operations before net changes in non-cash balances related to operations less selling commissions paid. This is a relevant measure in the investment management business since a substantial amount of cash is spent on upfront commission payments. Free cash flow represents cash available for distribution to our shareholders or for general corporate purposes.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Cash flow from continuing operations (defined above)	\$ 46.7	\$ 83.5
Less: selling commissions paid	12.5	26.8
Free cash flow	\$ 34.2	\$ 56.7

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our overall operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
EBITDA	\$ 42.8	\$ 89.5
Divided by revenue	138.0	194.3
EBITDA margin	31.0%	46.1%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our overall operating performance. We believe pre-tax profit margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes, non-controlling interest and non-segmented items to revenue.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Net income	\$ 12.2	\$ 62.7
Add: income taxes	4.1	(6.2)
Income before taxes	16.3	56.5
Divided by revenue	138.0	194.3
Pre-tax profit margin	11.8%	29.1%

Return on Equity (ROE)

We monitor ROE to assess the profitability of the consolidated company on an annual basis. We calculate ROE by dividing net income in the quarter annualized by average shareholders' equity.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Net income (annualized) ¹	\$ 48.8	\$ 172.8
Divided by average shareholders' equity	1,100.7	1,091.9
Return on equity	4.4%	15.8%

¹ Annualized net income for the three months ended February 29, 2008 excludes \$19.5 million reduction in income tax.

Long-term Debt to EBITDA Ratio

Long-term debt to EBITDA ratio provides useful information to management and investors as an indicator of our ability to service our long-term debt. We define long-term debt to EBITDA ratio as long-term debt at the end of the period divided by EBITDA in the quarter annualized.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Long-term debt	\$ 177.8	\$ 259.1
EBITDA (annualized)	171.2	358.0
Long-term debt to EBITDA	103.9%	72.4%

(b) Investment Management Operations

Assets Under Management (AUM)

The amount of AUM is critical to our business since it is from these assets that we generate fees from our mutual fund, institutional, strategic accounts and high-net-worth relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions. Mutual fund AUM determine a significant portion of our expenses because we pay upfront commissions and trailing commissions to financial advisors, as well as investment advisory fees based on the value of AUM.

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders, and, in turn, we benefit from higher revenues. Alternatively, poor relative investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to gross sales growth or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the Managing Risk section of this report for further information.

Net Sales

One of the goals of our mutual fund business is to generate positive net sales on an annual basis, which allows for increasing revenues. Gross sales and redemptions as a percentage of AUM are monitored separately and the sum of these two amounts comprises net sales. Net sales, together with investment performance and fund expenses, determine the level of average daily mutual fund AUM. This is the basis on which management fees are charged. The average daily mutual fund AUM is equal to the average daily net asset value of the AGF mutual funds.

We monitor inflows and outflows in our high-net-worth client and institutional businesses separately. We do not compute an average daily AUM figure for them.

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe EBITDA margin is a valuable measure since it assesses the extent we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
EBITDA	\$ 34.8	\$ 74.8
Divided by revenue	109.9	165.2
EBITDA margin	31.7%	45.3%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe pre-tax profit margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

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For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Income before taxes and non-segmented items	\$ 10.6	\$ 45.4
Divided by revenue	109.9	165.2
Pre-tax profit margin	9.6%	27.5%

(c) Trust Company Operations

Loan Asset Growth

In the Trust Company Operations segment (AGF Trust), we focus on long-term, profitable growth and credit quality in our investment and real estate secured loans. New originations net of repayments drive the outstanding balance of loans on which we charge interest. Loan asset growth increases our revenue and assists with our ability to grow our profits in AGF Trust.

Net Interest Income

Net interest income is a common lending industry performance indicator. We monitor this figure to evaluate the growth of the financial contribution of AGF Trust. The figure is calculated by subtracting interest expense from interest income earned from AGF Trust loan assets.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Interest income	\$ 66.7	\$ 76.8
Less: interest expense	40.2	54.0
Net interest income	\$ 26.5	\$ 22.8

Net Interest Margin

Net interest margin is equal to annualized net interest income divided by the average quarterly total loan balance.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Annualized net interest income	\$ 106.0	\$ 91.2
Divided by average quarterly total loan balance	4,363.2	3,895.6
Net interest margin	2.4%	2.3%

Efficiency Ratio

The efficiency ratio is a lending industry KPI that measures the efficiency of the organization. We use this ratio to ensure that expenses are contained as AGF Trust grows. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Selling, general and administrative expenses	\$ 8.6	\$ 11.3
Add: amortization expense	0.7	0.5
Non-interest expense	\$ 9.3	\$ 11.8
Other revenue	\$ 2.1	\$ 3.7
RSP loan securitization income (loss), net of impairment	(1.5)	0.8
Non-interest income	\$ 0.6	\$ 4.5
Net interest income	\$ 26.5	\$ 22.8
Add: non-interest income	0.6	4.5
Total of net interest income and non-interest income	\$ 27.1	\$ 27.3
Efficiency ratio	34.3%	43.2%

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EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in AGF Trust. We believe EBITDA margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
EBITDA	\$ 7.0	\$ 12.9
Divided by revenue	27.1	27.3
EBITDA margin	25.8%	47.3%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of the operating performance in AGF Trust. We believe pre-tax profit margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of net interest income. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to total revenue.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Income before taxes and non-segmented items	\$ 6.3	\$ 12.4
Divided by revenue	27.1	27.3
Pre-tax profit margin	23.2%	45.4%

Assets-to-Capital Multiple

Federally regulated deposit-taking institutions (DTI) are expected to meet an assets-to-capital multiple test. The assets-to-capital multiple is determined by dividing the DTI's total assets by its total regulatory capital.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Total assets per OSFI guidelines	\$ 5,288.4	\$ 4,901.0
Divided by adjusted Tier 1 and Tier 2 capital	361.7	333.1
Assets-to-capital multiple	14.6	14.7

Loan-to-Value Ratio

Loan-to-value ratio on our conventional mortgage loans is calculated using outstanding balance of conventional mortgage loans divided by the estimated fair value of the real estate serving as collateral for the conventional mortgage loans as at the date the loans were funded.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Conventional mortgage loans ¹	\$ 726.8	\$ 798.6
Divided by fair value of collateral	1,168.5	1,276.5
Loan-to-value ratio	62.2%	62.6%

¹ Includes loan provision and deferred sales commission of \$12.5 million.

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2008 audited Consolidated Financial Statements.

Significant Accounting Estimates

Goodwill and other intangibles are subject to impairment tests on an annual basis or more frequently if events or changes in circumstances indicate that the assets may be impaired. AGF's ongoing review of the valuation of goodwill and other intangibles resulted in a writedown of \$46.3 million in the fourth quarter of 2008. During the three months ended February 28, 2009, AGF assessed the need for an impairment test to be performed in light of the current economic climate and it was determined that there is no event or circumstance that has indicated that fair value is lower than carrying value. The annual impairment test will be performed during the third quarter of 2009, consistent with the prior year.

Changes in Significant Accounting Policies

Goodwill, Intangible Assets and Financial Statement Concepts

Effective December 1, 2008, the CICA's new accounting standard "Handbook Section 3064, Goodwill and Intangible Assets" was adopted. The standard clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. "Section 1000, Financial Statements Concepts" was also amended to provide consistency with Section 3064. These standards did not have any impact on the financial position or earnings of the Company.

Future Accounting Changes

Conversion to International Financial Reporting Standards in Fiscal 2012

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2012 starting December 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Company's processes and financial results. The Company is currently in the planning phase of the conversion. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Currently, it is not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and the interpretations of those standards are changing.

Managing Risk

AGF is subject to a number of company and non-company specific risk factors that may impact our operating and financial performance. These risks and the management of those risks are detailed in our 2008 annual MD&A in the section entitled 'Risk Factors and Risk Management'. Refer to Note 14 of the Consolidated Financial Statements and Notes for risks arising from the use of financial instruments.

Market Risk in Assets under Management (AUM)

AUM are exposed to various market risks, including changes in equity prices, interest rates and foreign exchange rates. These risks transfer to the Company as our management fee revenue is calculated as a percentage of the average net asset value of each mutual fund or portfolio managed. The Company does not quantify these risks in isolation, however, in general, for every \$1 billion reduction of mutual fund AUM, management fee revenues would decline by approximately \$20 million. The Company monitors these risks as they may impact earnings, however, it is at the discretion of the fund portfolio manager to decide on the appropriate risk-mitigating strategies for each fund.

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To provide additional details on the Company's exposure to these market risks, the following provides further information on our mutual fund AUM by asset type:

Percentage of total mutual fund AUM	February 28, 2009	February 29, 2008
Domestic equity funds	36.9%	39.4%
U.S. and international equity funds	31.6%	37.1%
Domestic balanced funds	10.3%	8.2%
U.S. and international balanced funds	1.9%	2.4%
Domestic fixed income funds	15.6%	10.4%
U.S. and International fixed income funds	3.7%	2.5%
	100.0%	100.0%

Institutional and high-net-worth AUM are exposed to the same market risks as mutual fund AUM. In general, for every \$1 billion reduction of institutional and high-net-worth AUM, management fee revenues would decline by approximately \$4 million.

Foreign Currency Risk

Our main foreign exchange risk derives from the U.S. and international portfolio securities held in the mutual fund AUM. Change in the value of the Canadian dollar relative to foreign currencies will cause fluctuations in the Canadian-dollar value of non-Canadian AUM upon which our management fees are calculated. This risk is monitored since currency fluctuation may impact the financial results of AGF. However, it is at the discretion of the fund manager to decide whether to enter into foreign exchange contracts to hedge foreign exposure on U.S. and international securities held in funds.

We are subject to foreign exchange risk on our integrated foreign subsidiaries in Ireland and Singapore, which provide investment advisory services. These subsidiaries retain minimal monetary exposure to the local currency and their revenues are calculated in Canadian dollars. The local currency expenses are comparatively small.

The Company is exposed to foreign exchange risks through its 30.3% equity interest in Smith and Williamson Holdings Limited (S&WHL), which is denominated in U.K. pounds. The investment is translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized translation gains and losses are reported in other comprehensive income. Based on the carrying value at February 28, 2009, a 5% change in the value of the Canadian dollar versus the U.K. pound would result in a change in other comprehensive income of \$4.7 million.

Interest Rate Risk

Excluding the AGF Trust operations, we have exposure to the risk related to changes in interest rates on floating-rate debt. As at February 28, 2009, the effect of a 1% change in the variable interest rates on the average loan balance outstanding for the three months would have resulted in an annualized change in interest expense of approximately \$1.5 million. As the amount of interest paid is small relative to our operating cash flow, such a change in interest rates would not have a material impact on the results of operations or the fair value of the related debt.

For the AGF Trust operations, interest rate risk refers to the treasury book (non-trading) and can have a potentially adverse impact on AGF Trust's earnings and economic value due to unexpected changes in interest rates and interest rate volatility. Categories of interest rate risk include: yield curve/gap risk; basis or spread compression risk; commitment or embedded option risk; prepayment risk and discretionary. The impact of a 1% change in interest rates either up or down would be a change of annual net interest income of approximately \$4.7 million.

Operational Risk

Operational risk is the possibility that a loss will result from inefficient, inadequate or failed internal processes, people or systems or from external events. As a minimum, operational risk takes into account the following:

- regulatory, legal and contractual obligations;
- fraud;
- employee practices and workplace safety;
- client, product and business practices;
- damage to physical assets;
- business disruptions and system failures;
- execution, delivery and process management.

