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AGF MANAGEMENT LIMITED

**First Quarter Report to Shareholders** for the three months ended February 28, 2010

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AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

## AGF reports 34.4% increase in assets under management

*Net income increases to \$30.6 million*

Toronto | March 24, 2010

AGF Management Limited (AGF) today announced financial results for the first quarter ended February 28, 2010 with net income of \$30.6 million, up \$18.4 million from net income of \$12.2 million reported in the first quarter of 2009. The increase was the result of higher Investment Management Operations revenue primarily related to improvements in global markets and a decline in Trust Company Operations provision for loan losses expense.

Net income declined 32.7% from \$45.5 million in the fourth quarter of 2009. Excluding the impact of a \$9.8 million reduction in income taxes in the fourth quarter of 2009, net income in the first quarter of 2010 declined 14.3% mainly due to an increase in operating expenses in the Investment Management Operations segment.

Earnings per share in the first quarter of 2010, on a fully diluted basis, were \$0.34 compared with \$0.14 in the first quarter of 2009 and \$0.50 in the fourth quarter of 2009 (or \$0.40 excluding the impact of the income tax reduction).

Total assets under management (AUM) increased 34.4% to \$43.8 billion at February 28, 2010 from \$32.6 billion at February 28, 2009 as a result of market appreciation as well as the addition of new institutional mandates over the past twelve months. Mutual fund assets increased 22.2% to \$22.1 billion at the end of February 2010 compared to \$18.1 billion the prior year. Institutional and high-net-worth client assets increased 49.4% year-over-year to \$21.7 billion from \$14.5 billion.

“Strong interest from institutional clients coupled with improvements in market and economic conditions contributed to increases in our AUM and profitability year-over-year,” said Chairman and CEO Blake C. Goldring. “We are pleased with the success we are having from our strategy to diversify and grow our AUM while leveraging our investment management capabilities across different channels. AGF Trust continued to be a strong contributor to our firm’s overall profitability while effectively managing its capital position.”

During this quarter, total consolidated revenue increased to \$156.2 million compared with \$138.0 million in the first quarter of last year. EBITDA totalled \$67.1 million for the three months ended February 28, 2010, an increase of 56.8% compared with \$42.8 million for the three months ended February 28, 2009. For the first quarter of 2010, EBITDA margins improved to 43.0% from 31.0% in the same period a year earlier.

Reflective of the strategy we adopted during the economic downturn to reduce loan balances and improve our regulatory capital position, AGF Trust loan assets declined 19.3% from February 28, 2009 to \$3.5 billion as at February 28, 2010. EBITDA at AGF Trust in the first quarter ended February 28, 2010 was \$11.1 million, an increase of 58.6% from \$7.0 million in the first quarter ended February 28, 2009. The improvement was a result of a 66.1% decline in the provision for loan losses partly offset by a decline in revenue mainly due to a decrease in average quarterly loan balances.

On January 27, 2010, AGF announced its intention to increase the quarterly dividend on its Class A Voting common shares and Class B Non-Voting shares to \$0.26 per share from \$0.25 cents per share. On March 23, 2010, the Board of Directors of AGF declared a dividend of \$0.26 per share on both the Class A Voting common shares and Class B Non-Voting shares of the Company, payable April 20, 2010 to shareholders of record April 8, 2010.

#### **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, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. 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 risk factors such as level of assets under our management, volume of sales and redemptions 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 'Risk Factors and Management of Risk' section of AGF's 2009 Annual Report MD&A.

## Dear fellow shareholders

The investment management industry continued to see signs of improvement during the first quarter of 2010. While retail investors remained cautious, we started to see movement out of money markets and into certain long-term asset classes. Institutional investors also continued to show strong interest in placing new mandates, as evidenced by the increase in our institutional assets compared to the same period last year. At AGF, we are encouraged by these trends and will continue to focus on growing our assets across all distribution channels.

At the end of the first quarter of 2010, AGF's total assets under management (AUM) grew to \$43.8 billion, up 34.4% from February 28, 2009. Mutual fund AUM grew by 22.2% to \$22.1 billion due to market appreciation over the twelve month period. Mutual fund net redemptions increased to \$339 million from \$214 million in the first quarter of last year. In this improving yet still challenging environment, we are undertaking a variety of activities and initiatives to return to positive net sales while continuing on our mission of helping investors succeed.

Our sales team is currently promoting a selected package of mutual funds, which we refer to as our Focus Funds, which are suited to investor needs in this environment. This package has been built around the theme of income and opportunity and includes our award winning Emerging Markets Fund as well as the AGF Elements Yield Portfolio, the AGF Global Resources Class and the AGF Canadian Conservative Inflation Managed Income Fund. When selecting our Focus Funds we carefully consider the current environment and the best interests of our clients at the time and thus, our Focus Funds will evolve with changing market conditions and investor preferences. On the product development side, we are focused on building our capabilities in core categories. We will be introducing several product enhancements and additions in the spring to further improve and round out our fund offerings. On the institutional side of our business, we continued our global expansion with the official opening of our Hong Kong office in February. This office is dedicated to business development and client service in the Asia Pacific region.

Consolidated revenue increased to \$156.2 million, compared with \$138.0 million in the first quarter of the prior year primarily due to higher Investment Management revenues which were up 18.9% year-over-year driven by higher levels of average AUM. Earnings before interest, taxes, depreciation and amortization<sup>1</sup> (EBITDA) increased to \$67.1 million from \$42.8 million in the first quarter of 2009.

AGF Trust continued to be a meaningful contributor to AGF's overall profitability while effectively managing its capital position in the first quarter. While loan assets declined 19.3% year-over-year to \$3.5 billion at February 28, 2010, results were much improved with a 66.1% decline in the provision for loan losses contributing to a 58.6% increase in EBITDA.

For the three months ended February 28, 2010, AGF reported cash flow from operations<sup>1</sup> (before net change in non-cash balances related to operations) of \$59.4 million, compared with \$46.7 million a year ago. Free cash flow<sup>1</sup> (cash flow from operations less selling commissions paid) for the same period was \$45.5 million, compared with \$34.2 million one year ago.

Our focus and commitment continues to be providing excellence in the investment management business. We remain committed to achieving our long-term objectives and delivering superior value to our shareholders, clients and unitholders.



**Blake C. Goldring, M.S.M., CFA**  
**Chairman and Chief Executive Officer**  
**March 24, 2010**

<sup>1</sup> Cash flow from 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, 2010

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, 2010, compared with November 30, 2009. The MD&A also includes the results of operations for the three months ended February 28, 2010, compared with the corresponding period of 2009. This discussion should be read in conjunction with our 2009 annual MD&A and 2009 annual audited Consolidated Financial Statements and Notes. 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 2009 annual MD&A: "Risk Factors and Management of Risk", "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 \$43.8 billion in assets under management (AUM) as at February 28, 2010, AGF is a premier Canadian-based investment solutions firm, with operations and investments in Canada, the United States, the United Kingdom, Ireland and Asia. To better serve the needs of a wide range of diversified clients worldwide, the firm consists of two distinct businesses: AGF Investments and AGF Trust.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund the first mutual fund available to Canadians seeking to invest in the United States. As of February 28, 2010, our products and services include a diversified family of award-winning mutual funds, AGF Elements portfolios, the Harmony asset management program, 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, 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

AGF Management Limited fosters the development of best-in-class operating segments to provide world-class financial solutions to clients in Canada and internationally. We 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. We strive to provide investment and other financial products that serve our clients' investment needs and strategies.

In our Investment Management Operations, we are committed to providing excellence in money management and client service to the retail mutual fund, institutional and high-net-worth markets. At AGF Trust, our strategy has been to effectively manage through the economic downturn by reducing loan balances with the objective of improving our regulatory position. As a result of this strategy, we have strengthened our capital position and, with an improving economic backdrop, are in a position to focus on controlled growth in our lending programs.

During the first quarter of 2010:

- Revenue increased 13.2% to \$156.2 million compared with the same period in 2009, driven by an 18.9% increase in Investment Management Operations revenue which was directly related to higher year-over-year AUM levels.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 56.8% to \$67.1 million from \$42.8 million in the first quarter of 2009.
- EBITDA margin improved to 43.0% compared to 31.0% in the first quarter of 2009.
- Net income increased to \$30.6 million from \$12.2 million in the same period in 2009 primarily due to an increase in Investment Management Operations revenue and a decrease in the provision for loan losses at AGF Trust.

- Total AUM increased 34.4% from \$32.6 billion at February 28, 2009 to \$43.8 billion at February 28, 2010.
- Mutual fund net redemptions were \$339 million in the first quarter of 2010 compared with net redemptions of \$214 million in the first quarter of last year.
- AGF Trust real estate secured loan assets declined 31.7% over the previous year and investment loans declined 8.8% with total loan assets declining 19.3% year-over-year. This decline in loan assets is reflective of the strategy that we adopted during the economic downturn to slow loan growth and improve our regulatory capital position.
- AGF Trust remained a strong contributor in the first quarter of 2010, representing 24.4% 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 and Class B Non-Voting shares were \$22.3 million in the first quarter of 2010 compared to \$22.1 million in the same period in 2009.

## 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 non-GAAP measures which are not defined under 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 our 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, amortization and non-controlling interest. 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 as it allows us to assess our investment management businesses without the impact of non-operational items. 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.

(\$ millions)		
Three months ended February 28	2010	2009
Net cash provided by operating activities	\$ 8.9	\$ 6.0
Less: net changes in non-cash balances related to operations	(50.5)	(40.7)
Cash flow from operations	\$ 59.4	\$ 46.7

### 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 and for general corporate purposes.

(\$ millions)				
Three months ended February 28			2010	2009
Cash flow from operations (defined above)	\$	59.4	\$	46.7
Less: selling commissions paid		13.9		12.5
Free cash flow	\$	45.5	\$	34.2

### 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.

(\$ millions)				
Three months ended February 28			2010	2009
EBITDA	\$	67.1	\$	42.8
Divided by revenue		156.2		138.0
EBITDA margin		43.0%		31.0%

### 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 to revenue.

(\$ millions)				
Three months ended February 28			2010	2009
Net income	\$	30.6	\$	12.2
Add: income taxes		12.0		4.1
Income before taxes	\$	42.6	\$	16.3
Divided by revenue		156.2		138.0
Pre-tax profit margin		27.3%		11.8%

### 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.

(\$ millions)				
Three months ended February 28			2010	2009
Net income (annualized)	\$	122.4	\$	48.8
Divided by average shareholders' equity		1,133.8		1,100.7
Return on equity		10.8%		4.4%

### 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 quarter divided by EBITDA for the quarter annualized.

(\$ millions)		
Three months ended February 28	2010	2009
Long-term debt	\$ 153.9	\$ 177.8
Divided by EBITDA (annualized)	268.4	171.2
Long-term debt to EBITDA	57.3%	103.9%

## b) Investment Management Operations

### Assets Under Management (AUM)

The amount of AUM is critical to our business since these assets 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 determines 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 investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2009 Annual MD&A 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, which is the basis on which management fees are charged. The average daily mutual fund AUM is equal to the aggregate average daily net asset value of the AGF mutual funds.

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

### EBITDA Margin – Investment Management

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.

(\$ millions)		
Three months ended February 28	2010	2009
EBITDA	\$ 54.4	\$ 34.8
Divided by revenue	130.7	109.9
EBITDA margin	41.6%	31.7%

### Pre-Tax Profit Margin – Investment Management

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 since 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.

(\$ millions)		
Three months ended February 28	2010	2009
Income before taxes and non-segmented items	\$ 32.6	\$ 10.6
Divided by revenue	130.7	109.9
Pre-tax profit margin	24.9%	9.6%

### 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.

(\$ millions)		
Three months ended February 28	2010	2009
Interest income	\$ 45.9	\$ 66.7
Less: interest expense	24.3	40.2
Net interest income	\$ 21.6	\$ 26.5

#### Net Interest Margin

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

(\$ millions)		
Three months ended February 28	2010	2009
Annualized net interest income	\$ 86.4	\$ 106.0
Divided by average quarterly total loan balance	3,536.4	4,363.2
Net interest margin	2.4%	2.4%

### Efficiency Ratio

The efficiency ratio is a financial services industry KPI that measures the efficiency of the organization. We use this ratio to ensure non-interest expenses are contained as the Trust Company 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.

(\$ millions)		
Three months ended February 28	2010	2009
Selling, general and administrative expenses	\$ 8.9	\$ 8.6
Add: amortization expense	0.6	0.7
Non-interest expense	9.5	9.3
Other revenue	\$ 1.8	\$ 2.1
RSP loan securitization income (loss), net of impairment	0.5	(1.5)
Non-interest income	2.3	0.6
Net interest income	\$ 21.6	\$ 26.5
Add: non-interest income	2.3	0.6
Total of net interest income and non-interest income	23.9	27.1
Efficiency ratio	39.7%	34.3%

### EBITDA Margin – Trust

EBITDA margin provides useful information to management and investors as an indicator of AGF Trust's 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.

(\$ millions)		
Three months ended February 28	2010	2009
EBITDA	\$ 11.1	\$ 7.0
Divided by revenue	23.9	27.1
EBITDA margin	46.4%	25.8%

### Pre-Tax Profit Margin – Trust

Pre-tax profit margin provides useful information to management and investors as an indicator of AGF Trust's 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 and non-segmented items to total revenue.

(\$ millions)		
Three months ended February 28	2010	2009
Income before taxes and non-segmented items	\$ 10.5	\$ 6.3
Divided by revenue	23.9	27.1
Pre-tax profit margin	43.9%	23.2%

### 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, and expresses the extent by which capital is leveraged into the assets of the DTI.

(\$ millions)	February 28, 2010	November 30, 2009
Total assets per OSFI guidelines <sup>1</sup>	\$ 4,426.8	\$ 4,497.4
Divided by adjusted Tier 1 and Tier 2 capital	383.8	375.5
Assets-to-capital multiple	11.5	12.0

<sup>1</sup> OSFI is the Office of the Superintendent of Financial Institutions.

### Loan-to-Value Ratio

Loan-to-value ratio on our conventional mortgage loans is calculated using the 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.

(\$ millions)	February 28, 2010	November 30, 2009
Conventional mortgage loans <sup>1</sup>	\$ 525.7	\$ 556.5
Divided by fair value of collateral	807.9	851.7
Loan-to-value ratio	65.1%	65.3%

<sup>1</sup> Includes loan provision and deferred sales commission of \$9.8 million in February 2010 and \$9.5 million in November 2009.

### Impaired Loans as a Percentage of Loans Outstanding

Impaired loans as a percentage of loans outstanding is calculated by dividing total impaired loans by total loans outstanding.

(\$ millions)	February 28, 2010	November 30, 2009
Impaired loans	\$ 49.6	\$ 48.9
Divided by total loans outstanding <sup>1</sup>	3,492.0	3,594.8
Impaired loans as a percentage of loans outstanding	1.4%	1.4%

<sup>1</sup> Includes loan provision and deferred sales commission of \$33.6 million in February 2010 and \$34.7 million in November 2009.

## Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2009 Annual Consolidated Financial Statements.

### Future Accounting Changes

#### Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal years beginning on or after January 1, 2011. Effective December 1, 2011, we will adopt IFRS as the basis for preparing our consolidated financial statements. We will report our financial results for the quarter ended February 29, 2012 prepared on an IFRS basis. We will also provide comparative data on an IFRS basis, including an opening balance sheet as at December 1, 2010.

In order to meet the requirement to transition to IFRS, in 2008 we established an enterprise-wide project. We are following a transition plan comprising three phases: (1) IFRS diagnostic assessment, (2) impact analysis, evaluation and design, and (3) implementation and review. The project remains on track: we have completed the diagnostic assessment, and the impact analysis, evaluation and design phase of our transition is well advanced.

The IFRS diagnostic assessment is complete. Through this assessment, the areas identified to be the most impactful to AGF are those that deal with provision for credit losses on loans, hedge accounting, asset securitization, and deferred sales commission.

The second phase, impact analysis, evaluation and design include identifying and implementing the necessary changes within our existing financial reporting or data collection processes to address the IFRS differences identified in our diagnostic assessment; developing and executing internal training and awareness programs; and selecting accounting policy options permitted under IFRS. The impact to our data collection processes and existing financial reporting and data collection processes is minimal. No significant changes to IT systems were identified. As a result, the amendments to our financial systems were assessed and have been completed. Our internal training is ongoing, with the identification and continuing training of key finance and operational staff responsible for IFRS. Quarterly, we update the Audit Committee. These updates include a review of timelines, disclosure requirements, expected impact of the new standards on the financial statements and note disclosures as well as an update on the progress of the IFRS project. Based on our diagnostic, we are currently reviewing and determining accounting policy options permitted under IFRS that are expected to impact AGF. This is expected to be completed by the third quarter of 2010. In addition, we are also assessing the exemptions to full restatement that are permitted under IFRS. Generally, with the adoption of IFRS, any change to our existing accounting policies must be applied retroactively and reflected in our opening balance sheet of the comparative period. There are, however, a number of exemptions from full restatement available under IFRS. The most impactful election under IFRS 1 to AGF is related to business combinations. Under IFRS 1, a company can elect to (a) restate retrospectively all business combinations after a particular date in accordance with IFRS 3 or; (2) apply IFRS 3 prospectively, the value at transition is considered deemed cost under IFRS. Under either option, goodwill must be tested for impairment at transition and on a periodic basis thereafter. We intend to apply IFRS 3 prospectively.

As each accounting policy option is selected, we will complete a review of its impact to our internal controls over financial reporting as well as disclosure controls and procedures and make changes where necessary.

In response to financial reporting issues emerging from the global financial crisis, the IASB plans to make revisions to or replace existing IFRS standards that address many of these areas. Recently, the IASB amended its work plan, which indicates that there would be no further changes to existing standards that would require adoption at the transition date. Changes expected after transition that may have a significant impact to AGF are:

#### **Replacement of IAS 39 – Financial Instruments**

The IASB's project plan reflects the replacement of its existing financial instruments standard in several phases. The first phase was recently completed with the publication of IFRS 9 – Financial Instruments, which addresses the classification and measurement of financial instruments, including securities. This new standard will not be mandatory until fiscal 2014, which is post-IFRS implementation for AGF.

The second phase of the financial instruments replacement is to replace the recognition and measurement requirement for impairment of financial instruments recorded at amortized cost, which includes loans. Based on draft papers issued by the IASB, significant changes to the existing standard are anticipated; however, the IASB indicated that the new standard is unlikely to require adoption until at least fiscal 2014.

The IASB's third phase will deal with hedge accounting. The IASB is scheduled to issue draft papers on this topic sometime in the first half of the 2010 calendar year. It is unclear when adoption will be required.

#### **Derecognition – Replacement of Existing Requirements within IAS 39**

The IASB is addressing the derecognition requirements for when a financial asset or financial liability would be removed from an entity's statement of financial position, which could impact whether securitized assets remain off the balance sheet. The IASB has provided a tentative publication date for the latter half of the 2010 calendar year. It is unclear when adoption will be required.

## **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 2009 annual MD&A in the section entitled "Risk Factors and Management of Risk". The Company has not identified any material changes to the risk factors affecting its business or in the management of those risks. Refer to Note 14 of the Consolidated Financial Statements and Notes for risks arising from the use of financial instruments.

## **Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no material weaknesses identified

relating to the design of the ICFR. There have been no changes to AGF's internal controls for the quarter ended February 28, 2010 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

## Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 28, 2010 and 2009:

(\$ millions)				
<b>Three months ended February 28</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>	
Revenue				
Investment Management Operations	\$ 130.7	\$ 109.9	18.9%	
Trust Company Operations	23.9	27.1	(11.8%)	
Other	1.6	1.0	60.0%	
	156.2	138.0	13.2%	
Expenses				
Investment Management Operations	76.3	75.1	1.6%	
Trust Company Operations	12.8	20.1	(36.3%)	
	89.1	95.2	(6.4%)	
EBITDA <sup>1</sup>	67.1	42.8	56.8%	
Amortization	22.5	24.9	(9.6%)	
Interest expense	1.8	1.5	20.0%	
Non-controlling interest	0.2	0.1	100.0%	
Income taxes	12.0	4.1	192.7%	
Net income	\$ 30.6	\$ 12.2	150.8%	
Earnings per share – diluted	\$ 0.34	\$ 0.14	142.9%	

<sup>1</sup> 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, 2010, increased by 13.2% from the corresponding period in 2009. Revenue in the Investment Management Operations segment increased 18.9% for the three months ended February 28, 2010. This corresponds to higher average levels of AUM. The Trust Company Operations segment reported a decrease in revenue of 11.8% in the three months ended February 28, 2010 compared to the same period in 2009 as average quarterly loan balances declined by 18.9%. Revenue from Other, which represents the results of our 30.4% equity interest in S&WHL, was \$1.6 million for the three months ended February 28, 2010 compared to \$1.0 million for the same period in 2009.