Operational risk includes legal and regulatory risk. The Company maintains a control environment to manage these risks, recognizing that operational risks may arise in the normal course of business. Changes to laws and regulations, including changes in their interpretation or application, could affect the Company, limiting the products or services it may provide and increasing the ability of competitors to compete with our products or services. Failure to comply with applicable laws and regulations could result in sanctions and financial penalties that could adversely impact earnings and damage the Company's reputation. Management undertakes reasonable and prudent measures designed to achieve compliance with governing laws and regulations.

The foregoing discussion is not an exhaustive list of all risks and uncertainties regarding our ability to execute against our strategy. Readers are cautioned to consider other potential risk factors when assessing our ability to execute against our strategy.

Changes in Internal Controls over Financial Reporting

There have been no changes in AGF Management Limited's internal control over the financial reporting during the quarter ended February 28, 2009, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 28, 2009, and February 29, 2008.

For the three months ended (\$ millions, except per share amounts)	February 28, 2009	February 29, 2008	% change
Revenue			
Investment Management Operations	\$ 109.9	\$ 165.2	(33.5%)
Trust Company Operations	27.1	27.3	(0.7%)
Other	1.0	1.8	(44.4%)
	138.0	194.3	(29.0%)
Expenses			
Investment Management Operations	75.1	90.4	(16.9%)
Trust Company Operations	20.1	14.4	39.6%
	95.2	104.8	(9.2%)
EBITDA ¹	42.8	89.5	(52.2%)
Amortization	24.9	29.9	(16.7%)
Interest expense	1.5	3.0	(50.0%)
Non-controlling interest	0.1	0.1	n/m
Income taxes	4.1	(6.2)	(166.1%)
Net income	\$ 12.2	\$ 62.7	(80.5%)
Earnings per share – diluted	\$ 0.14	\$ 0.70	(80.0%)

¹ For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue for the three months ended February 28, 2009, declined by 29.0% from the corresponding period in 2008. Revenue in the Investment Management Operations segment declined 33.5% for the three months ended February 28, 2009. This corresponds to lower average levels of AUM. The Trust Company Operations segment revenue declined marginally by 0.7% for the three months ended February 28, 2009, due to a writedown in retained interest from securitization offset by increased net interest income resulting from an increase in loan assets year-over-year. Revenue from Other, which represents the results of our 30.3% equity interest in S&WHL, was lower for the three months ended February 28, 2009 due to the impacts of the economic environment in the U.K.

Expenses for the three months ended February 28, 2009, decreased by 9.2% compared with the same period in 2008. Expenses in the Investment Management Operations segment declined 16.9% primarily attributable to lower trailing commissions and investment advisory fees as a result of the decline in AUM. Trust Operations experienced higher overall

expenses related to increased provisions for loan losses offset by reduced SG&A expenses. For further details refer to the segment discussions.

The impact of revenue declining at a faster rate than expenses served to decrease EBITDA by 52.2% for the three months ended February 28, 2009, from the corresponding period of 2008.

Amortization expense decreased 16.7% for the three months ended February 28, 2009, compared to the same period in 2008. The decline was due to lower amortization of deferred selling commissions in the Investment Management Operations segment. Amortization of deferred selling commissions for the three months ended February 28, 2009 accounted for \$22.3 million (2008 – \$26.1 million) of the total amortization expense.

Interest expense was \$1.5 million for the three months ended February 28, 2009, as compared with \$3.0 million in the same period of 2008. Lower interest expense in the quarter is reflective of declining average debt levels and interest rates.

For the three months ended February 28, 2009, income tax expense was \$4.1 million as compared with an income tax reduction of \$6.2 million in the same period in 2008. The February 29, 2008 results included an income tax reduction of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012. Excluding the impact of this tax reduction in 2008, the effective tax rate for the first three months of 2009 was 25.0% compared with 23.6% in the same period in 2008.

The impact of the above revenue and expense items resulted in net income of \$12.2 million for the three months ended February 28, 2009 compared with \$62.7 million in the same period of 2008. Basic and diluted earnings per share were \$0.14 for the three months ending February 28, 2009, compared with \$0.70 per share in the same period of 2008. Excluding the impact of the \$19.5 million tax reduction in the first quarter of 2008, net income in the first quarter of 2008 was \$43.2 million or \$0.48 per share diluted.

A further discussion follows of the results of each business segment for the three months ended February 28, 2009, compared with February 29, 2008.

Business Segment Performance

We report on three business segments: Investment Management Operations, Trust Company Operations and Other. AGF's reportable segments are strategic business units that offer different products and services. The Investment Management Operations segment provides investment management and advisory services. It is responsible for the management and distribution of AGF investment products and services, including retail mutual fund operations, institutional investment management and high-net-worth client investment counselling services. The Trust Company Operations segment offers GICs, real estate secured loans and investment loans. The Other segment includes the results of S&WHL, which is accounted for by the equity method, as well as our interest expense.

Investment Management Operations

Business and Industry Profile

Our Investment Management Operations segment provides products and services across the wealth continuum, including mutual funds, wrap products, institutional investment services and high-net-worth investment management. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies, brokers and consultants.

We compete with numerous domestic and foreign players within the Canadian investment management industry. We believe our status as an independent fund manufacturer without distribution conflict will benefit us and our shareholders as the industry continues to evolve. We also remain focused on building our reputation internationally as an institutional investment management firm and we continue to attract a significant amount of interest in our investment strategies from international investors.

Segment Strategy and Quarterly Overview

We have remained consistent in our strategy of enhancing the client-centric model in our investment management business and continue to maintain a high level of contact with our clients. We continue to focus on predictable excellence in our three core activities: investment management, relationship management and product management. We promote international investment management competency across multiple channels and are focused on growing our institutional business.

Global stock market declines continued into the first quarter of 2009, reducing mutual fund AUM. The 2009 RRSP season offered little reprieve for our Investment Management Operations segment, with the lower mutual fund flows primarily directed to money market funds by cautious investors. In response to the continued economic and market upheaval, we made changes to our investment management operations and product lineup to align with the current environment and investor sentiment.

During the first quarter of 2009:

- We launched the AGF Dollar Cost Averaging Fund. With this Fund, investors can make lump-sum investments into the Fund and over a 12-month period that initial investment is systematically transferred in increments into the designated AGF funds of their choice. This product was introduced to address investors' concerns about heightened market volatility and when to get into the market by offering access to a convenient, systematic and disciplined investment strategy.
- We introduced four corporate class versions of our Elements portfolios offering investors more flexibility and potential tax advantages. The AGF Elements portfolio classes are part of AGF All World Tax Advantage Group Limited, giving investors the flexibility to switch between these portfolios and more than 20 AGF corporate class mutual funds. Within the corporate class structure, investors can benefit from tax deferral and increased compound growth over the long term.
- We enhanced our Harmony managed asset program by adding 10 new portfolio managers. The manager additions are intended to further enhance portfolio diversification and return potential for investors, and offer retail investors even greater access to leading institutional asset management.
- We began streamlining our fund lineup with the announcement of our intent to terminate AGF World Opportunities Fund on April 20, 2009. This decision was driven by a combination of the small number of unitholders, relatively low assets and the costs associated with maintaining such a small fund.
- We announced, following the end of the first quarter, that we would be seeking securityholder approval for the merger of several funds in order to further streamline and simplify AGF's current product lineup to focus on core mandates and eliminate smaller funds which have not achieved economies of scale.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees depends on the level and composition of AUM. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees. These fees are based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional, strategic accounts and high-net-worth client AUM. As a result, the level of AUM has a significant influence on financial results.

The following table illustrates the composition of the changes in total AUM during the three months ended February 28, 2009 and February 29, 2008:

For the three months ended (\$ millions, except per share amounts)	February 28, 2009	February 29, 2008	% change
Mutual fund AUM, beginning of period	\$ 19,761	\$ 30,052	(34.2%)
Gross sales of mutual funds	644	1,128	(42.9%)
Redemptions of mutual funds	(858)	(1,353)	(36.6%)
Net mutual fund sales	(214)	(225)	(4.9%)
Market appreciation (depreciation) of fund portfolios	(1,485)	(2,124)	(30.1%)
Mutual fund AUM, end of period	\$ 18,062	\$ 27,703	(34.8%)
Institutional and strategic accounts AUM	11,806	17,910	(34.1%)
High-net-worth AUM	2,733	3,672	(25.6%)
Total AUM, end of period	\$ 32,601	\$ 49,285	(33.9%)
Average daily mutual fund AUM for the period	\$ 19,156	\$ 28,621	(33.1%)

Global market declines and an industry trend of reduced gross sales of long-term funds resulted in a decrease in mutual fund AUM to \$18.1 billion at February 28, 2009 from \$27.7 billion as at February 29, 2008. The average daily mutual fund AUM for the three months ended February 28, 2009, decreased 33.1% to \$19.2 billion compared with the same period in 2008. Institutional and strategic accounts AUM decreased by \$6.1 billion to \$11.8 billion from \$17.9 billion at February 29,

2008. This was a result of market volatility, client rebalancing and redemptions. High-net-worth AUM decreased by \$1.0 billion to \$2.7 billion due to market volatility. These decreases resulted in total AUM decreasing by 33.9% to \$32.6 billion.

Market performance influences the level of AUM. During the three months ended February 28, 2009, the Canadian-dollar-adjusted S&P 500 Index decreased 15.2%, the Canadian-dollar-adjusted NASDAQ Index decreased 8.0% and the S&P/TSX Composite Index decreased 11.5%. The aggregate market depreciation of our mutual fund portfolios for the three months ended February 28, 2009, divided by the average daily mutual fund AUM for the period was 7.8%, after management fees and expenses paid by the funds.

The impact of the U.S. dollar increase relative to the Canadian dollar on the market value of AGF mutual funds for the three months ended February 28, 2009 has been an increase in AUM of \$0.1 billion.

Financial and Operational Results

The Investment Management Operations segment results for the three months ended February 28, 2009, and February 29, 2008, are as follows:

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008	% change
Revenue			
Management and advisory fees	\$ 102.7	\$ 156.4	(34.3%)
Deferred sales charges	6.0	6.1	(1.6%)
Investment income and other revenue	1.2	2.7	(55.6%)
	109.9	165.2	(33.5%)
Expenses			
Selling, general and administrative	44.5	44.6	(0.2%)
Trailing commissions	27.5	41.8	(34.2%)
Investment advisory fees	3.1	4.0	(22.5%)
	75.1	90.4	(16.9%)
EBITDA ¹	34.8	74.8	(53.5%)
Amortization	24.2	29.4	(17.7%)
Income before taxes and non-segmented items	\$ 10.6	\$ 45.4	(76.7%)

¹ For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue

For the three-month period ended February 28, 2009, revenue for the Investment Management Operations segment decreased by 33.5% compared with the previous-year period with changes in the following categories:

Management and Advisory Fees

The 33.1% decline in average daily mutual fund AUM in the three months ended February 28, 2009, contributed to a 34.3% decrease in management and advisory fee revenue from the same period in 2008. Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities. These distribution fees totalled \$1.0 million (2008 – \$1.8 million) for the three months ended February 28, 2009.

Deferred Sales Charges (DSC)

We receive DSC upon redemption of securities sold on the contingent DSC or back-end commission basis for which we finance the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenues for the three months ended February 28, 2009, decreased by 1.6% from the same period in 2008, reflecting lower retail mutual fund redemptions of DSC AUM that are subject to a charge.