Expenses for the three months ended February 28, 2010 decreased 6.4% compared with same period in 2009. Investment Management operations' expenses were relatively flat with higher trailing commissions offsetting declines in selling, general and administrative and investment advisory fees expenses. Trust Company Operations' expenses were lower due to a decline in the provision for loan losses in the three-month period ended February 28, 2010 compared with the same period in 2009. For further details refer to each of the segment discussions.

The impact of the above items resulted in an increase in total EBITDA of 56.8% for the three-month period ending February 28, 2010 over the respective 2009 period. Amortization expense for the three months ended February 28, 2010 decreased by 9.6% compared with the corresponding period in 2009. The decline was primarily due to lower amortization of deferred selling commissions in the Investment Management Operations segment. Amortization of deferred selling commissions for three months ended February 28, 2010 accounted for \$20.1 million (2009 – \$ 22.3 million) of the total amortization expense.

Interest expense was \$1.8 million for the three months ended February 28, 2010 as compared with \$1.5 million in the same period of 2009.

Income tax expense for the three months ended February 28, 2010 was \$12.0 million as compared to \$4.1 million in 2009. The effective tax rate for the three months ended February 28, 2010 was 28.0% compared with 25.0% in the same period of 2009.

The impact of the above revenue and expense items resulted in net income of \$30.6 million in the first quarter of 2010 as compared with \$12.2 million in the prior year. Basic and diluted earnings per share were \$0.34 for the three months ended February 28, 2010 as compared with \$0.14 in the same period of 2009.

A further discussion follows of the results of each business segment for the three months ended February 28, 2010, compared with February 28, 2009.

## 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 a range of products, including 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 interest expense.

## Investment Management Operations

### Business and Industry Profile

AGF is an established participant within the highly competitive Canadian investment management industry. We compete with numerous domestic and foreign players serving the market. We believe our status as an independent investment management firm without distribution channel conflict will benefit us and our shareholders as the industry continues to evolve.

Our Investment Management Operations segment provides products and services 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 remain focused on the retail mutual fund market in Canada, as well as building our business domestically and internationally as a quality institutional investment management firm that offers a diverse platform of investment strategies. We believe that there are growth opportunities in the institutional market and we are continuing to expand our presence globally.

### Segment Strategy and Highlights

We remain focused on excellence in money management and client service in our investment management business which serves the retail mutual fund, institutional and high-net-worth markets. We are focused on strengthening our relationships with advisors and strategic distribution partners and on providing financial products that fit with prevailing client needs and preferences. We also strive to build strong portfolio management teams to ensure continuity and strength in investment management.

During the first quarter of 2010, our mutual fund AUM grew by 22.2% to \$22.1 billion due to market appreciation over the 12 month period while mutual fund net redemptions continued, increasing to \$339 million from \$214 million in the first quarter of last year. We are working hard to return to positive mutual fund sales through a variety of activities and initiatives.

Our sales team is currently promoting a selected package of mutual funds, which we refer to as our Focus Funds, which are suited to investor needs in this current environment. This package has been built around the theme of income and opportunity and includes our award winning Emerging Markets Fund as well as the AGF Elements Yield Portfolio, the AGF Global Resources Class and the AGF Canadian Conservative Inflation Managed Income Fund. When selecting our Focus Funds we carefully consider the current environment and the best interests of our clients at the time and thus, our Focus Funds will evolve with changing market conditions and investor preferences. On the product development side, we are focused on building our capabilities in core categories.

On the institutional side, our institutional and strategic accounts AUM increased 58.3% to \$18.7 billion from \$11.8 billion in the first quarter of last year due to market appreciation and positive institutional sales. We continued to expand our presence globally with the official opening of our Hong Kong office in February. This office is dedicated to business development and client service for institutional clients in the Asia Pacific region.

### 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 depend 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

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

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, 2010 and 2009:

(\$ millions) Three months ended February 28	2010	2009	% change
Mutual fund AUM, beginning of period	\$ 22,746	\$ 19,761	15.1%
Gross sales of mutual funds	737	644	14.4%
Redemptions of mutual funds	(1,076)	(858)	25.4%
Net mutual fund sales	(339)	(214)	58.4%
Market appreciation (depreciation) of fund portfolios	(331)	(1,485)	(77.7%)
Mutual fund AUM, end of period	\$ 22,076	\$ 18,062	22.2%
Institutional and strategic accounts AUM	18,687	11,806	58.3%
High-net-worth AUM	3,040	2,733	11.2%
Total AUM, end of period	\$ 43,803	\$ 32,601	34.4%
Average daily mutual fund AUM for the period	\$ 22,549	\$ 19,156	17.7%

Global market improvements resulted in an increase in mutual fund AUM to \$22.1 billion at February 28, 2010, from \$18.1 billion as at February 28, 2009. The average daily mutual fund AUM for the three months ended February 28, 2010 increased 17.7% to \$22.5 billion, compared with \$19.2 billion for the same period in 2009. Institutional and strategic accounts AUM increased by \$6.9 billion to \$18.7 billion as a result of market appreciation and the addition of new institutional mandates over the past 12 months. High-net-worth AUM increased by 11.2% to \$3.0 billion. This resulted in a total AUM increase of 34.4% to \$43.8 billion.

Stock market performance influences the level of AUM. During the three months ended February 28, 2010, the Canadian-dollar-adjusted S&P 500 Index increased 0.9%, the Canadian-dollar-adjusted NASDAQ Index increased 4.0%, and the S&P/TSX Composite Index increased 2.3%. The aggregate market depreciation of our mutual fund portfolios for the three months ended February 28, 2010, divided by the average daily mutual fund AUM for the period was 1.5% after management fees and expenses paid by the funds.

The impact of the U.S. dollar depreciation relative to the Canadian dollar on the market value of AGF mutual funds for the three months ended February 28, 2010, has been a decrease in AUM of approximately \$20.0 million.

## Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the three months ended February 28, 2010 and 2009.

(\$ millions)				
Three months ended February 28	2010	2009	% change	
Revenue				
Management and advisory fees	\$ 123.5	\$ 102.7	20.3%	
Deferred sales charges	5.7	6.0	(5.0)%	
Investment income and other revenue	1.5	1.2	25.0%	
	130.7	109.9	18.9%	
Expenses				
Selling, general and administrative	39.2	44.5	(11.9)%	
Trailing commissions	34.7	27.5	26.2%	
Investment advisory fees	2.4	3.1	(22.6)%	
	76.3	75.1	1.6%	
EBITDA <sup>1</sup>	54.4	34.8	56.3%	
Amortization	21.8	24.2	(9.9)%	
Income before taxes and non-segmented items	\$ 32.6	\$ 10.6	207.5%	

<sup>1</sup> As previously defined, see the 'Key Performance Indicators and Non GAAP Measures – EBITDA' section.

### Revenue

For the three months ended February 28, 2010, revenue for the Investment Management Operations segment increased by 18.9% over the previous year, with changes in the categories as follows:

#### Management and Advisory Fees

Management and advisory fees are directly related to our AUM levels. The 17.7% increase in average daily mutual fund AUM and a 58.3% increase in institutional and strategic accounts AUM for the three months ended February 28, 2010 contributed to a 20.3% increase in management and advisory fee revenue compared to 2009.

#### Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 2.5% to 5.0%, depending on the commission option, of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after three or 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 decreased by 5.0% in the first quarter of 2010 compared with 2009, as 2009 had a larger proportion of assets redeemed at a higher DSC rate.

## Expenses

For the three months ended February 28, 2010, expenses for the Investment Management Operations segment increased 1.6% from the previous year. Changes in specific categories are described in the discussion that follows:

### Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased by \$5.3 million or 11.9% in the first quarter of 2010 compared with the first quarter of 2009. The decrease is made up of the following amounts:

(\$ millions)		
Three months ended February 28	2010	
Increase (decrease) in severance and restructuring expenses	\$	(2.1)
Increase (decrease) in compensation-related expenses		(2.3)
Increase (decrease) in other expenses		1.1
Increase (decrease) in fund absorption expenses		(2.0)
	\$	(5.3)

The following explains expense changes in the first quarter of 2010 compared with the same period in the prior year:

- Severance and restructuring expenses decreased \$2.1 million for the three months ended February 28, 2010 reflecting the restructuring that took place in 2009.
- Compensation-related expenses decreased primarily due to staff reductions and stock-based compensation expense.
- Other expenses increased \$1.1 million due to higher sales and marketing costs associated with increased activity offset by continued cost savings initiatives in travel, meals and entertainment and other expense categories.
- Fund absorption expenses declined \$2.0 million reflecting higher AUM levels.

### Trailing Commissions

Trailing commissions paid to distribution 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. Trailing commissions as a percentage of average daily mutual fund AUM were 0.62% for the three months ended February 28, 2010, compared to 0.61% for the trailing 12-month period.

### Investment Advisory Fees

External investment advisory fees decreased by 22.6% during the three months ended February 28, 2010 as compared to the three months ended February 28, 2009. The decrease relates to the repatriation of certain mandates.

### EBITDA and EBITDA margin

EBITDA for the Investment Management Operations segment were \$54.4 million for the three months ended February 28, 2010, a 56.3% increase from \$34.8 million for the same period of the previous year. The increase is directly attributable to higher revenue levels resulting from higher average AUM.

EBITDA margins improved to 41.6% for the three months ended February 28, 2010 compared with 31.7% in 2009.

### Amortization

The most significant component 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 \$20.1 million for the three months ended February 28, 2010, compared with \$22.3 million for the same period of 2009.

During the three months ended February 28, 2010, we paid \$13.9 million in selling commissions, compared with \$12.5 million in the same period of 2009 reflecting a 14.4% increase in gross sales. As at February 28, 2010, the unamortized balance of deferred selling commissions financed was \$267.7 million (November 30, 2009 - \$274.0 million). The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at February 28, 2010, were estimated to be approximately \$364.4 million (November 30, 2009 - \$373.6 million).