Expenses

For the three-month period ended February 28, 2009, expenses decreased by 16.9% from the previous-year period. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three-month period ended February 28, 2009 were \$44.5 million. This represents a 0.2% decrease over the same period in 2008. The decrease is made up of the following amounts:

For the three months ended (\$ millions)	February 28, 2009
Increase in fund absorption expenses	\$ 2.3
Decrease in compensation-related expenses	(3.0)
Decrease in other expenses	(0.1)
Increase in severance and restructuring expenses	0.7
	\$ (0.1)

The following explains expense changes in the three-month period ended February 28, 2009 compared with the previous-year period:

- Our current estimate for 2009 absorption expenses increased during the quarter as a result of lower average levels of AUM as compared to 2008.
- Compensation-related expenses decreased due to staff reductions, lower estimates for performance-based payouts and stock-based compensation expense.
- Severance and restructuring expenses increased \$0.7 million as a result of longer-term cost savings initiatives.

Trailing Commissions

Trailing commissions paid to investment dealers depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM was 0.57% for the three months ended February 28, 2009, compared to 0.58% in the same 2008 period. The reduction in trailers expressed as a percentage of AUM is attributable to an increased proportion of our mutual fund AUM held on a DSC basis and switches to lower trailer-paying funds offset by a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailer commissions.

Investment Advisory Fees

External investment advisory fees decreased 22.5% for the three-month period ended February 28, 2009, compared with the previous-year period. The year-over-year decrease relates to the reduced level of AUM.

EBITDA

EBITDA for the Investment Management Operations segment were \$34.8 million for the three months ended February 28, 2009. This represents a decrease of 53.5% from \$74.8 million for the same period of fiscal 2008. The decrease is directly attributable to lower revenue levels resulting from lower average AUM.

Amortization

The largest item in this category is amortization of deferred selling commissions. The category also represents amortization of property, equipment, customer contracts and other intangible assets. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$22.3 million in the three months ended February 28, 2009, compared with \$26.1 million in the same period in 2008.

During the first quarter of fiscal 2009, we paid \$12.5 million in selling commissions compared with \$26.8 million in 2008. The decline is due to lower gross sales of retail funds and a higher percentage of funds paid on a front end basis in 2009 versus 2008. As at February 28, 2009, the unamortized balance of deferred selling commissions stood at \$294.6 million. This is a decrease of \$9.8 million from the balance of \$304.4 million as at November 30, 2008. The contingent DSC that would be received if all of the DSC securities were redeemed at February 28, 2009, were estimated to be approximately \$394.0 million (February 29, 2008 – \$418.9 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust, we offer financial solutions that include GICs, real estate secured loans and investment loans.

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors who continue to broaden their suite of products to meet the needs of their clients. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. Our mutual fund wholesalers have operated successfully in the advisor channel for over 51 years and our reputation for quality service is widely acknowledged, as demonstrated by our recognition as Advisors' Choice Investment Fund Company of the Year at the 2008 Canadian Investment Awards.

We offer real estate secured loans to Canadians who have sound credit, but whose circumstances may not meet the traditional requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed primarily through the mortgage broker channel, which has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates. Lenders have provided real estate secured loans in this channel to reduce distribution costs.

Segment Strategy and Highlights

AGF Trust, similar to other financial institutions in Canada, continues to be affected by the global credit crisis. During the fourth quarter of 2008, we made adjustments to our lending programs to focus on higher margin products and suspended new originations of lower profit business lines, including our Home Equity Line of Credit and 100% No Margin Investment loan products. During the first quarter of 2009, we maintained these amendments and focused on the management of our loan portfolio. The majority of funding for the lending and investment activity continues to be through the sale of GICs.

For the three months ended February 28, 2009, loan originations were \$52.1 million, compared to \$525.0 million in the three months ended February 29, 2008. Net loan writeoffs were \$4.3 million for the three months ended February 28, 2009, compared to \$1.5 million in the same period in the previous year. The increase in writeoffs was primarily attributable to writeoffs in our RSP loan portfolio.

As at February 28, 2009, collateral value declines have resulted in approximately \$662.5 million of unsecured exposures in our secured investment loan portfolio. Our investment loan program is used by independent investment advisors as part of their investment strategy. We believe that the investment advisor is an integral part of their clients' investment strategies and, with this, combined with other mitigating factors such as relatively high credit scores, sound underwriting and historical experience of other financial institutions with this type of product with little evident correlation between collateral values and propensity to default, we expect that clients will continue to service their debt in spite of declining equity values. Our weighted average loan-to-value ratio on our conventional mortgage loan portfolio, as at February 28, 2009, was 62.2%.

Total impaired loans expressed as a percentage of total loans outstanding were 1.4% as at February 28, 2009 and 1.0% as at November 30, 2008.

Financial and Operational Results

The Trust Company Operations segment results for the three months ended February 28, 2009 and February 29, 2008 are as follows:

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008	% change
Interest income			
Loan interest	\$ 61.0	\$ 66.5	(8.3%)
Investment interest	5.7	10.3	(44.7%)
	66.7	76.8	(13.2%)
Interest expense			
Deposit interest	48.3	47.1	2.5%
Other interest expense	(8.1)	6.9	(217.4%)
	40.2	54.0	(25.6%)
Net interest income	26.5	22.8	16.2%
Other revenue	2.1	3.7	(43.2%)
RSP loan securitization income (loss), net of impairment	(1.5)	0.8	(287.5%)
Total revenue	27.1	27.3	(0.7%)
Expenses			
Selling, general and administrative	8.6	11.3	(23.9%)
Provision for loan losses	11.5	3.1	271.0%
	20.1	14.4	39.6%
EBITDA ¹	7.0	12.9	(45.7%)
Amortization	0.7	0.5	40.0%
Income before taxes and non-segmented items	\$ 6.3	\$ 12.4	(49.2%)

¹ For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 16.2% in the three months ended February 28, 2009 over the same period in 2008. The average loan balances were approximately 6.7% higher than average balances in the same period of 2008. Other interest expense includes \$14.2 million of interest income related to interest rate swaps (2008 - \$1.0 million expense). Other revenue decreased 43.2% primarily due to a \$1.3 million decrease related to hedge ineffectiveness. During the quarter, the Trust Company recognized a \$2.5 million writedown of its retained interest compared to \$0.2 million in 2008 as a result of higher expected credit losses over the remaining life of the loans. These factors resulted in an overall revenue decrease of 0.7% as compared with 2008.

The average net interest margin on lending products was 2.4% (2008 – 2.3%). This increase in margin is primarily due to an increase in the Prime-Canadian Dollar Offered Rate (CDOR) spread, partly offset by higher funding costs on GICs. AGF Trust manages its interest rate risk through the use of interest rate swaps.

Selling, General and Administrative Expenses

SG&A expenses decreased 23.9% in the three-month period ended February 28, 2009 over the same period in 2008, as a result of a reduction in staffing levels and reduced estimates for performance-based payouts.

Provision for Loan Losses

The total provision for loan losses increased to \$11.5 million during the first quarter of 2009 compared to \$3.1 million in 2008. During the fourth quarter of 2008, AGF Trust reviewed its methodology for allowance for loan losses as a result of the current market and economic conditions. As a result, the methodology was refined to be more responsive to changes in the economy and increases in delinquency. The allowance for specific loan losses was refined to include specific allowances for loans past due but not impaired. Previously, this provision only included loans identified as impaired. As a result of this change, combined with growth in the loan portfolio and increases in arrears and impaired loans, the total provision for loan losses increased by 271.0% in the first quarter of 2009, compared with the same period in 2008.

In addition, based on our analysis of the RSP portfolio, we have identified approximately \$23.0 million of loan accounts which, based on certain loan characteristics, we have assessed as having a significantly higher risk of default. Accordingly, we have recorded provisions for loan losses to date of \$11.1 million against these accounts.

Actual loan writeoffs net of recoveries for the three months ended February 28, 2009 were \$4.3 million compared with \$1.5 million for the three-month period ended February 29, 2008, with the increase attributable to an increase in RSP loan writeoffs. Impaired loans expressed as a percentage of loans outstanding were 1.2% as at February 28, 2009, compared with 1.0% at February 29, 2008.

EBITDA and EBITDA Margin

An increase in the loan provision as a result of the refined methodology, combined with a writedown of retained interests, contributed to a decline in EBITDA of 45.7% to \$7.0 million compared to the first quarter of 2008 and a decline in EBITDA margin to 25.8% from 47.3% over the same period.

Pre-Tax Profit Margin

As a result of the factors outlined above, pre-tax margin of 23.2% in the first quarter 2009 declined from 45.4% in the first quarter of 2008.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three months ended February 28, 2009 and February 29, 2008.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008	% change
Real estate secured loans ¹			
Insured mortgage loans	\$ 605.6	\$ 574.6	5.4%
Conventional mortgage loans	726.8	798.6	(9.0%)
HELOCs	650.2	508.1	28.0%
	1,982.6	1,881.3	5.4%
Investment loans ¹			
Secured investment loans	1,791.7	1,606.2	11.5%
RSP loans	543.8	554.0	(1.8%)
Other loans	9.4	15.0	(37.3%)
	2,344.9	2,175.2	7.8%
Other assets	962.5	857.4	12.3%
Total Assets	\$ 5,290.0	\$ 4,913.9	7.7%
Net interest income	\$ 26.5	\$ 22.8	16.2%
RSP loan securitization income (loss), net of impairment	(1.5)	0.8	(287.5%)
Other revenue	2.1	3.7	(43.2%)
Non-interest expenses ²	(9.3)	(11.8)	(21.2%)
Provision for loan losses	(11.5)	(3.1)	271.0%
Income before taxes and non-segmented items	\$ 6.3	\$ 12.4	(49.2%)
Efficiency ratio ³	34.3%	43.2%	
Assets-to-capital multiple ³	14.6	14.7	

¹ Includes loan provision and deferred sales commission.

² Includes SG&A and amortization expenses.

³ For the definition of efficiency ratio and assets-to-capital multiple, see the "Key Performance Indicators and Non-GAAP Measures" section.

Loan Asset Growth

Loan originations decreased significantly from the first quarter of 2008 as a result of amendments to our lending programs. The increase in loan assets relates primarily to growth in the first three quarters of 2008 prior to amendments to our lending programs. Real estate secured loan assets grew 5.4% year-over-year with growth in insured mortgage loans and HELOCs.

Secured investment loans increased 11.5% to \$1.8 billion as at February 28, 2009, over the same period in 2008 while RSP loan balances and other loans decreased \$15.8 million.

Efficiency Ratio

The efficiency ratio is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. In the first quarter of 2009, the efficiency ratio experienced a favourable change to 34.3% from 43.2% in the same period of 2008.

Balance Sheet

The Trust balance sheet had strong growth during the past 12 months. Total assets increased 7.7% to \$5.3 billion as at February 28, 2009, compared with the previous year. For the three-month period ended February 28, 2009, our asset-to-capital multiple stood at 14.6 times, compared with 14.7 times at the same time last year. Our risk-based capital ratio was 15.1% as at February 28, 2009 compared to 14.7% at November 30, 2008. During the three-month period ended February 28, 2008, AGF Trust received \$35.0 million in debt and equity capital from AGF Management Limited to support increased asset levels. No funding was required in 2009. Liquid assets were high with \$607.8 million in cash and cash equivalents as at February 28, 2009 (2008 – \$622.3 million), excluding cash currently pledged to counterparties.