## Trust Company Operations

### Business and Industry Profile

Through AGF Trust, we offer financial solutions, including GICs, real estate secured 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 many years and have a well-established reputation for quality service.

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. 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

In 2009 our strategy to effectively manage through the economic downturn was to reduce loan balances with the objective of improving our regulatory position. As a result of this strategy, we have strengthened our capital position and, with an improving economic backdrop, are in a position to focus on controlled growth in our lending programs. We launched our 2010 RSP loan program late in 2009 and have commenced new mortgage originations. We remain focused on responsible management of our loan portfolios and continuous improvement in our credit, underwriting and collections' policies and procedures to mitigate risk and reduce potential losses. The majority of funding for the lending and investment activity continues to be through the sale of GICs and we remain confident in our ability to raise funds through this channel.

For the three months ended February 28, 2010, loan originations were \$50.4 million compared to \$52.1 million in the previous year. Net loan writeoffs were \$5.9 million for the three months ended February 28, 2010, compared to \$4.3 million in the previous year.

As at February 28, 2010, collateral value declines have resulted in approximately \$319.6 million of unsecured exposures in our secured investment loan portfolio compared to approximately \$662.5 million of unsecured exposures as at February 28, 2009. This improvement was directly related to rising equity markets. Our investment loan program is used by independent investment advisors as part of their overall investment strategy for their clients. We believe that the investment advisor is an integral part of their clients' investment strategies. 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 despite a decline in equity values.

The weighted average loan-to-value ratio on our conventional mortgage loan portfolio, as at February 28, 2010, was 65.1% (2009 – 62.2%).

## Financial and Operational Results

The Trust Company Operations segment results for the three months ended February 28, 2010 and 2009 are as follows:

(\$ millions)				
<b>Three months ended February 28</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>	
Interest income				
Loan interest	\$ 42.9	\$ 61.0		(29.7)%
Investment interest	3.0	5.7		(47.4)%
	45.9	66.7		(31.2)%
Interest expense				
Deposit interest	33.9	48.3		(29.8)%
Hedging interest income	(14.4)	(14.2)		1.4%
Other interest expense	4.8	6.1		(21.3)%
	24.3	40.2		(39.6)%
Net interest income	21.6	26.5		(18.5)%
Other revenue	1.8	2.1		(14.3)%
RSP loan securitization income (loss), net of impairment	0.5	(1.5)		n/m
Total revenue	23.9	27.1		(11.8)%
Expenses				
Selling, general and administrative	8.9	8.6		3.5%
Provision for loan losses	3.9	11.5		(66.1)%
	12.8	20.1		(36.3)%
EBITDA <sup>1</sup>	11.1	7.0		58.6%
Amortization	0.6	0.7		(14.3)%
Income before taxes and non-segmented items	\$ 10.5	\$ 6.3		66.7%

<sup>1</sup> 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 expenses, was lower by 18.5% in the first quarter of 2010 compared to the first quarter of 2009. This decrease was primarily due to a decrease in average quarterly loan balances of 18.9%. The average net interest margin on lending products was 2.4% during the three months ended February 28, 2010 (2009 – 2.4%). AGF Trust manages its interest rate risk through the use of interest rate swaps. Interest expense includes hedging interest income of \$14.4 million related to interest rate swaps for the three months ended February 28, 2010 (2009 – \$14.2 million). Other revenue decreased 14.3% in the first quarter primarily due to a \$0.6 million decrease related to hedge ineffectiveness. During the period, the Trust Company recognized a \$0.3 million writedown of its retained interest in securitized RSP loans compared to \$2.5 million in 2009. These factors resulted in an overall revenue decrease of 11.8% in the three months ended February 28, 2010 as compared with 2009.

**Selling, General and Administrative Expenses**

SG&A expenses increased \$0.3 million or 3.5% to \$8.9 million in the first quarter of 2010 compared with \$8.6 million in the same period in 2009. The increase reflects higher information technology costs offset by lower salaries and benefits as a result of reduced staffing levels.

**Provision for Loan Losses**

The total provision for loan losses decreased \$7.6 million to \$3.9 million in the first quarter of 2010 compared to \$11.5 million in 2009 reflecting improved economic conditions in 2010.

Based on our analysis of the RSP portfolio, we had approximately \$25.0 million of loan accounts which, based on certain loan characteristics, were assessed as having a significantly higher risk of default. Accordingly, we have recorded an allowance for loan losses of \$3.2 million against these accounts and in addition, we have written off \$15.5 million of these loans as at February 28, 2010, resulting in an existing net exposure of approximately \$6.3 million.

**EBITDA and EBITDA margin**

A decrease in the loan loss provision, partly offset by a decline in revenue and an increase in SG&A costs, contributed to an increase in EBITDA for the three months ended February 28, 2010 of 58.6% to \$11.1 million compared to the same period in 2009. EBITDA margin increased to 46.4% from 25.8% over the same period of 2009.

**Pre-Tax Profit Margin**

As a result of the factors outlined above, pre-tax margin of 43.9% in 2010 increased from 23.2% in 2009.

## Operational Performance

The table below highlights our key operational measures for the segment for the three months ended February 28, 2010 and 2009:

(\$ millions)				
Three months ended February 28	2010	2009	% change	
Real estate secured loans <sup>1</sup>				
Insured mortgage loans	\$ 473.4	\$ 605.6	(21.8)%	
Conventional mortgage loans	525.7	726.8	(27.7)%	
HELOCs	354.2	650.2	(45.5)%	
	1,353.3	1,982.6	(31.7)%	
Investment loans <sup>1</sup>				
Secured investment loans	1,711.8	1,791.7	(4.5)%	
RSP loans	422.8	543.8	(22.3)%	
Other loans	4.1	9.4	(56.4)%	
	2,138.7	2,344.9	(8.8)%	
Other assets	937.1	962.5	(2.6)%	
Total assets	4,429.1	5,290.0	(16.3)%	
Net interest income	21.6	26.5	(18.5)%	
RSP loan securitization income (loss), net of impairment	0.5	(1.5)	n/m	
Other revenue	1.8	2.1	(14.3)%	
Non-interest expenses <sup>2</sup>	(9.5)	(9.3)	2.2%	
Provision for loan losses	(3.9)	(11.5)	(66.1)%	
Income before taxes and non-segmented items	\$ 10.5	\$ 6.3	66.7%	
Efficiency ratio <sup>3</sup>	39.7%	34.3%		
Assets-to-capital multiple <sup>3</sup>	11.5	14.6		

<sup>1</sup> Includes loan provision and deferred sales commission.

<sup>2</sup> Includes SG&A and amortization expenses.

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

### Loan Asset Growth

Real estate secured loan assets decreased by 31.7% year-over-year. Secured investment loans decreased 4.5% to \$1.7 billion as at February 28, 2010, compared with the same period in 2009 while RSP loan balances and other loans decreased \$126.3 million or 22.8%.

### 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. During the three months ended February 28, 2010, the efficiency ratio experienced an unfavourable change to 39.7% from 34.3% in the first quarter of 2009.

### Balance Sheet

Total assets decreased 16.3% to \$4.4 billion as at February 28, 2010, compared with the same period in the previous year and decreased 1.6% compared to November 30, 2009. As at February 28, 2010, our assets-to-capital multiple stood at 11.5 times, compared with 14.6 times at the same time last year and 12.0 times at November 30, 2009. Our risk-based capital ratio was 19.6% as at February 28, 2010 compared to 19.0% at November 30, 2009. Liquid assets remained high with \$811.5 million in cash and cash equivalents as well as investments available for sale as at February 28, 2010 (2009 – \$787.2 million).

## Loan Portfolio Credit

The credit risk factors considered when assessing the collectability 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 reduced volumes of residential property sales may result in lower resale prices and longer disposal times, 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 the Trust Company has recourse to the personal assets of clients with respect to investment loans, the global macro-economic situation and employment levels may impede the Trust Company's ability to realize on the full value of the loan.

The general allowance for real estate secured loan losses increased to \$10.0 million as compared to \$8.6 million a year ago. This included a general allowance for insured mortgage loans of \$4.2 million (2009 – nil) which was set up in the fourth quarter of 2009 in response to certain mortgage insurers taking a stricter interpretation of policy exclusions for fraud and misrepresentation as a result of the current environment. The general allowance for investment loan losses increased to \$14.0 million from \$12.6 million in 2009 due to higher experience of loan writeoffs. Approximately 47.4% 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 amount of RSP loans written off, net of recoveries (excluding securitized RSP loans) was \$3.6 million for the three months ended February 28, 2010 (2009 – \$2.6 million). For our other loan products, loan writeoffs, net of recoveries, for the three months ended February 28, 2010, were \$1.5 million (2009 – \$0.9 million) in the secured investment loan portfolio, \$0.7 million (2009 - \$0.8 million) in the mortgage loan portfolio and \$0.1 million (2009 – nil) in HELOC receivables.

Impaired loans expressed as a percentage of loans outstanding remained constant at 1.4% as at February 28, 2010, compared with 1.4% at February 28, 2009.

## AGF Management Limited

### Liquidity and Capital Resources

Consolidated cash flow generated from operating activities, before net change in non-cash balances related to operations, was \$59.4 million for the three months ended February 28, 2010, compared with \$46.7 million in the prior year.

In the three months ended February 28, 2010, we paid \$13.9 million in selling commissions, which were capitalized and amortized for accounting purposes, compared with \$12.5 million in 2009. Accordingly, our free cash flow (defined as cash flow from operations less selling commissions paid) was \$45.5 million for the three months ended February 28, 2010, compared with \$34.2 million in the prior year.

In addition to our free cash flow, the following items impacted our change in cash position and bank indebtedness:

(\$ millions)	Source (use)	
	2010	2009
<b>Three months ended February 28</b>		
Net change in non-cash balances related to operations	\$ (50.5)	\$ (40.7)
Net cash change in Class B Non-Voting shares	0.8	–
Dividends	(21.6)	(21.6)
Purchase of property, equipment and computer software	(0.2)	(0.7)
Purchase of investments <sup>1</sup>	20.5	(13.4)
Trust deposits, net of loans	43.5	47.0
	\$ (7.5)	\$ (29.4)

<sup>1</sup> Includes net investment maturity of investments available for sale of \$18.9 million at AGF Trust during the three months ended February 28, 2010 (2009 – net investment purchase of \$9.9 million).