Loan Portfolio Credit

The credit risk factors considered when assessing the collectibility of the various loan portfolios are primarily based on the individuals' ability and willingness to make future loan payments coupled with the underlying collateral security held for each of the loan categories. The key risk factors considered include:

- Employment rates: higher unemployment rates will likely result in higher default rates as individuals' ability to pay deteriorates.
- Residential Property Prices and Sales Volume: declining residential property prices and a reduction in the volume of residential property sales may result in lower resale price and longer disposal time, therefore, increasing losses incurred on the disposition of the property.
- Equity Market Performance: declining global equity markets present increased risk on the secured investment loan portfolio as the value of the underlying collateral is lower. While Trust has recourse to the personal assets of clients with respect to investment loans the global macro-economic situation and employment levels may impede Trust's ability to realize on the full value of the loan.

The general allowance for real estate secured loan losses remained consistent year over year at \$8.6 million as compared to \$8.7 million a year ago. The general allowance for investment loan losses increased to \$12.6 million from \$8.2 million from the previous year quarter, due to an increase in growth combined with higher experience of loan writeoffs. Approximately 45.0% of real estate secured loan assets, excluding HELOCs, are insured. We have security for non-RSP investment loans, consisting of mutual funds and other investments. The value of this collateral fluctuates with the changes in the underlying investments. The expense for impaired RSP loans, which consists of the increase in specific allowances, plus writeoffs net of recoveries (excluding securitized RSP loans) was \$2.6 million for the three months ended February 28, 2009 (2008 – \$0.7 million). For the balance of our loan products, the expense for impaired loans was \$1.7 million (2008 – \$0.8 million).

Liquidity and Capital Resources

For the three months ended February 28, 2009, consolidated cash flow generated from continuing operating activities, before net change in non-cash balances related to operations, was \$46.7 million compared to \$83.5 million in the prior year.

During the three-month period ended February 28, 2009, we paid \$12.5 million in selling commissions, which were capitalized and amortized for accounting purposes, compared with \$26.8 million in 2008. Accordingly, our free cash flow (defined as cash flow from continuing operations less selling commissions paid) was \$34.2 million for the three months ended February 28, 2009, compared with \$56.7 million in the prior year.

Our free cash flow was used primarily to fund the following:

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Payment of dividends	\$ 21.6	\$ 17.3
Acquisitions of subsidiaries	–	20.8
Purchase of property, equipment and other intangible assets	0.7	1.5
Investments ¹	13.4	4.7
Investment in Trust Operations (eliminated on consolidation)	–	35.0
	\$ 35.7	\$ 79.3

¹ Excludes \$115.0 million of cash invested by AGF Trust into investments available for sale during the first quarter ended February 29, 2008.

During the three months ended February 28, 2009, consistent with the first quarter of each year, our revolving term loan balance increased \$54.1 million (2008 - \$99.1 million) to \$177.8 million (2008 - \$259.1 million). Consolidated cash and cash equivalents of \$643.0 million increased by \$58.8 million from November 30, 2008 levels of \$584.2 million (2008 – decreased by \$137.5 million).

We have a six-year prime-rate-based revolving term loan facility to a maximum of \$300.0 million, of which \$116.9 million was available to be drawn as at February 28, 2009. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had \$35.2 million of cash as at February 28, 2009 (November 30, 2008 – \$23.9 million). The loan facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Capital Management Activities

We actively manage our capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders, invest in future growth opportunities, including acquisitions, and to ensure that the regulatory capital requirements are met for each of our subsidiary companies.

AGF capital consists of shareholders' equity. On an annual basis, AGF prepares a five-year plan detailing projected operating budgets and capital requirements. Each of AGF's operating segments are required to prepare and submit a five-year operating plan and budget to AGF's Capital Committee for approval prior to seeking Board approval. AGF's Capital Committee consists of the Chairman and CEO, the Vice-Chairman, Senior Vice-President and CFO, and the Senior Vice-President and General Counsel. Once approved by the Capital Committee, the five-year plans are reviewed and approved by AGF's Board of Directors. In addition, the Board of Directors reviews the company's cash flow forecast on a quarterly basis. These reviews become the basis for the payment of dividends to shareholders, the repurchase of Class B shares and, combined with the reasonable use of leverage, the source of funds for acquisitions.

Investment Management Operations – Regulatory Capital

A significant objective of the Capital Management program is to ensure regulatory requirements are met for capital. Our Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate. The cumulative amount of minimum regulatory capital across all of our investment management operations is approximately \$6.0 million.

AGF Trust – Regulatory Capital

AGF Trust's regulatory capital consists primarily of common shareholders' equity, preferred shares and subordinated debentures. Regulatory capital is a factor that allows the AGF Trust Board of Directors (Trust Board) to assess the stability and security in relation to the overall risks inherent in AGF Trust's activities. AGF Trust's policy is to maintain its regulatory capital ratios consistent with requirements as laid out by the Company's principal regulator. The Office of the Superintendent of Financial Institutions Canada's (OSFI) target Tier 1 and total capital ratios for Canadian banks are 7% and 10%, respectively. AGF Trust is monitoring its regulatory capital based on the Bank for International Settlements (BIS) regulatory risk-based capital framework (commonly known as Basel II). AGF Trust uses the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. AGF Trust has complied with these Basel II requirements. Refer to the following section for more information on Basel II and to Note 13 of the Q1 2009 Consolidated Financial Statements.

Management's Discussion and Analysis
of Financial Condition and Results of Operations

A capital plan prepared annually specifies the target capital ratios by taking into account the projected risk-weighted asset levels and expected capital management initiatives. Regulatory capital ratios are reported monthly to management. Regulatory capital ratio monitoring reports are provided on a quarterly basis to the Trust Board.

AGF Trust – Basel II Capital Accord

AGF Trust is subject to the Basel II framework, which was developed by the Basel Committee on Banking Supervision. Its objectives are to improve the consistency of capital requirements internationally and make required regulatory capital more risk sensitive.

The third pillar of the Basel II framework (Pillar 3) describes the public disclosure requirements. As a result of Pillar 3, a number of disclosure changes and new disclosures have been implemented. Refer to the Company's website for Pillar 3 supplemental disclosure.

Basel II sets out several options, which represent increasingly risk-sensitive approaches to calculating credit, market and operational risk-based regulatory capital. AGF Trust uses the Standardized Approach for credit risk under the Basel II capital adequacy regime. It is the simplest approach, which uses supervisory determined risk weights to measure risk-weighted assets and allows some recognition of the credit risk mitigation provided by mutual funds as collateral for secured investment loans and imposes a somewhat lower risk weight for retail credit exposures.

AGF Trust uses the Basic Indicator Approach under the Basel II capital adequacy regime to determine the capital required for operational risk. The Basic Indicator Approach uses gross income as a proxy for the institution's overall operation risk. The capital required for operational risk is determined by multiplying the average of the trailing three years' gross income by a fixed percentage.

Capital measures at AGF Trust are detailed as follows:

Three months ended (\$ thousands, except for risk-weighted assets in \$ millions)	Basel II	Basel II
	February 28, 2009	November 30, 2008
Risk-weighted assets ¹		
Credit risk	\$ 2,218.5	\$ 2,244.3
Operational risk	184.5	172.6
Total risk-weighted assets	2,403.0	2,416.9
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,415	1,338
Retained earnings	105,634	101,432
Non-cumulative preferred shares	64,000	64,000
Less: securitization and other	(13,320)	(15,567)
	240,497	233,971
Tier 2 capital		
Subordinated debentures	109,500	109,500
General allowances	19,412	19,638
Less: securitization and other	(7,723)	(8,295)
	121,189	120,843
Total capital	\$ 361,686	\$ 354,814

¹ For operational risk, AGF Trust uses the Basic Indicator Approach - calculated as 15% of the previous three year average of net interest income and other income, excluding gain or loss on investments. The risk-weighted equivalent is determined by multiplying the capital requirement for operational risk by 12.5.

Normal Course Issuer Bid

In February 2009, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,108,630 Class B shares, or 10% of the public float for such shares. The Company received approval from the TSX on February 24, 2009, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,108,630 Class B shares through the facilities of the TSX (or as otherwise permitted by the TSX) between February 26, 2009 and February 25, 2010. The Class B shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX.

As at February 29, 2009, under this current normal course issuer bid, no Class B shares have been repurchased. AGF's previous normal course issuer bid allowed for the repurchase of up to 7,253,822 Class B shares between February 26, 2008,

and February 25, 2009, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased an aggregate of 1,000,000 Class B shares, for a total consideration of \$7.8 million at an average price of \$7.79 per share.

Dividends

For the three months ended February 28, 2009, we declared a 25-cents-per-share dividend on Class A and Class B shares. This dividend will be payable on April 20, 2009, to shareholders of record on April 9, 2009.

The holders of Class B shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all Class B and Class A shares at the time outstanding, without preference or priority of one share over another. No dividends may be declared if there is a default of a condition of our loan facility or where such payment of dividends would create a default.

Our Board of Directors may determine that Class B shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. They also determine whether a dividend in Class B shares is substantially equal to a cash dividend. This determination is based on the weighted average price at which the Class B shares traded on the Toronto Stock Exchange (TSX) during the 10 trading days immediately preceding the record date applicable to such dividend.

The following table sets forth the dividends paid by AGF on Class B shares and Class A shares for the period indicated:

Years Ended November 30	2009*	2008	2007	2006	2005
Per share	\$ 0.500	\$ 0.950	\$ 0.780	\$ 0.690	\$ 0.560
Percentage increase	NA	22%	13%	23%	37%

* The total of dividends paid in January 2009 and to be paid in April 2009.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors.

Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2009. For additional details, see Note 9 of the Q1 2009 Consolidated Financial Statements.

For the three months ended (\$ millions)	February 28, 2009	February 29, 2008
Shares		
Class A voting common shares	57,600	57,600
Class B non-voting shares	88,539,631	89,230,096
Stock Options		
Outstanding options	6,536,148	4,183,698
Exercisable options	2,687,462	2,110,092

During the quarter, 59,527 Class B shares were issued through the dividend reinvestment plan.

Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Feb 28, 2009	Nov. 30, 2008	Aug. 31, 2008	May 31, 2008
Revenue (continuing operations)	\$ 138.0	\$ 152.2	\$ 184.7	\$ 194.3
Cash flow from continuing operations ¹	46.7	57.5	66.2	71.5
EBITDA (continuing operations) ²	42.8	54.0	81.5	88.6
Pre-tax income (continuing operations)	16.3	(24.1)	51.3	57.9
Net income	12.2	(19.3)	41.1	44.0
Earnings per share				
Basic	\$ 0.14	\$ (0.21)	\$ 0.46	\$ 0.49
Diluted	\$ 0.14	\$ (0.21)	\$ 0.46	\$ 0.49
Weighted average basic shares	88,564,160	89,446,562	89,451,578	89,349,275
Weighted average fully diluted shares	88,564,160	90,679,048	89,870,475	89,785,796

(\$ millions, except per share amounts) For the three-month period ended	Feb. 29, 2008	Nov. 30, 2007	Aug. 31, 2007	May 31, 2007
Revenue (continuing operations)	\$ 194.3	\$ 199.1	\$ 199.2	\$ 204.9
Cash flow from operations ¹	83.5	90.7	69.7	84.4
EBITDA (continuing operations) ²	89.5	87.5	91.3	98.0
Pre-tax income (continuing operations)	56.6	53.9	57.3	63.3
Net income	62.7	49.4	39.4	53.6
Earnings per share				
Basic	\$ 0.70	\$ 0.55	\$ 0.44	\$ 0.60
Diluted	\$ 0.70	\$ 0.54	\$ 0.43	\$ 0.59
Weighted average basic shares	89,039,394	90,200,924	90,299,033	89,798,419
Weighted average fully diluted shares	89,807,506	91,566,659	91,847,103	91,316,967

¹ Cash flow from operations before net change in non-cash balances related to operations.

² For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section.

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying Notes for the three months ended February 28, 2009, our 2008 annual MD&A and Consolidated Financial Statements, our 2008 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada. They may be accessed at www.sedar.com.

AGF Management Limited
Consolidated Balance Sheets

As at	February 28, 2009	November 30, 2008
(\$ thousands)	(unaudited)	(audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 642,955	\$ 584,168
Investments available for sale (note 2(a))	202,032	188,435
Accounts receivable and prepaid expenses	63,767	78,403
Current portion of retained interest from securitization (note 3)	3,589	5,487
Real estate secured and investment loans due within one year (note 5)	592,138	606,844
	1,504,481	1,463,337
Retained interest from securitization (note 3)	38,789	39,460
Real estate secured and investment loans (note 5)	3,735,296	3,824,006
Investment in associated company (note 2(b))	93,874	98,338
Management contracts	504,269	504,269
Customer contracts, net of accumulated amortization and impairment	18,010	18,783
Goodwill, net of impairment	172,985	172,985
Trademarks	1,935	1,935
Deferred selling commissions, net of accumulated amortization	294,597	304,406
Property, equipment and computer software, net of accumulated amortization	18,271	19,423
Other assets (note 6)	93,026	87,017
Total assets	\$ 6,475,533	\$ 6,533,959
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 248,168	\$ 306,834
Future income taxes	25,149	26,240
Long-term debt due within one year (note 7)	21,460	21,171
Deposits due within one year (note 5(e))	2,580,824	2,486,635
	2,875,601	2,840,880
Deposits (note 5(e))	2,144,627	2,275,426
Long-term debt (note 7)	177,816	123,740
Future income taxes	168,303	171,293
Other long-term liabilities (note 8)	14,911	14,995
Total liabilities	5,381,258	5,426,334
Non-controlling interest	268	203
Shareholders' equity		
Capital stock (note 9)	432,478	431,897
Contributed surplus	17,978	17,127
Retained earnings	666,208	676,190
Accumulated other comprehensive income	(22,657)	(17,792)
Total shareholders' equity	1,094,007	1,107,422
Total liabilities and shareholders' equity	\$ 6,475,533	\$ 6,533,959

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Income

Three months ended	February 28, 2009 (unaudited)	February 29, 2008 (unaudited)
(\$ thousands)		
Revenue		
Management and advisory fees	\$ 102,653	\$ 156,417
Deferred sales charges	6,049	6,175
RSP loan securitization income (loss), net of impairment (note 3)	(1,541)	759
Investment income and other revenue	4,293	8,199
	111,454	171,550
Trust Company interest income (note 11)	66,739	76,752
Trust Company interest expense (note 11)	(40,226)	(53,956)
Trust Company net interest income	26,513	22,796
Total Revenue	137,967	194,346
Expenses		
Selling, general and administrative	53,039	55,959
Trailing commissions	27,546	41,836
Investment advisory fees	3,140	3,951
Amortization of deferred selling commissions	22,289	26,054
Amortization of customer contracts	773	2,152
Amortization of property, equipment and computer software	1,862	1,661
Interest expense	1,560	3,022
Provision for AGF Trust loan losses	11,468	3,062
	121,677	137,697
Income before income taxes and non-controlling interest	16,290	56,649
Income tax expense (reduction) (note 12)		
Current	6,597	12,106
Future	(2,525)	(18,261)
	4,072	(6,155)
Non-controlling interest (note 4)	66	145
Net income for the period	\$ 12,152	\$ 62,659
Earnings per share (note 9(g))		
Basic	\$ 0.14	\$ 0.70
Diluted	\$ 0.14	\$ 0.70

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Changes in Shareholders' Equity

Three months ended	February 28, 2009 (unaudited)	February 29, 2008 (unaudited)
(\$ thousands)		
Common shares		
Balance, beginning of period	\$ 431,897	\$ 421,923
Issued through dividend reinvestment plan	581	533
Stock options exercised	–	3,821
Issued on acquisition of Highstreet Partners Limited (note 4)	–	5,116
Balance, end of period	432,478	431,393
Contributed surplus		
Balance, beginning of period	17,127	14,948
Stock options	851	(1,130)
Balance, end of period	17,978	13,818
Retained earnings		
Balance, beginning of period	676,190	635,369
Net income for the period	12,152	62,659
Dividends on AGF Class A voting common shares and AGF Class B non-voting shares	(22,134)	(17,806)
Balance, end of period	666,208	680,222
Accumulated other comprehensive loss		
Balance, beginning of period	(17,792)	(3,238)
Other comprehensive loss	(4,865)	(7,383)
Balance, end of period	(22,657)	(10,621)
Total shareholders' equity	\$ 1,094,007	\$ 1,114,812

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Comprehensive Income

Three months ended	February 28, 2009 (unaudited)	February 29, 2008 (unaudited)
(\$ thousands)		
Net income	\$ 12,152	\$ 62,659
Other comprehensive income (losses), net of tax		
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations ¹	(3,707)	(4,851)
	(3,707)	(4,851)
Net unrealized gains (losses) on available for sale securities		
Unrealized gains (losses) ²	(1,458)	(1,443)
Reclassification of realized loss or other than temporary impairment to earnings	234	-
	(1,224)	(1,443)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses) ³	-	(1,089)
Reclassification of realized gain on cash flow hedges	66	-
	66	(1,089)
Total other comprehensive loss, net of tax	\$ (4,865)	\$ (7,383)
Comprehensive income	\$ 7,287	\$ 55,276

¹ Net of income tax reduction of \$0.6 million for the three months ended February 28, 2009. Net of income tax reduction of \$0.8 million for the three months ended February 29, 2008.

² Net of income tax reduction of \$1.0 million for the three months ended February 28, 2009. Net of income tax reduction of \$0.2 million for the three months ended February 29, 2008.

³ Net of income tax reduction of \$0.5 million for the three months ended February 29, 2008.

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Cash Flow

Three months ended	February 28, 2009 (unaudited)	February 29, 2008 (unaudited)
(\$ thousands)		
Operating Activities		
Net income for the period	\$ 12,152	\$ 62,659
Items not affecting cash		
Amortization	24,924	29,867
Future income taxes	(2,525)	(18,261)
RSP loan securitization income (loss), net of impairment	1,541	(759)
Provision for AGF Trust loan losses	11,468	3,062
Stock-based compensation	1,311	2,359
Equity investment in S&WHL	(998)	(1,808)
Dividends from S&WHL	1,031	1,116
Other	(2,190)	5,233
	46,714	83,468
Net increase in non-cash balances related to operations (note 10)	(40,733)	(71,308)
Net cash provided by operating activities	5,981	12,160
Financing Activities		
Issue of Class B non-voting shares	-	1,410
Dividends	(21,553)	(17,270)
Increase in bank loan	54,076	99,215
Net increase (decrease) in AGF Trust deposits	(43,834)	269,529
Net cash provided by (used in) financing activities	(11,311)	352,884
Investing Activities		
Deferred selling commissions paid	(12,518)	(26,766)
Acquisition of subsidiaries, net of cash acquired	-	(20,784)
Purchase of property, equipment and computer software	(710)	(1,541)
Other investment activities	(13,447)	(119,685)
Net decrease (increase) in AGF Trust real estate secured and investment loans	90,792	(333,770)
Net cash provided by (used in) investing activities	64,117	(502,546)
Increase (decrease) in cash and cash equivalents	58,787	(137,502)
Balance of cash and cash equivalents, beginning of period	584,168	827,874
Balance of cash and cash equivalents, end of period	\$ 642,955	\$ 690,372
Represented by:		
Cash and cash equivalents	\$ 35,191	\$ 68,066
AGF Trust cash and cash equivalents	607,764	622,306
	\$ 642,955	\$ 690,372

Refer to Note 10 for supplemental cash flow information.

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

Notes to Consolidated Financial Statements

For the three months ended February 28, 2009 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited Q1 2009 Consolidated Financial Statements of AGF Management Limited (AGF or the Company) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), using the same significant accounting policies as AGF's Consolidated Financial Statements for the year ended November 30, 2008. These financial statements do not contain all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements for the year ended November 30, 2008. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

Note 1: Changes in Accounting Policy

Goodwill, Intangible Assets and Financial Statement Concepts

Effective December 1, 2008, the CICA's new accounting standard "Handbook Section 3064, Goodwill and Intangible Assets" was adopted. The standard clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. "Section 1000, Financial Statements Concepts" was also amended to provide consistency with Section 3064. These standards did not have any impact on the financial position or earnings of the Company.

Future Accounting Changes

Conversion to International Financial Reporting Standards in Fiscal 2012

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2012 starting December 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Company's processes and financial results. The Company is currently in the planning phase of the conversion. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Currently, it is not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and the interpretations of those standards are changing.

Note 2: Investments Available for Sale and Investment in S&WHL

(a) The following table presents a breakdown of available for sale investments, excluding retained interest from securitization:

(\$ thousands)	February 28, 2009	November 30, 2008
Trust:		
Canadian government debt		
Federal	\$ 10,286	\$ 10,233
Provincial	55,726	45,767
Deposits with regulated institutions	84,572	83,498
Other	28,884	28,992
	179,468	168,490
Investment Management:		
Canadian government debt		
Federal	294	294
AGF mutual funds and other	17,321	15,013
Equity securities	4,949	4,638
	22,564	19,945
	\$ 202,032	\$ 188,435

- (b) The Company holds a 30.3% investment in S&WHL accounted for using the equity method. At February 28, 2009, the carrying value was \$93.9 million (November 30, 2008 – \$98.3 million). During the three months ended February 28, 2009, the Company recognized \$1.0 million (February 29, 2008 – \$1.8 million) in revenue and received \$1.0 million in dividends (February 29, 2008 – \$1.1 million) from S&WHL.

Note 3: Securitization of AGF Trust Loans

On March 30, 2007, AGF Trust securitized \$263.6 million of RSP loans. Cash flows of \$252.9 million were received on the securitization and a gain of \$8.0 million was recorded, net of transaction fees of \$0.1 million. As at February 28, 2009, \$149.0 million (November 30, 2008 – \$166.6 million) of securitized loans were outstanding.

During the three months ended February 28, 2009, AGF Trust revised expected credit losses on the securitized RSP loans. As a result of higher expected credit losses over the remaining life of the loans, a \$2.5 million writedown was booked as an other than temporary impairment during the three months ended February 28, 2009 (February 29, 2008 – \$0.2 million).

The Company has recorded retained interests of \$42.4 million (November 30, 2008 – \$44.9 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at \$9.4 million (November 30, 2008 – \$12.4 million), ii) cash collateral of \$12.3 million (November 30, 2008 – \$12.0 million) and iii) over-collateralization of \$20.7 million (November 30, 2008 – \$20.5 million).

As at February 28, 2009, the impaired loans included in the securitized balances were equal to \$0.3 million (November 30, 2008 – \$0.2 million), and during the three months ended February 28, 2009, \$0.7 million (2008 – \$0.7 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust are limited to the retained interests. For the three months ended February 28, 2009, cash flows of \$1.5 million (2008 – \$2.3 million) related to the interest-only strip were received on the securitized loans. The total other loss recognized from securitization during the three months ended February 28, 2009, was \$1.5 million (2008 – \$0.8 million income), net of securitization writedown.