During the three months ended February 28, 2010, our revolving term loan balance increased \$28.0 million to \$184.8 million (2009 – increased \$54.1 million). Consolidated cash and cash equivalents of \$340.8 million increased by \$65.9 million from November 30, 2009 levels of \$274.9 million (2009 – increased by \$58.8 million).

We have a three-year, prime rate-based revolving term loan facility to a maximum of \$300.0 million, of which \$109.9 million was available to be drawn as at February 28, 2010. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had \$46.3 million of cash as at February 28, 2010 (November 30, 2009 – \$32.6 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, to 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 Finance Committee for approval prior to seeking Board approval. AGF's Finance Committee consists of the Chairman and CEO, the Vice-Chairman, Senior Vice-President and CFO, and the General Counsel, Executive Vice-President and Chief Operating Officer. Once approved by the Finance Committee, the five-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B non-voting 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 – Capital Management Framework

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 actively manages regulatory capital levels in conjunction with management's internal assessment of capital. Consideration is given to many factors including regulatory guidance, strategic planning, shareholder interests, interests of depositors and internally generated target capital ratios. Regulatory capital is set by regulatory authorities. Effective January 1, 2008, AGF Trust calculates and reports regulatory capital ratios in accordance with the framework specified by the Bank for International Settlements (BIS) (commonly known as Basel II). AGF Trust adopted the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk.

A key component of AGF Trust's capital framework is its internal capital adequacy assessment process (ICAAP). This process attributes capital for identified risks in proportion to the assessed risk. Risks are assessed using both qualitative and quantitative factors. The process also incorporates a variety of stress testing approaches to evaluate the income and capital impacts of potential stress events.

### Normal Course Issuer Bid

In January 2010, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,167,620 Class B Non-Voting shares, or 10% of the public float for such shares. The Company received approval from the Toronto Stock Exchange on February 24, 2010, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,167,620 Class B Non-Voting shares through the facilities of the Toronto Stock Exchange (or as otherwise permitted by the Toronto Stock Exchange) between February 26, 2010 and February 25, 2011. The Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

As at February 28, 2010, under this current normal course issuer bid, no Class B Non-Voting shares have been repurchased. AGF's previous normal course issuer bid allowed for the repurchase of up to 7,108,630 Class B Non-Voting shares between

February 26, 2009 and February 25, 2010, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased no Class B Non-Voting shares.

## Dividends

For the three months ended February 28, 2010, we declared a 26-cents per share dividend on Class A Voting common and Class B Non-Voting shares. This dividend will be payable on April 20, 2010, to shareholders of record on April 8, 2010.

The holders of Class B Non-Voting and Class A Voting common shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all the Class B Non-Voting shares and all the Class A Voting common shares at the time outstanding without preference or priority of one share over another. No dividends may be declared in the event that 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 Non-Voting 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 Non-Voting shares is substantially equal to a cash dividend. This determination is based on the weighted average price at which the Class B Non-Voting shares traded on the Toronto Stock Exchange 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 Non-Voting shares and Class A Voting common shares for the years indicated:

Years ended November 30	2010 <sup>1</sup>	2009	2008	2007	2006
Per share	\$ 0.51	\$ 1.00	\$ 0.95	\$ 0.78	\$ 0.69
Percentage increase	N/A	5%	22%	13%	37%

<sup>1</sup> The total of dividends paid in January 2010 and to be paid in April 2010.

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. The quarterly dividend paid on January 21, 2010 was \$0.25 per share.

## Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2010. For additional detail, see Note 10 to the Q1 2010 Consolidated Financial Statements.

(\$ millions)	2010	2009
<b>Three months ended February 28</b>		
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	89,224,309	88,539,631
Stock Options		
Outstanding options	6,194,449	6,536,148
Exercisable options	3,105,806	2,687,462

## Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Feb. 28, 2010	Nov. 30, 2009	Aug. 31, 2009	May 31, 2009
Revenue	\$ 156.2	\$ 157.7	\$ 146.9	\$ 143.5
Cash flow <sup>1</sup>	59.4	65.7	49.0	44.7
EBITDA <sup>2</sup>	67.1	71.6	56.1	49.0
Pre-tax income	42.6	46.6	30.4	23.0
Net income	30.6	45.5	22.8	17.2
Earnings per share				
Basic	\$ 0.34	\$ 0.51	\$ 0.26	\$ 0.19
Diluted	\$ 0.34	\$ 0.50	\$ 0.25	\$ 0.19
Weighted average basic shares	89,211,983	89,072,123	88,914,200	88,826,605
Weighted average fully diluted shares	90,390,172	90,331,497	89,931,517	89,234,015

(\$ millions, except per share amounts) For the three-month period ended	Feb. 28, 2009	Nov. 30, 2008	Aug. 31, 2008	May 31, 2008
Revenue	\$ 138.0	\$ 152.2	\$ 184.7	\$ 194.3
Cash flow <sup>1</sup>	46.7	57.4	66.3	71.5
EBITDA <sup>2</sup>	42.8	54.0	81.5	88.6
Pre-tax income	16.3	(24.1)	51.1	57.7
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

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

<sup>2</sup> As previously defined, see 'Key Performance Indicators and Non-GAAP Measures – EBITDA' 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, 2010, our 2009 annual MD&A and Consolidated Financial Statements, our 2009 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada. They may be accessed at [www.sedar.com](http://www.sedar.com).

AGF Management Limited  
Consolidated Balance Sheet

(\$ thousands)	February 28, 2010 (unaudited)	November 30, 2009 (audited)
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 340,809	\$ 274,870
Investments available for sale (note 2(a))	534,809	550,480
Accounts receivable, prepaid expenses and other assets	93,842	98,745
Current portion of retained interest from securitization (note 3)	3,196	3,550
Real estate secured and investment loans due w ithin one year (note 6)	494,860	537,683
	1,467,516	1,465,328
Retained interest from securitization (note 3)	36,646	36,898
Real estate secured and investment loans (note 6)	2,997,110	3,057,072
Investment in associated company (note 2(b))	85,370	90,447
Management contracts	504,269	504,269
Customer contracts, net of accumulated amortization	13,511	14,221
Goodw ill	173,708	173,708
Trademarks	1,935	1,935
Deferred selling commissions, net of accumulated amortization	267,735	273,959
Property, equipment and computer softw are, net of accumulated amortization	12,678	14,127
Other assets (note 7)	33,683	43,958
Total assets	\$ 5,594,161	\$ 5,675,922
<b>Liabilities and shareholders' equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 235,704	\$ 284,043
Future income taxes	20,429	22,190
Long-term debt due w ithin one year (note 8)	30,833	13,083
Deposits due w ithin one year (note 6(f))	1,757,988	1,884,235
	2,044,954	2,203,551
Deposits (note 6(f))	2,093,911	2,034,328
Long-term debt (note 8)	153,932	143,648
Future income taxes	149,813	146,909
Other long-term liabilities (note 9)	13,923	16,675
Total liabilities	4,456,533	4,545,111
Non-controlling interest	406	408
Shareholders' equity		
Capital stock (note 10)	440,099	438,612
Contributed surplus	20,676	19,964
Retained earnings	693,404	685,063
Accumulated other comprehensive loss	(16,957)	(13,236)
Total shareholders' equity	1,137,222	1,130,403
Total liabilities and shareholders' equity	\$ 5,594,161	\$ 5,675,922

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

AGF Management Limited  
Consolidated Statement of Income

Three months ended February 28, (\$ thousands)	2010 (unaudited)	2009 (unaudited)
<b>Revenue</b>		
Management and advisory fees	\$ 123,511	\$ 102,653
Deferred sales charges	5,708	6,049
RSP loan securitization income (loss), net of impairment (note 3)	462	(1,541)
Investment income and other revenue	5,005	4,293
	134,686	111,454
AGF Trust interest income (note 12)	45,871	66,739
AGF Trust interest expense (note 12)	(24,313)	(40,226)
AGF Trust net interest income	21,558	26,513
<b>Total revenue</b>	<b>156,244</b>	<b>137,967</b>
<b>Expenses</b>		
Selling, general and administrative	48,040	53,039
Trailing commissions	34,709	27,546
Investment advisory fees	2,363	3,140
Amortization of deferred selling commissions	20,121	22,289
Amortization of customer contracts	709	773
Amortization of property, equipment and computer software	1,659	1,862
Interest expense	1,834	1,560
Provision for AGF Trust loan losses (note 6(e))	3,944	11,468
	113,379	121,677
Income before income taxes and non-controlling interest	42,865	16,290
Income tax expense (recovery)		
Current	10,973	6,597
Future	1,029	(2,525)
	12,002	4,072
Non-controlling interest (note 5)	224	66
Net income for the period	\$ 30,639	\$ 12,152
Earnings per share (note 10(g))		
Basic	\$ 0.34	\$ 0.14
Diluted	\$ 0.34	\$ 0.14

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

AGF Management Limited  
Consolidated Statement of Changes in Shareholders' Equity

Three months ended February 28, (\$ thousands)	2010 (unaudited)	2009 (unaudited)
<b>Capital Stock</b>		
Balance, beginning of period	\$ 438,612	\$ 431,897
Issued through dividend reinvestment plan	661	581
Stock options exercised	826	-
Balance, end of period	440,099	432,478
<b>Contributed surplus</b>		
Balance, beginning of period	19,964	17,127
Stock options	712	851
Balance, end of period	20,676	17,978
<b>Retained earnings</b>		
Balance, beginning of period	685,063	676,190
Net income for the period	30,639	12,152
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	(22,298)	(22,134)
Balance, end of period	693,404	666,208
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(13,236)	(17,792)
Other comprehensive loss	(3,721)	(4,865)
Balance, end of period	(16,957)	(22,657)
<b>Total shareholders' equity</b>	<b>\$ 1,137,222</b>	<b>\$ 1,094,007</b>

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

AGF Management Limited  
Consolidated Statement of Comprehensive Income

Three months ended February 28, (\$ thousands)	2010 (unaudited)	2009 (unaudited)
<b>Net income for the period</b>	\$ 30,639	\$ 12,152
<b>Other comprehensive income (loss), net of tax</b>		
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations <sup>1</sup>	(6,063)	(3,707)
	(6,063)	(3,707)
<b>Net unrealized gain (loss) on available for sale securities</b>		
Unrealized gain (loss) <sup>2</sup>	2,300	(1,458)
Reclassification of realized loss or other than temporary impairment to earnings	–	234
	2,300	(1,224)
<b>Net unrealized gain (loss) on cash flow hedges</b>		
Reclassification of realized loss on cash flow hedges	42	66
	42	66
Total other comprehensive loss, net of tax	\$ (3,721)	\$ (4,865)
<b>Comprehensive income</b>	\$ 26,918	\$ 7,287

<sup>1</sup> Net of income tax recovery of \$0.9 million for the three months ended February 28, 2010. Net of income tax recovery of \$0.6 million for the three months ended February 28, 2009.