The significant assumptions used to value the retained interests were as follows:

Excess spread	3.7% – 3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	1.7% – 2.0%
Prepayment rate	16.3% – 18.3%
Expected weighted average life of RSP loans	2 years

AGF Trust retained servicing responsibilities for the securitized loans. A servicing liability of \$0.9 million was recorded as at February 28, 2009 (November 30, 2008 – \$1.1 million). This amount represents the estimated future cost of servicing the securitized loans. The amount amortized related to the servicing liability during the three months ended February 28, 2009 was \$0.1 million (2008 – \$0.2 million).

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at February 28, 2009. Since the sensitivity is hypothetical, it should be used with caution. The effect of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

(\$ thousands)	Impact on fair value of retained interests
Discount rate	
+10%	\$ (79)
+20%	(157)
Prepayment rate	
+10%	\$ (110)
+20%	(215)
Expected credit losses	
+10%	\$ (489)
+20%	(978)
Excess spread	
-10%	\$ (852)
-20%	(1,708)

Note 4: Acquisition of Highstreet Partners Limited

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet). The purchase consideration is payable in a combination of cash and the issue of Class B non-voting shares (Class B shares). As at February 28, 2009, AGF has made payments of \$45.4 million in cash and \$10.8 million through the issue of 440,999 AGF Class B shares, which approximates 72.2% of the expected total payments. On March 2, 2009, a final payment of \$21.5 million was paid, for total minimum consideration, including acquisition costs, of \$74.4 million. The payment consisted of \$20.0 million in cash and the issuance of 188,444 Class B shares valued at \$1.5 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable.

Note 5: AGF Trust

AGF Trust's principal business activities are originating real estate secured loans and investment loans and deposit taking. Details relating to these activities are as follows:

(\$ thousands)	Term to contractual repricing			February 28, 2009	November 30, 2008
	Variable rate	1 year or less	1 to 5 years		
Mortgage loans	\$ 1,566	\$ 543,786	\$ 798,171	\$ 1,343,523	\$ 1,394,499
Home equity lines of credit (HELOC)	645,948	–	–	645,948	651,893
Total real estate secured loans	647,514	543,786	798,171	1,989,471	2,046,392
Investment loans	2,363,709	4,113	5,304	2,373,126	2,411,968
	3,011,223	547,899	803,475	4,362,597	4,458,360
Less: allowance for loan losses				(44,342)	(37,130)
Add: net deferred sales commissions and commitment fees				9,179	9,620
				4,327,434	4,430,850
Less: current portion				(592,138)	(606,844)
				\$ 3,735,296	\$ 3,824,006

(a) Real Estate Secured and Investment Loans

The table represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at February 28, 2009 were \$592.1 million (November 30, 2008 – \$606.8 million).

As at February 28, 2009, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 2.0 years (November 30, 2008 – 2.0 years) and a weighted average yield of 7.0% (November 30, 2008 – 7.1%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representation, were \$604.2 million as at February 28, 2009 (November 30, 2008 – \$616.6 million). Investment loans have interest rates based on prime. As at February 28, 2009, the average interest rate on HELOCs was 3.8% (November 30, 2008 – 4.5%) and on investment loans was 5.1% (November 30, 2008 – 5.8%). Mortgage and HELOC loans are secured primarily by residential real estate. Investment loans, excluding RSP loans, of \$1.8 billion (November 30, 2008 – \$1.8 billion), are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately \$1.1 billion (November 30, 2008 – \$1.2 billion).

(b) Loans by Province and by Type

The following tables are a breakdown of the total value and total number of loans by province and by type:

As at February 28, 2009 (\$ millions)	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	\$ 12.5	\$ 45.6	\$ 337.6	\$ 53.7	\$ 82.9	\$ 0.5	\$ 532.8
Alberta	67.5	200.9	217.7	57.0	442.2	2.6	987.9
Ontario	377.5	319.5	874.5	202.6	60.8	1.6	1,836.5
Quebec	146.7	173.3	131.8	204.3	0.3	2.2	658.6
Other	–	–	237.7	46.8	59.8	2.5	346.8
	\$ 604.2	\$ 739.3	\$ 1,799.3	\$ 564.4	\$ 646.0	\$ 9.4	\$ 4,362.6

As at February 28, 2009	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	65	190	4,917	6,673	344	215	12,404
Alberta	321	944	3,728	5,333	1,955	933	13,214
Ontario	2,439	1,906	13,869	24,248	323	487	43,272
Quebec	831	1,180	2,405	19,719	5	770	24,910
Other	–	–	3,424	4,405	402	1,101	9,332
	3,656	4,220	28,343	60,378	3,029	3,506	103,132

As at November 30, 2008 (\$ millions)	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	\$ 12.8	\$ 48.2	\$ 340.2	\$ 57.8	\$ 84.7	\$ 0.6	\$ 544.3
Alberta	68.1	214.6	217.9	59.8	446.0	3.0	1,009.4
Ontario	388.3	335.9	879.9	216.1	60.9	2.0	1,883.1
Quebec	147.4	179.2	132.5	208.1	0.3	2.6	670.1
Other	–	–	240.1	48.5	60.0	2.9	351.5
	\$ 616.6	\$ 777.9	\$ 1,810.6	\$ 590.3	\$ 651.9	\$ 11.1	\$ 4,458.4

As at November 30, 2008	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	66	201	4,944	6,985	354	244	12,794
Alberta	327	997	3,735	5,551	1,990	1,020	13,620
Ontario	2,518	2,000	13,930	25,198	327	543	44,516
Quebec	834	1,221	2,411	19,939	5	857	25,267
Other	–	–	3,452	4,488	407	1,193	9,540
	3,745	4,419	28,472	62,161	3,083	3,857	105,737

(c) Loans Past Due but Not Impaired

Loans are considered to be past due where repayment of principal or interest is contractually in arrears. Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. As at February 28, 2009, impaired loans were \$60.1 million (November 30, 2008 – \$45.4 million) and \$37.0 million (November 30, 2008 – \$31.3 million) net of the specific allowance for loan losses.

(\$ thousands)	February 28, 2009	November 30, 2008
Impaired Loans:		
Insured mortgage loans	\$ 5,942	\$ 5,483
Conventional mortgage loans	40,583	33,628
Secured investment loans	2,372	988
RSP loans	10,762	4,846
HELOC receivables	478	478
	\$ 60,137	\$ 45,423

The following table provides an aging of loans:

As at February 28, 2009 (\$ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	\$ 527,304	\$ 38,287	\$ 6,957	\$ 5,162	\$ 26,526	\$ 604,236
Conventional mortgage loans	614,112	60,248	18,587	5,715	40,625	739,287
Secured investment loans	1,774,458	15,757	5,049	1,985	2,073	1,799,322
RSP loans	543,672	9,372	4,819	3,183	3,342	564,388
HELOC receivables	642,898	1,297	1,021	229	503	645,948
Finance loans	9,416	-	-	-	-	9,416
	\$ 4,111,860	\$ 124,961	\$ 36,433	\$ 16,274	\$ 73,069	\$ 4,362,597

As at November 30, 2008 (\$ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	\$ 551,772	\$ 29,567	\$ 6,085	\$ 3,313	\$ 25,878	\$ 616,615
Conventional mortgage loans	670,763	53,741	12,176	7,537	33,668	777,885
Secured investment loans	1,790,788	15,284	2,220	1,510	790	1,810,592
RSP loans	574,049	9,958	4,435	1,120	752	590,314
HELOC receivables	646,891	3,847	658	-	497	651,893
Finance loans	11,061	-	-	-	-	11,061
	\$ 4,245,324	\$ 112,397	\$ 25,574	\$ 13,480	\$ 61,585	\$ 4,458,360

(d) Allowance for Credit Losses

During 2008, as a result of economic and market indicators, the Company refined its provision for specific allowances to include loans in arrears of one to 90 days in addition to impaired loans. The following table provides a summary of conventional mortgages in legal action which includes demand for payment, power of sale and foreclosures. The table details opening mortgages in legal action for the period and related changes to the pool, being additions, discharged mortgages other than sold, proceeds on foreclosed mortgages discharged and related losses, to arrive at the ending balance of mortgages in legal action.

Three months ended (\$ thousands)	February 28, 2009	February 29, 2008
Balance outstanding, beginning of the period	\$ 44,987	\$ 35,070
Additions	16,782	4,989
Discharged mortgages other than sold	(6,314)	(8,990)
Proceeds on foreclosed mortgages discharged	(2,051)	(2,122)
Loss on foreclosed mortgages discharged	(422)	(450)
	\$ 52,982	\$ 28,497

The change in the allowance for loan losses is as follows:

Three months ended February 28, 2009 (\$ thousands)	Specific allowances	General allowances	Total allowances
Balance, beginning of the period	\$ 14,163	\$ 22,967	\$ 37,130
Amounts written off	(4,660)	–	(4,660)
Recoveries	404	–	404
Provision for loan losses	13,156	(1,688)	11,468
	\$ 23,063	\$ 21,279	\$ 44,342
Breakdown by category as at February 28, 2009:			
Conventional mortgage loans	\$ 6,702	\$ 7,025	\$ 13,727
Secured investment loans	3,493	4,904	8,397
RSP loans	12,865	7,729	20,594
HELOCs receivables	3	1,621	1,624
	\$ 23,063	\$ 21,279	\$ 44,342

Three months ended February 29, 2008 (\$ thousands)	Specific allowances	General allowances	Total allowances
Balance, beginning of the period	\$ 1,860	\$ 15,277	\$ 17,137
Amounts written off	(1,638)	–	(1,638)
Recoveries	135	–	135
Provision for loan losses	1,479	1,583	3,062
	\$ 1,836	\$ 16,860	\$ 18,696
Breakdown by category as at February 29, 2008:			
Conventional mortgage loans	\$ 674	\$ 7,396	\$ 8,070
Secured investment loans	305	4,024	4,329
RSP loans	857	4,180	5,037
HELOC receivables	–	1,260	1,260
	\$ 1,836	\$ 16,860	\$ 18,696

(e) AGF Trust Deposits

(\$ thousands)	Term to maturity			February 28, 2009	November 30, 2008
	Demand	1 year or less	1 to 5 years		
Deposits	\$ 4,830	\$ 2,575,994	\$ 2,157,723	\$ 4,738,547	\$ 4,776,511
Less: deferred selling commissions				(13,096)	(14,450)
Less: current portion				(2,580,824)	(2,486,635)
Long-term deposits				\$ 2,144,627	\$ 2,275,426

As at February 28, 2009, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.3 years (November 30, 2008 – 1.4 years) and a weighted average interest rate of 4.06% (November 30, 2008 – 4.22%). Approximately 12.8% of deposits mature within 90 days (November 30, 2008 – 11.7%).

(f) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between March 2009 and October 2012. They involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to mitigate net interest revenue volatility. As at February 28, 2009, the aggregate notional amount of the swap transactions was \$3.0 billion (November 30, 2008 – \$3.2 billion). The aggregate fair value of

the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at February 28, 2009, was \$91.1 million (November 30, 2008 – \$85.0 million).

Notional amount of swap		Fair value	Maturity date	Fixed interest rate received
(\$ thousands)				
\$	1,537,000	\$ 13,323	2009	0.70% - 4.97%
	945,000	35,659	2010	0.84% - 5.05%
	415,000	30,309	2011	2.23% - 5.08%
	140,000	11,850	2012	3.60% - 5.01%

Note 6: Other Assets

(\$ thousands)	February 28, 2009	November 30, 2008
Derivatives used to manage interest rate exposure	\$ 91,141	\$ 85,097
Other	1,885	1,920
	\$ 93,026	\$ 87,017

Refer to Note 5(f) for details on the derivatives used to manage interest rate exposure. Refer to Note 14 for further details of the Company's derivative instruments.

Note 7: Long-Term Debt

(\$ thousands)	February 28, 2009	November 30, 2008
Revolving term loan	\$ 177,816	\$ 123,740
Payment related to acquisition of Highstreet Partners Limited (note 4)	21,460	21,171
	199,276	144,911
Less: amount included in current liabilities	21,460	21,171
	\$ 177,816	\$ 123,740

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$300.0 million (Facility 1) (November 30, 2008 – \$300.0 million) with a Canadian chartered bank. Under the loan agreement, AGF is permitted to draw down the revolving term loan by direct advances and/or bankers' acceptances (BAs). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the commitment period). The expiration of the current commitment period is June 30, 2009. However, AGF may request by April 15, 2009, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding. As at February 28, 2009, AGF has drawn \$177.8 million (November 30, 2008 – \$123.7 million) against Facility 1 in the form of two to 31 day BAs at an effective average interest rate of 1.80% (November 30, 2008 – 2.9%) per annum.

Security for the bank loans include a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which AGF acts as manager and a pledge of assets by AGF Management Limited and certain subsidiaries, including AGF Funds Inc. and 20/20 Financial Corporation.

(b) Payments Due Related to Acquisition of Highstreet Partners Limited

On December 1, 2006, AGF acquired 79.9% of Highstreet (refer to Note 4). On March 2, 2009, a final payment of \$21.5 million was paid. The payment consisted of \$20.0 million in cash and the issuance of 188,444 Class B shares valued at \$1.5 million.

Note 8: Other Long-term Liabilities

(\$ thousands)	February 28, 2009	November 30, 2008
Derivative used to manage changes in share-based compensation	\$ 7,659	\$ 7,755
Long-term compensation liabilities	3,034	2,668
Other	4,218	4,572
	\$ 14,911	\$ 14,995

The notional amount of the derivative used to manage share-based compensation is \$10.3 million or 104,487 share units and matures in 2010. Refer to Note 14 for further details on the Company's derivative instruments.

Note 9: Capital Stock**(a) Authorized Capital**

The authorized capital of AGF consists of an unlimited number of AGF Class B non-voting common shares (Class B shares) and an unlimited number of AGF Class A voting common shares (Class A shares). The Class B shares are listed for trading on the Toronto Stock Exchange (TSX).

(b) Change During the Period

The change in capital stock is summarized as follows:

Three months ended (\$ thousands, except share amounts)	February 28, 2009		February 29, 2008	
	Shares	Stated value	Shares	Stated value
Class A shares	57,600	\$ –	57,600	\$ –
Class B shares				
Balance, beginning of period	88,480,104	\$ 431,897	88,922,157	\$ 421,923
Issued through dividend reinvestment plan	59,527	581	19,156	533
Stock options exercised	–	–	72,900	3,821
Issued on acquisition of Highstreet Partners Limited (note 4)	–	–	215,883	5,116
Balance, end of period	88,539,631	\$ 432,478	89,230,096	\$ 431,393

(c) Class B Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,108,630 shares through to February 25, 2010. No Class B shares were purchased during the three months ended February 28, 2009, and February 29, 2008.

(d) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,134,802 Class B shares could have been granted as at February 28, 2009 (2008 – 6,544,502). The stock options are issued at a price not less than the market price of the Class B shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or in some instances, vest at the end of the term of the option.

The change in stock options during 2009 and 2008 is summarized as follows:

Three months ended	February 28, 2009		February 29, 2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B share options				
Balance, beginning of period	6,576,948	\$ 16.59	4,268,765	\$ 22.50
Options granted	–	–	–	–
Options cancelled	(40,800)	24.92	(12,167)	18.30
Options exercised	–	–	(72,900)	19.34
Balance, end of period	6,536,148	\$ 16.54	4,183,698	\$ 22.57

During the three months ended February 28, 2009 and 2008, no stock options were granted and compensation expense and contributed surplus of \$0.9 million (2008 – \$1.3 million) was recorded.

(e) Restricted Share Unit (RSU) and Performance Share Unit (PSU) Plans

The changes in share units during the three months ended February 28, 2009 and February 29, 2008, are as follows:

Three months ended	February 28, 2009	February 29, 2008
	Number of share units	Number of share units
Outstanding, beginning of period		
Non-vested	680,889	345,257
Issued		
Initial allocation	–	–
In lieu of dividends	19,022	2,758
Settled in cash	(1,233)	–
Forfeited and cancelled	(19,967)	(4,798)
Outstanding, end of period	678,711	343,217

Compensation expense for the three months ended February 28, 2009 related to these share units was \$0.4 million (2008 – \$1.0 million). During the year ended November 30, 2008, it was determined that the achievement of certain performance criteria necessary for the PSUs to be paid was unlikely. As a result, the Company no longer records a liability for PSUs. AGF has entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs. As at February 28, 2009, AGF has economically hedged 104,487 share units at a fixed cost of \$31.46. Refer to Note 14 for further details on the Company's derivative instruments.

(f) Deferred Share Unit (DSU) Plan

There is no unrecognized compensation expense related to directors' DSUs since these awards vest immediately upon grant. As at February 28, 2009, 33,551 (2008 – 11,591) DSUs were outstanding. Compensation expense related to these DSUs for three months ended February 28, 2009 was \$0.1 million (2008 - \$0.1 million).

(g) Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share and earnings per share and diluted earnings per share from continuing operations.

Three months ended (\$ thousands, except per share amounts)	February 28, 2009	February 29, 2008
Numerator		
Net income for the period	\$ 12,152	\$ 62,659
Denominator		
Weighted average number of shares – basic	88,564,160	89,039,394
Dilutive effect of employee stock options	–	768,112
Weighted average number of shares – diluted	88,564,160	89,807,506
Earnings per share		
Basic	\$ 0.14	\$ 0.70
Diluted	\$ 0.14	\$ 0.70

Note 10: Supplemental Disclosure of Cash Flow Information**(a) Changes in Non-Cash Operating Working Capital Items**

Three months ended (\$ thousands)	February 28, 2009	February 29, 2008
(Increase) decrease in accounts receivable	\$ 14,602	\$ 10,926
(Increase) decrease in other assets	2,575	(43,616)
Increase (decrease) in accounts payable and accrued liabilities	(58,906)	(38,882)
Increase (decrease) in deposits and other liabilities	996	264
	\$ (40,733)	\$ (71,308)

(b) Supplemental Cash Flow Information

Three months ended (\$ thousands)	February 28, 2009	February 29, 2008
Income taxes paid	\$ 27,905	\$ 14,012
Interest paid	35,379	50,672
	\$ 63,284	\$ 64,684

Note 11: AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

Three months ended (\$ thousands)	February 28, 2009	February 29, 2008
AGF Trust interest income		
Loan interest	\$ 60,970	\$ 66,497
Investment interest	5,769	10,255
	66,739	76,752
AGF Trust interest expense		
Deposit interest	48,289	47,144
Other interest expense	(8,063)	6,812
	40,226	53,956
AGF Trust net interest income	\$ 26,513	\$ 22,796

Note 12: Income Tax

In December 2007, a reduction of the federal corporate income tax rate from 18.5% to 15.0% by January 1, 2012 was substantively enacted. Accordingly, during the three months ended February 29, 2008, the Company recognized a \$19.5 million reduction in future income tax liabilities.

Note 13: Capital Management

The Company's objectives when managing capital are to:

- Provide returns for shareholders through the payment of dividends, the repurchase of Class B shares and the reasonable use of leverage.
- Ensure that AGF Trust maintains the level of capital to adequately protect depositors and to meet the requirements of its principal regulator, the Office of the Superintendent of Financial Institutions Canada (OSFI).

The Company's capital consists of shareholders' equity. The AGF Capital Committee is responsible for the management of capital. The AGF Board of Directors is responsible for overseeing the Company's capital policy and management. The Company reviews its five-year capital plan annually.

Our Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate. The cumulative amount of minimum regulatory capital across all of our investment management operations is approximately \$6.0 million.

AGF Trust's regulatory capital requirements are determined in accordance with guidelines issued by OSFI, which are based on a framework of risk-based capital standards developed by the Bank for International Settlements (BIS). Effective January 1, 2008, AGF Trust is monitoring its regulatory capital based on the BIS regulatory risk-based capital framework (Basel II). BIS standards require that AGF Trust maintain minimum Tier 1 and total capital ratios of 4% and 8%. During the year, AGF Trust has complied with these regulatory capital requirements. OSFI has also prescribed a maximum asset-to-capital leverage multiple; AGF Trust was in compliance with this threshold at November 30, 2008 and throughout the year.

A capital plan prepared annually specifies the target capital ratios by taking into account the projected risk-weighted asset levels and expected capital management initiatives. Regulatory capital ratios are reported monthly to management. Regulatory capital ratio monitoring reports are provided on a quarterly basis to AGF Trust's Board of Directors.

Capital measures at AGF Trust are detailed as follows:

Three months ended (\$ thousands, except for risk-weighted assets in \$ millions)	Basel II	
	February 28, 2009	November 30, 2008
Risk-weighted assets ¹		
Credit risk	\$ 2,218.5	\$ 2,244.3
Operational risk	184.5	172.6
Total risk-weighted assets	2,403.0	2,416.9
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,415	1,338
Retained earnings	105,634	101,432
Non-cumulative preferred shares	64,000	64,000
Less: securitization and other	(13,320)	(15,567)
	240,497	233,971
Tier 2 capital		
Subordinated debentures	109,500	109,500
General allowances	19,412	19,638
Less: securitization and other	(7,723)	(8,295)
	121,189	120,843
Total capital	\$ 361,686	\$ 354,814

¹ For operational risk, AGF Trust uses the Basic Indicator Approach - calculated as 15% of the previous three year average of net interest income and other income, excluding gain or loss on investments. The risk-weighted equivalent is determined by multiplying the capital requirement for operational risk by 12.5.

Note 14: Financial Instruments

Financial instruments classified based on categories according to CICA Handbook "Section 3855 Financial Instruments – Recognition and Measurement" are as follows:

As at February 28, 2009 (\$ thousands)	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
Cash and cash equivalents	\$ –	\$ 642,955	\$ –
Investments	202,032	–	–
Retained interest from securitization	42,378	–	–
Accounts receivable	–	–	60,992
Real estate secured and investment loans	–	–	4,327,434
Derivatives	–	91,141	–
Other assets	–	–	1,885
Total financial assets	\$ 244,410	\$ 734,096	\$ 4,390,311
Accounts payable and accrued liabilities	\$ –	\$ –	\$ 248,168
Long-term debt	–	–	199,276
Deposits	–	–	4,725,451
Derivatives	–	7,659	–
Other long-term liabilities	–	–	7,252
Total financial liabilities	\$ –	\$ 7,659	\$ 5,180,147

As at November 30, 2008			
(\$ thousands)	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
Cash and cash equivalents	\$ –	\$ 584,168	\$ –
Investments	188,435	–	–
Retained interest from securitization	44,947	–	–
Accounts receivable	–	–	76,316
Real estate secured and investment loans	–	–	4,430,850
Derivatives	–	85,097	–
Other assets	–	–	1,920
Total financial assets	\$ 233,382	\$ 669,265	\$ 4,509,086
Accounts payable and accrued liabilities	\$ –	\$ –	\$ 306,834
Long-term debt	–	–	144,911
Deposits	–	–	4,762,061
Derivatives	–	7,755	–
Other long-term liabilities	–	–	7,240
Total financial liabilities	\$ –	\$ 7,755	\$ 5,221,046

Risk Management

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risk.