<sup>2</sup> Net of income tax expense of \$1.0 million for the three months ended February 28, 2010. Net of income tax recovery of \$1.0 million for the three months ended February 28, 2009.

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

AGF Management Limited  
Consolidated Statement of Cash Flow

Three months ended February 28, (\$ thousands)	2010 (unaudited)	2009 (unaudited)
<b>Operating Activities</b>		
Net income for the period	\$ 30,639	\$ 12,152
Items not affecting cash		
Amortization	22,489	24,924
Future income taxes	1,029	(2,525)
RSP loan securitization income (loss), net of impairment	(462)	1,541
Provision for AGF Trust loan losses	3,944	11,468
Stock-based compensation	1,727	1,311
Equity investment in S&WHL	(1,675)	(998)
Dividends from S&WHL	-	1,031
Other	1,718	(2,190)
	59,409	46,714
Net change in non-cash balances related to operations (note 11)	(50,493)	(40,733)
Net cash provided by operating activities	8,916	5,981
<b>Financing Activities</b>		
Issue of Class B Non-Voting shares	763	-
Dividends paid	(21,636)	(21,553)
Increase in revolving term loan	28,034	54,076
Net decrease in AGF Trust deposits	(54,049)	(43,834)
Net cash used in financing activities	(46,888)	(11,311)
<b>Investing Activities</b>		
Deferred selling commissions paid	(13,939)	(12,518)
Purchase of property, equipment and computer software	(210)	(710)
Net proceeds from sale (purchase) of investments available for sale	20,515	(13,447)
Net decrease in AGF Trust real estate secured and investment loans	97,545	90,792
Net cash provided by investing activities	103,911	64,117
<b>Increase in cash and cash equivalents</b>	<b>65,939</b>	<b>58,787</b>
<b>Balance of cash and cash equivalents, beginning of period</b>	<b>274,870</b>	<b>584,168</b>
<b>Balance of cash and cash equivalents, end of period</b>	<b>\$ 340,809</b>	<b>\$ 642,955</b>
<b>Represented by:</b>		
Cash and cash equivalents	\$ 46,349	\$ 35,191
AGF Trust cash and cash equivalents	294,460	607,764
	<b>\$ 340,809</b>	<b>\$ 642,955</b>

Refer to Note 11 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, 2010 (unaudited)

These unaudited Q1 2010 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, 2009. 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, 2009.

## Note 1: Changes in Accounting Policies

### Future Accounting Changes

#### Transition to International Financial Reporting Standards

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. The Company will report its financial results for the quarter ended February 29, 2012 on an IFRS basis, including comparative IFRS financial results and an opening balance sheet as at December 1, 2010.

## 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, 2010	November 30, 2009
AGF Trust:		
Canadian government debt <sup>1</sup>		
Federal	\$ 10,186	\$ 10,179
Provincial	387,398	350,664
Deposits with regulated institutions	86,073	86,487
Other securities	33,365	83,426
	517,022	530,756
Investment Management:		
Canadian government debt		
Federal	297	297
AGF mutual funds and other	11,351	12,909
Equity securities	6,139	6,518
	17,787	19,724
	\$ 534,809	\$ 550,480

<sup>1</sup> Includes investments issued and/or guaranteed by the Canadian government.

The following table presents a breakdown of AGF Trust available for sale investments by maturity, excluding retained interest from securitization:

(\$ thousands)						
February 28, 2010	Credit rating	1 Year or Less	1 to 5 years	Greater than 5 years	Total	
AGF Trust:						
Canadian government debt						
Federal	AAA	\$ 10,186	\$ –	\$ –	10,186	
Provincial	A to AAA	87,931	271,129	28,338	387,398	
Deposits with regulated institutions	AA	86,073	–	–	86,073	
Other securities	AA High to AAA	33,365	–	–	33,365	
		\$ 217,555	\$ 271,129	\$ 28,338	\$ 517,022	

  

(\$ thousands)						
November 30, 2009	Credit rating	1 Year or Less	1 to 5 years	Greater than 5 years	Total	
AGF Trust:						
Canadian government debt						
Federal	AAA	\$ 10,179	\$ –	\$ –	10,179	
Provincial	A to AAA	45,842	264,572	40,250	350,664	
Deposits with regulated institutions	AA	–	86,487	–	86,487	
Other securities	AA High to AAA	83,426	–	–	83,426	
		\$ 139,447	\$ 351,059	\$ 40,250	\$ 530,756	

AGF Trust's available for sale investments include Government of Canada and provincial guaranteed bonds, bank-sponsored asset-backed commercial paper (ABCP), bank-sponsored asset-backed securities (ABSs), bank deposit notes and floating-rate notes (FRNs) with terms to maturity greater than three months. As at February 28, 2010, \$85.1 million of AGF Trust's available for sale investments were floating-rate securities subject to repricing (November 30, 2009 – \$114.7 million) and \$431.9 million were fixed-rate securities (November 30, 2009 – \$416.1 million). Other securities include FRN investments of nil (November 30, 2009 – \$29.7 million), ABS investments of \$18.4 million (November 30, 2009 – \$28.7 million), and ABCP investments of \$15.0 million (November 30, 2009 – \$25.0 million).

Investment Management's available for sale investment in Canadian government debt is a fixed-rate treasury bond with a maturity date within one year and a credit rating of AAA.

During the three months ended February 28, 2010 and 2009, no impairment charges were required.

- (b) The Company holds a 30.4% investment in S&WHL accounted for using the equity method. At February 28, 2010, the carrying value was \$85.4 million (November 30, 2009 – \$90.4 million). During the three months ended February 28, 2010, the Company recognized \$1.7 million (2009 – \$1.0 million) in earnings and received nil in dividends (2009 – \$1.0 million) from S&WHL. On March 5, 2010, the Company received \$4.0 million in dividends. The decrease in the carrying value of the investment in S&WHL is mainly due to the strength of the Canadian dollar relative to the U.K. pound.

### 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, 2010, \$96.8 million (November 30, 2009 – \$108.3 million) of securitized loans were outstanding.

When RSP loan receivables are sold in securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained. The retained interests are carried at fair value and are determined using the present value of future expected cash flows. A gain or loss on the sale of loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions: excess spread, discount rate on the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above. During the three months ended February 28, 2010, a \$0.3 million writedown was booked as an other-than-temporary impairment (2009 – \$2.5 million).

The Company has recorded retained interests of \$39.8 million (November 30, 2009 – \$40.4 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 \$5.0 million (November 30, 2009 – \$6.0 million), ii) cash collateral of \$13.0 million (November 30, 2009 – \$12.8 million) and iii) over-collateralization of \$21.8 million (November 30, 2009 – \$21.6 million).

As at February 28, 2010, the impaired loans included in the securitized balances were equal to \$0.2 million (November 30, 2009 – \$0.2 million), and during the three months ended February 28, 2010, \$0.5 million of securitized RSP loans were written off (2009 – \$0.7 million).

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, 2010, cash flows of \$1.3 million (2009 – \$1.5 million) related to the interest-only strip were received on the securitized loans. The total income recognized from securitization, net of securitization writedown, during the three months ended February 28, 2010, was \$0.5 million (2009 – \$1.5 million loss).

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

	February 28, 2010	November 30, 2009
Excess spread	4.8% - 4.9%	4.7% - 4.9%
Discount rate on interest-only strip	7.5%	7.5%
Expected credit losses	1.7% - 2.0%	1.7% - 2.0%
Prepayment rate	16.3% - 18.3%	16.3% - 18.3%
Expected weighted average life of RSP loans	1.8 years	1.8 years

AGF Trust retained servicing responsibilities for the securitized loans. A servicing liability of \$0.5 million was recorded as at February 28, 2010 (November 30, 2009 – \$0.6 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, 2010 was \$0.1 million (2009 – \$0.1 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, 2010 and November 30, 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	
	February 28 2010	November 30 2009
Discount rate		
+10%	\$ (28)	\$ (79)
+20%	(56)	(157)
Prepayment rate		
+10%	\$ (37)	\$ (110)
+20%	(67)	(215)
Expected credit losses		
+10%	\$ (290)	\$ (489)
+20%	(580)	(978)
Excess spread		
-10%	\$ (537)	\$ (852)
-20%	(1,081)	(1,708)

**Note 4: Discontinued Operations**

On April 30, 2007, AGF sold 100% of Investmaster for \$6.8 million, recognizing a gain on the sale of \$4.7 million. The purchase consideration included \$5.0 million in cash and two notes receivable totalling £0.8 million or \$1.8 million at the time of sale from the buyer. On April 30, 2009, AGF received a payment of £0.4 million or \$0.7 million related to the first note receivable. The second note receivable for £0.4 million is included in accounts receivable and is due on April 30, 2010. Additional contingent consideration will be payable to AGF in 2010 if certain working capital and revenue targets are reached by Investmaster.

**Note 5: Acquisition of Highstreet Partners Ltd.**

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet). The purchase consideration was payable in a combination of cash and the issue of Class B Non-Voting shares. On March 2, 2009, a final payment, excluding contingent consideration, of \$21.5 million was paid, consisting of \$20.0 million in cash and the issuance of 188,444 Class B Non-Voting shares valued at \$1.5 million. The total consideration paid, including acquisition costs and imputed interest, was \$65.4 million in cash and the issuance of 629,443 Class B Non-Voting shares valued at \$12.3 million. During the year ended November 30, 2009, contingent consideration, based on certain financial profitability targets being achieved by Highstreet, of \$0.7 million was recorded as an increase in goodwill. This amount was paid on March 3, 2010.