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors. Market risk includes fair value risk, interest rate risk and foreign currency risk. The Company is exposed to these risks directly through its financial instruments.

Fair Value Risk

Fair value risk is the risk of loss due to adverse changes in equity prices. The Company is exposed to fair value risk on its investments available for sale and retained interest from securitization and certain derivative positions. The Company's investments include mutual funds managed by the Company, common shares, short-term commercial paper, bank sponsored ABCP, floating-rate notes and treasury bills. Any unrealized gains or losses arising from changes in the fair value of these financial instruments available for sale are recorded in other comprehensive income. Based on the carrying value of these investments at February 28, 2009, the effect of a 10% decline or increase in the value of investments would result in a \$2.2 million annualized unrealized gain or loss to other comprehensive income (2008 – \$2.9 million). Refer to Note 3 for the effect of changes to key assumptions on the fair value of retained interests.

Details of the Company's derivative instruments are as follows:

As at February 28, 2009				
(\$ thousands)	Interest Rate	Hedging item maximum maturity date	Notional amount	Fair Value
Derivatives used to manage interest rate exposure	0.70% - 5.08%	2012	3,037,000	91,141
Derivatives used to manage changes in share-based compensation	–	2010	10,275	(7,659)

As at November 30, 2008		Hedging item		
(\$ thousands)	Interest Rate	maximum maturity date	Notional amount	Fair Value
Derivatives used to manage interest rate exposure	1.31% - 5.08%	2012	3,167,000	85,097
Derivatives used to manage changes in share-based compensation	–	2010	10,275	(7,755)

Interest Rate Risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; mortgage prepayment rates; changes in the market price of credit and the creditworthiness of a particular client.

The Company, through AGF Trust, is exposed to interest rate risk through its real estate secured and investment loans receivable, managed and supervised by AGF Trust's Asset and Liability Committee. AGF Trust employs a number of techniques to manage this risk, including the matching of asset and liability terms. AGF Trust also uses interest rate swaps to manage any residual mismatches. In addition, AGF Trust has assessed the interest rate risk for investment loans, RSP loans and HELOC receivables, to be low due to the variable rate nature of these products. A 1% change in interest rates, either up or down, would result in an increase or decrease in annual net interest income of approximately \$4.7 million (2008 – \$3.1 million).

The Company is also exposed to interest rate risk through its floating-rate debt and cash balances. As at February 28, 2009, the effect of a 1% change in the variable interest rates on the average loan balance outstanding for the three months would have resulted in an annualized change in interest expense of approximately \$1.5 million (2008 – \$2.1 million).

Foreign Currency Risk

Foreign currency risk is the risk of loss due to changes in spot and forward rates and the volatility of currency exchange rates. The Company is subject to foreign exchange risk on its integrated foreign subsidiaries in Ireland and Singapore, which provide investment advisory services. These subsidiaries retain minimal monetary exposure to the local currency, as the majority of revenues are earned in Canadian dollars and salaries and wages are primarily paid on a monthly basis and represent the majority of the local currency expenses. As such, these foreign subsidiaries have limited use of financial instruments denominated in local currencies, thus resulting in minimal foreign exchange risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Company cannot meet a demand for cash resources when required or meet its financial obligations.

The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9 and 13. In its Investment Management segment, the Company manages its liquidity by monitoring actual and projected cash flows to ensure that it has sufficient liquidity through cash received from operations as well as borrowings under its credit facility. The key liquidity requirements within this segment are the funding of commissions paid on mutual funds and dividends paid to shareholders. The Company is subject to certain financial loan covenants under its credit facility and has met all of these conditions.

AGF Trust manages liquidity risk through deposit-taking activities and through the securitization of loans. The key liquidity requirements within this segment are the funding of mortgages and loans and the ability to pay out maturing GICs. AGF Trust's overall liquidity risk is managed by its treasury department and is supervised by AGF Trust's Asset and Liability Management Committee in accordance with the policies for management of assets and liabilities, liquidity and loan financing activities. These policies aim to ensure that AGF Trust has sufficient cash resources to meet its current and future financial obligations in the regular course of business and under a variety of conditions.

Management monitors cash resources daily to ensure that AGF Trust's liquidity measurements are within the limits established by policies. In addition, management meets regularly to assess the timing of cash inflows and outflows related to loan and deposit maturities, and to review various possible stress scenarios. AGF Trust aims to maintain a prudent reserve of unencumbered liquid assets that are readily available if required. It strives to maintain a stable volume of base deposits that originate from its deposit brokerage clientele.

The Government of Canada introduced a guarantee program on debt issuances of deposit-taking institutions. Under that program, AGF Trust can issue up to \$900.0 million of debt with a government backstop and a term of up to three years.

The Company's internal audit department reviews the compliance of AGF Trust's liquidity policies. Internal audit reports are presented to the Audit Committee of the Trust Board for review.

The following table presents contractual terms to maturity of the financial liabilities owed by the Company:

As at February 28, 2009 (\$ thousands)	Demand	1 Year or Less	1 to 5 Years
Accounts payable and accrued liabilities	\$ –	\$ 248,168	\$ –
Long-term debt	–	21,460	178,000
Deposits*	4,830	2,626,708	2,375,526
Other liabilities	–	–	14,911
Total	\$ 4,830	\$ 2,896,336	\$ 2,568,437

As at November 30, 2008 (\$ thousands)	Demand	1 Year or Less	1 to 5 Years
Accounts payable and accrued liabilities	\$ –	\$ 306,834	\$ –
Long-term debt	–	21,461	124,000
Deposits*	6,495	2,532,945	2,532,330
Other liabilities	–	–	14,995
Total	\$ 6,495	\$ 2,861,240	\$ 2,671,325

* Excluding deferred commission.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. The Company's overall credit risk strategy and credit risk policy are developed by its Executive Committee and further refined at the business unit level, through the use of policies, processes and internal controls, designed to promote business activities while ensuring these activities are within the standards of risk tolerance levels. As at February 28, 2009, financial assets of \$5.4 billion (November 30, 2008 – \$5.4 billion), consisting of cash and cash equivalents, investments, retained interests from securitization, real estate secured loans and investment loans, accounts receivable and other assets, were exposed to credit risk up to the maximum of their respective carrying value.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian and Irish banks, as well as commercial paper, bank-sponsored ABCP, bank deposit notes, reverse re-purchase agreements, BAs and floating-rate notes.

Investments subject to credit risk consist primarily of floating-rate notes, senior debt instruments, investments in mutual funds of AGF and other securities. For investing activities done through AGF Trust, policies have been established that identify the types and rating of debt investments in which AGF Trust can invest. These policies also restrict AGF Trust's transactions primarily to major chartered banks and recognized investment dealers who are members of the Investment Industry Regulatory Organization of Canada (IIROC). AGF Trust Executive Committee (EXCO) maintains a list of the approved securities dealers and counterparties, which are reviewed at least annually by the Trust Board.

The Company's most significant credit risk is through AGF Trust's real estate secured loans and investment loans. AGF Trust mitigates this risk through stringent credit policies and lending practices. These policies aim to ensure that the authority to approve credit applications is appropriately delegated by senior management or the Investment Committee of AGF Trust, depending on the risk and the amount of the credit application. The credit policies also provide guidelines for pricing based on risk, for reviewing any collateral pledged for a credit application, monitoring of impaired loans and for establishing and reviewing loan loss provisions to ensure they are adequate. The policies establish risk limits for credit concentration by counterparty, geographic location and other risk factors that would impact AGF Trust's credit risk profile. AGF Trust has adjusted its policies and criteria related to its loan provisions and lending practices to reflect the higher probability of default that occurs during a weaker economy.

At February 28, 2009, AGF Trust's loan assets totalled \$4.4 billion (November 30, 2008 – \$4.5 billion) and were comprised of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, \$1.3 billion (November 30, 2008 – \$1.4 billion) was represented by mortgage loans and \$0.6 billion (November 30, 2008 – \$0.7 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At February 28, 2009, 45.0% (November 30, 2008 – 44.2%) of mortgage loans were insured by Canada Mortgage and Housing Corporation (CMHC) or another insurer. Conventional uninsured mortgages have loan-to-value ratios of less than 80% of the appraised value of the property at the time the mortgage loan was granted. The average loan-to-value ratio of uninsured mortgage loans was 62.2% as at February 28, 2009 (2008 – 62.6%).

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 97.4% as at February 28, 2009 (November 30, 2008 – 97.5%). AGF Trust's credit risk on these loans is also mitigated through the use of collateral, primarily in the form of residential real estate. Under AGF Trust's lending criteria, management reviews all mortgage loans on

a regular basis to determine the appropriate allowance for loss required by AGF Trust. Risk is also mitigated through residential mortgage insurance through CMHC or another insurer. As at February 28, 2009, \$604.2 million of AGF Trust's residential mortgage portfolio was insured (November 30, 2008 – \$616.6 million).

Credit risk for HELOCs and investment loans is mitigated by collateral in the form of residential mortgages and investment funds, respectively. Investment loans, excluding RSP loans, of \$1.8 billion (November 30, 2008 – \$1.8 billion), are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately \$1.1 billion (November 30, 2008 – \$1.2 billion).

RSP loans are used by borrowers to purchase assets in a retirement savings plan. The creditworthiness of each borrower is assessed prior to approval of the loan. Predictive scorecards are used to determine the probability of default and bankruptcy of the borrowers. On a regular basis, AGF Trust reviews the credit quality in the portfolio. Loans in arrears are also reviewed regularly to determine the appropriate loan loss reserves.

Derivative financial instruments expose AGF Trust to credit risk to the extent that if a counterparty default occurs, market conditions are such that AGF Trust would incur a loss in replacing the defaulted transaction. AGF Trust negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure. AGF Trust assesses the creditworthiness of the counterparties to minimize the risk of counterparty default under the agreements. AGF Trust only uses major Chartered banks as counterparties with a minimum credit rating of AA.

Note 15: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products. AGF Trust offers a wide range of trust services including GICs, term deposits, real estate secured loans and investment loans. The results of Smith & Williamson Holdings Limited have been included in Other.

The results of the reportable segments are based on the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the "Summary of Significant Accounting Policies" detailed in AGF's 2008 Annual Report.

Three months ended February 28, 2009	Investment Management Operations	Trust Company Operations	Other ¹	Total
(\$ thousands)				
Revenue	\$ 109,917	\$ 27,052	\$ 998	\$ 137,967
Operating expenses	75,113	20,080	–	95,193
Amortization and other	24,221	703	1,560	26,484
Segment income (loss) before taxes	\$ 10,583	\$ 6,269	\$ (562)	\$ 16,290
Total Assets	\$ 1,185,537	\$ 5,289,996	\$ –	\$ 6,475,533

Three months ended February 29, 2008	Investment Management Operations	Trust Company Operations	Other ¹	Total
(\$ thousands)				
Revenue	\$ 165,228	\$ 27,310	\$ 1,808	\$ 194,346
Operating expenses	90,423	14,385	–	104,808
Amortization and other	29,415	452	3,022	32,889
Segment income (loss) before taxes	\$ 45,390	\$ 12,473	\$ (1,214)	\$ 56,649
Total Assets	\$ 1,329,913	\$ 4,913,904	\$ –	\$ 6,243,817

¹ Other revenue relates to S&WHL.

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