**Note 6: 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				
	Variable rate	1 year or less	1 to 5 years	February 28, 2010	November 30, 2009
Mortgage loans	\$ 1,182	\$ 380,522	\$ 631,041	\$ 1,012,745	\$ 1,067,282
Home equity lines of credit (HELOC)	352,123	–	–	352,123	384,774
Total real estate secured loans	353,305	380,522	631,041	1,364,868	1,452,056
Investment loans	2,156,541	2,324	1,798	2,160,663	2,177,436
Total loans	2,509,846	382,846	632,839	3,525,531	3,629,492
Less: allowance for loan losses				(37,819)	(39,818)
Add: net deferred sales commissions and commitment fees				4,258	5,081
				3,491,970	3,594,755
Less: current portion				(494,860)	(537,683)
				\$ 2,997,110	\$ 3,057,072

**(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, 2010 were \$494.9 million (November 30, 2009 – \$537.7 million).

As at February 28, 2010, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.7 years (November 30, 2009 – 1.8 years) and a weighted average yield of 6.5% (November 30, 2009 – 6.6%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representation, were \$477.3 million as at February 28, 2010 (November 30, 2009 – \$501.3 million). HELOCs, which totalled \$352.1 million as at February 28, 2010, had an average interest rate of 4.2% (November 30, 2009 – 4.2%). Investment loans, excluding RSP loans, totalled \$1.7 billion as at February 28, 2010, and had an average interest rate (based on the prime interest rate) of 4.0% (November 30, 2009 – 4.0%). RSP loans totalled \$436.1 million as at February 28, 2010, and had an average interest rate of 5.4% (November 30, 2009 – 5.3%). The average interest rate on all investment loans as at February 28, 2010, was 4.3% (November 30, 2009 – 4.3%). Mortgage and HELOC loans are secured primarily by residential real estate. Secured investment loans of \$1.7 billion (November 30, 2009 – \$1.7 billion) are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately \$1.4 billion (November 30, 2009 – \$1.4 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:

(\$ millions)	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
<b>February 28, 2010</b>							
British Columbia	\$ 10.4	\$ 30.9	\$ 323.9	\$ 39.7	\$ 32.7	\$ 0.2	437.8
Alberta	59.0	139.5	205.0	44.2	260.1	1.1	708.9
Ontario	281.8	234.5	838.3	141.8	24.2	0.6	1,521.2
Quebec	126.1	130.6	125.8	172.9	0.2	1.0	556.6
Other	–	–	227.4	37.5	34.9	1.2	301.0
Total value of loans	\$ 477.3	\$ 535.5	\$ 1,720.4	\$ 436.1	\$ 352.1	\$ 4.1	3,525.5

February 28, 2010	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	55	125	4,786	4,468	146	111	9,691
Alberta	265	667	3,560	3,754	1,116	502	9,864
Ontario	1,861	1,411	13,424	16,031	148	267	33,142
Quebec	722	881	2,324	16,661	4	437	21,029
Other	–	–	3,303	3,377	243	682	7,605
Total number of loans	2,903	3,084	27,397	44,291	1,657	1,999	81,331

(\$ millions)	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
<b>November 30, 2009</b>							
British Columbia	\$ 9.9	\$ 33.8	\$ 326.9	\$ 40.2	\$ 37.5	\$ 0.2	448.5
Alberta	59.5	147.9	208.3	43.7	280.6	1.4	741.4
Ontario	299.7	246.9	848.0	143.3	28.4	0.8	1,567.1
Quebec	132.2	137.4	127.6	166.6	0.2	1.2	565.2
Other	–	–	230.7	37.0	38.1	1.5	307.3
Total value of loans	\$ 501.3	\$ 566.0	\$ 1,741.5	\$ 430.8	\$ 384.8	\$ 5.1	3,629.5

November 30, 2009	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	58	141	4,830	4,637	170	148	9,984
Alberta	269	709	3,613	3,867	1,213	649	10,320
Ontario	1,964	1,505	13,551	16,946	168	336	34,470
Quebec	750	935	2,354	16,374	4	552	20,969
Other	–	–	3,350	3,419	265	837	7,871
Total number of loans	3,041	3,290	27,698	45,243	1,820	2,522	83,614

**(c) Impaired Loans**

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. Loans that are insured by the federal government, an agency thereof, or a third-party insurer are classified as impaired when interest or principal is past due 365 days. As at February 28, 2010, impaired loans were \$49.6 million (November 30, 2009 – \$48.9 million) and \$35.8 million (November 30, 2009 – \$33.8 million), net of the specific allowance for loan losses.

(\$ thousands)	February 28, 2010	November 30, 2009
Impaired Loans:		
Insured mortgage loans	\$ 7,992	\$ 7,002
Conventional mortgage loans	35,305	35,523
Secured investment loans	1,507	1,619
RSP loans	3,102	3,840
HELOC receivables	1,734	931
	<b>\$ 49,640</b>	<b>\$ 48,915</b>

The following tables provide an aging of loans:

(\$ thousands)							
February 28, 2010	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total	
Insured mortgage loans	\$ 410,049	\$ 27,039	\$ 8,476	\$ 5,714	\$ 26,008	\$ 477,286	
Conventional mortgage loans	453,167	33,720	5,914	7,353	35,305	535,459	
Secured investment loans	1,702,703	11,704	2,618	1,900	1,507	1,720,432	
RSP loans	425,594	6,417	1,666	1,252	1,180	436,109	
HELOC receivables	347,047	2,347	995	-	1,734	352,123	
Finance loans	4,122	-	-	-	-	4,122	
	<b>\$ 3,342,682</b>	<b>\$ 81,227</b>	<b>\$ 19,669</b>	<b>\$ 16,219</b>	<b>\$ 65,734</b>	<b>\$ 3,525,531</b>	

(\$ thousands)							
November 30, 2009	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total	
Insured mortgage loans	\$ 436,177	\$ 28,504	\$ 6,521	\$ 3,204	\$ 26,853	\$ 501,259	
Conventional mortgage loans	479,042	33,173	12,112	6,151	35,545	566,023	
Secured investment loans	1,722,616	12,713	3,550	1,011	1,619	1,741,509	
RSP loans	420,096	6,023	1,785	1,329	1,560	430,793	
HELOC receivables	377,865	5,398	147	403	961	384,774	
Finance loans	5,134	-	-	-	-	5,134	
	<b>\$ 3,440,930</b>	<b>\$ 85,811</b>	<b>\$ 24,115</b>	<b>\$ 12,098</b>	<b>\$ 66,538</b>	<b>\$ 3,629,492</b>	

**(d) Mortgages in Legal Action**

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.

(\$ thousands)	February 28, 2010	February 28, 2009
Balance outstanding, beginning of the period	\$ 50,513	\$ 44,987
Additions	10,889	16,782
Discharged mortgages other than sold	(6,289)	(6,314)
Proceeds on foreclosed mortgages discharged	(5,906)	(2,051)
Loss on foreclosed mortgages discharged	(610)	(422)
	<b>\$ 48,597</b>	<b>\$ 52,982</b>

In addition, as at February 28, 2010, there are \$37.9 million (2009 – \$33.9 million) of insured mortgages in legal action.

**(e) Allowance for Credit Losses**

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

(\$ thousands)	Specific allowances		General allowances		Total allowances	
<b>Three months ended February 28, 2010</b>						
Balance, beginning of the period	\$	15,064	\$	24,754	\$	39,818
Amounts written off		(6,402)		–		(6,402)
Recoveries		459		–		459
Provision for loan losses		4,722		(778)		3,944
	\$	13,843	\$	23,976	\$	37,819
Breakdown by category as at February 28, 2010:						
Insured mortgage loans	\$	–	\$	4,200	\$	4,200
Conventional mortgage loans		5,232		4,924		10,156
Secured investment loans		3,689		5,494		9,183
RSP loans		4,786		8,522		13,308
HELOC receivables		136		836		972
	\$	13,843	\$	23,976	\$	37,819

(\$ thousands)	Specific allowances		General allowances		Total allowances	
<b>Three months ended February 28, 2009</b>						
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:						
Insured mortgage loans	\$	–	\$	–	\$	–
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
HELOC receivables		3		1,621		1,624
	\$	23,063	\$	21,279	\$	44,342

**(f) AGF Trust Deposits**

(\$ thousands)	Term to Maturity									
	Demand	1 year or less	1 to 5 years	February 28, 2010	November 30, 2009					
Deposits	\$	3,076	\$	1,754,912	\$	2,105,880	\$	3,863,868	\$	3,929,860
Less: deferred selling commissions							(11,969)			(11,297)
Less: current portion							(1,757,988)			(1,884,235)
Long-term deposits							\$	2,093,911	\$	2,034,328

As at February 28, 2010, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.5 years (November 30, 2009 – 1.4 years) and a weighted average interest rate of 3.40% (November 30, 2009 – 3.60%). Approximately 11.1% (November 30, 2009 – 15.3%) of deposits mature within 90 days.

**(g) 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 2010 and February 2015. 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, 2010, the aggregate notional amount of the swap transactions was \$2.4 billion (November 30, 2009 – \$2.3 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, 2010, was \$43.3 million (November 30, 2009 – \$55.7 million). During the three months ended February 28, 2010, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the Consolidated Statement of Income amounted to a loss of \$0.4 million (2009 – \$0.2 million gain), as it relates to fair value hedging relationships.

(\$ thousands)	Notional	Fair	Maturity	Fixed interest
February 28, 2010	amount of swap	value	date	rate received
	\$ 930,000	\$ 10,335	2010	0.57% - 5.05%
	860,000	21,142	2011	0.61% - 5.08%
	425,000	10,615	2012	1.26% - 5.01%
	110,000	717	2013	1.86% - 2.71%
	40,000	319	2014	2.22% - 2.82%
	15,000	183	2015	2.82% - 2.82%
	\$ 2,380,000	\$ 43,311		

**Note 7: Other Assets**

(\$ thousands)	February 28, 2010	November 30, 2009
Long-term portion of derivatives used to manage interest rate exposure	\$ 29,978	\$ 40,637
Other	3,705	3,321
	\$ 33,683	\$ 43,958

The current portion of derivatives used to manage interest rate exposure is included under accounts receivable, prepaid expenses and other assets. As at February 28, 2010, the current portion was \$13.3 million (2009 – \$15.0 million). Refer to Note 6(g) 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 8: Long-term Debt**

(\$ thousands)	February 28, 2010	November 30, 2009
Revolving term loan	\$ 184,765	\$ 156,731
Less: amount included in current liabilities	30,833	13,083
	\$ 153,932	\$ 143,648

The Company has arranged a three-year, prime-rate-based revolving term loan to a maximum of \$300.0 million (November 30, 2009 – \$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 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 July 31, 2010. However, AGF may request within 75 to 90 days prior to the end of the commitment period a recommencement of the three-year term at the expiry of the then-current commitment period. Without recommencement, the loan shall be automatically converted to a term loan facility having a term of two years. The loan balance shall be repaid over a period of two years in minimum quarterly installments of one-twelfth of the amount of principal outstanding, with the balance payable at the end of the term. As at February 28, 2010, AGF had drawn \$184.8 million (November 30, 2009 – \$156.7 million) against the

facility in the form of three- to 26-day BAs at an effective average interest rate of 2.1% (November 30, 2009 – 2.1%) per annum.

Security for the bank loans includes 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 Investments Inc. and 20/20 Financial Corporation.

## Note 9: Other Long-term Liabilities

(\$ thousands)	February 28, 2010	November 30, 2009
Long-term portion of derivative used to manage changes in share-based compensation	\$ –	\$ 1,498
Long-term compensation-related liabilities	10,640	11,637
Long-term portion of Elements Advantage	3,239	3,487
Other	44	53
	<b>\$ 13,923</b>	<b>\$ 16,675</b>

The current portion of the derivative used to manage changes in share-based compensation is included under accounts payable and accrued liabilities. As at February 28, 2010, the current portion was \$2.8 million (November 30, 2009 – \$2.4 million). The notional amount of the derivative used to manage share-based compensation is \$6.2 million or 211,915 share units and matures in 2010. Refer to Note 14 for further details on the Company's derivative instruments.

The current portion of the Elements Advantage liability is included under accounts payable and accrued liabilities. As at February 28, 2010, the current portion was \$4.5 million (November 30, 2009 – \$5.3 million).

## Note 10: Capital Stock

### (a) Authorized Capital

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

### (b) Changes During the Period

The change in capital stock is summarized as follows:

Three months ended February 28, (\$ thousands, except share amounts)	2010		2009	
	Shares	Stated value	Shares	Stated value
<b>Class A Voting common shares</b>	57,600	\$ –	57,600	\$ –
<b>Class B Non-Voting shares</b>				
Balance, beginning of period	89,097,400	\$ 438,612	88,480,104	\$ 431,897
Issued through stock dividend plan	38,659	661	59,527	581
Stock options exercised	88,250	826	–	–
Balance, end of period	89,224,309	\$ 440,099	88,539,631	\$ 432,478

### (c) Class B Non-Voting Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting 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 7,167,620 shares through to February 25, 2011. No shares were repurchased during the three months ended February 28, 2010 and 2009.

**(d) Stock Option Plan**

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,198,751 Class B Non-Voting shares could have been granted as at February 28, 2010 (2009 – 4,134,802). The stock options are issued at a price not less than the market price of the Class B Non-Voting 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 the three months ended February 28, 2010 and 2009 is summarized as follows:

Three months ended February 28,	2010		2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B Non-Voting share options				
Balance, beginning of period	6,627,398	\$ 16.34	6,576,948	\$ 16.59
Options granted	75,000	16.20	–	–
Options forfeited/expired	(419,699)	16.22	(40,800)	24.92
Options exercised	(88,250)	8.64	–	–
Balance, end of period	6,194,449	\$ 16.45	6,536,148	\$ 16.54

During the three months ended February 28, 2010, 75,000 stock options were granted (2009 – nil) and compensation expense and contributed surplus of \$0.8 million (2009 – \$0.9 million) were recorded. The fair value of options granted during the three months ended February 28, 2010, has been estimated at \$3.60 per share using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the three months ended February 28, 2010.

Risk-free interest rate	3.03%
Expected dividend yield	6.42%
Expected share price volatility	41.66%
Option term	5 years

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

The change in share units during the three months ended February 28, 2010 and 2009 is as follows:

Three months ended February 28,	2010	2009
	Number of share units	Number of share units
Outstanding, beginning of period		
Non-vested	685,862	680,889
Issued		
Initial allocation	12,122	–
In lieu of dividends	10,515	19,022
Settled in cash	(1,715)	(1,233)
Forfeited and cancelled	(10,304)	(19,967)
Outstanding, end of period	696,480	678,711

Compensation expense for the three months ended February 28, 2010 related to these share units was \$0.9 million (2009 – \$0.4 million). AGF has entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs. As at February 28, 2010, AGF has economically hedged 139,885 (2009 – 104,487) share units at a fixed cost of \$29.29 (2009 – \$31.46). Refer to Note 14 for further details on the Company's derivative instruments.

**(f) Deferred Share Unit (DSU) Plans**

There is no unrecognized compensation expense related to directors' DSUs since these awards vest immediately upon grant. As at February 28, 2010, 45,423 (2009 – 33,551) DSUs were outstanding. Compensation expense related to these DSUs for three months ended February 28, 2010 was less than \$0.1 million (2009 – \$0.1 million).

**(g) Earnings Per Share**

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

(\$ thousands, except per share amounts) Three months ended February 28,	2010	2009
<b>Numerator</b>		
Net income for the period	\$ 30,639	\$ 12,152
<b>Denominator</b>		
Weighted average number of shares – basic	89,211,983	88,564,160
Dilutive effect of employee stock options	1,178,189	–
Weighted average number of shares – diluted	90,390,172	88,564,160
<b>Earnings per share</b>		
Basic	\$ 0.34	\$ 0.14
Diluted	\$ 0.34	\$ 0.14

**Note 11: Supplemental Disclosure of Cash Flow Information****(a) Changes in Non-Cash Operating Working Capital Items**

(\$ thousands) Three months ended February 28,	2010	2009
Decrease in accounts receivable	\$ 4,850	\$ 14,602
(Increase) decrease in other assets	(2,541)	2,575
Decrease in accounts payable and accrued liabilities	(49,329)	(58,906)
Increase (decrease) in deposits and other liabilities	(3,473)	996
	\$ (50,493)	\$ (40,733)

**(b) Income Taxes and Interest Paid**

(\$ thousands) Three months ended February 28,	2010	2009
Income taxes paid	\$ 27,512	\$ 27,905
Interest paid	20,617	35,379
	\$ 48,129	\$ 63,284

**Note 12: AGF Trust Net Interest Income**

The breakdown of net interest income is as follows:

(\$ thousands)		
Three months ended February 28,	2010	2009
AGF Trust interest income		
Loan interest	\$ 42,900	\$ 60,970
Investment interest	2,971	5,769
	45,871	66,739
AGF Trust interest expense		
Deposit interest	33,918	48,289
Hedging interest income	(14,449)	(14,166)
Other interest expense	4,844	6,103
	24,313	40,226
AGF Trust net interest income	\$ 21,558	\$ 26,513

**Note 13: Capital Management**

Detailed disclosure of the Company's capital, including management objectives and policies and regulatory capital requirements, are included in Note 21 to AGF's 2009 Annual Report. 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.

Regulatory capital for AGF Trust is detailed as follows:

(\$ thousands, except for risk-weighted assets in \$ millions)	Basel II	
	February 28, 2010	November 30, 2009
<b>Risk-weighted assets<sup>1</sup></b>		
Credit risk	\$ 1,739.9	\$ 1,754.8
Operational risk	222.9	216.6
Total risk-weighted assets	1,962.8	1,971.4
<b>Tier 1 capital</b>		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,553	1,476
Retained earnings	128,228	120,646
Non-cumulative preferred shares	64,000	64,000
Less: securitization and other	(10,861)	(11,378)
	265,688	257,512
<b>Tier 2 capital</b>		
Subordinated debentures	109,500	109,500
General allowances	15,224	15,355
Less: securitization and other	(6,630)	(6,902)
	118,094	117,953
<b>Total capital</b>	\$ 383,782	\$ 375,465

<sup>1</sup> 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 are classified based on categories according to CICA Handbook "Section 3855 Financial Instruments – Recognition and Measurement" as follows:

(\$ thousands)	Carrying amount on balance sheet		
	Fair value		Amortized cost
	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
<b>As at February 28, 2010</b>			
Cash and cash equivalents	\$ –	\$ 340,809	\$ –
Investments	534,809	–	–
Retained interest from securitization	39,842	–	–
Accounts receivable	–	–	75,256
Real estate secured and investment loans	–	–	3,491,970
Derivatives	–	43,311	–
Other assets	–	–	3,705
<b>Total financial assets</b>	<b>\$ 574,651</b>	<b>\$ 384,120</b>	<b>\$ 3,570,931</b>
Accounts payable and accrued liabilities	\$ –	\$ –	\$ 232,931
Long-term debt	–	–	184,765
Deposits	–	–	3,851,899
Derivatives	–	2,773	–
Other long-term liabilities	–	–	13,923
<b>Total financial liabilities</b>	<b>\$ –</b>	<b>\$ 2,773</b>	<b>\$ 4,283,518</b>

(\$ thousands)	Carrying amount on balance sheet		
	Fair value		Amortized cost
	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
<b>As at November 30, 2009</b>			
Cash and cash equivalents	\$ –	\$ 274,870	\$ –
Investments	550,480	–	–
Retained interest from securitization	40,448	–	–
Accounts receivable	–	–	80,968
Real estate secured and investment loans	–	–	3,594,755
Derivatives	–	55,652	–
Other assets	–	–	3,321
<b>Total financial assets</b>	<b>\$ 590,928</b>	<b>\$ 330,522</b>	<b>\$ 3,679,044</b>
Accounts payable and accrued liabilities	\$ –	\$ –	\$ 281,641
Long-term debt	–	–	156,731
Deposits	–	–	3,918,563
Derivatives	–	3,900	–
Other long-term liabilities	–	–	15,177
<b>Total financial liabilities</b>	<b>\$ –</b>	<b>\$ 3,900</b>	<b>\$ 4,372,112</b>

## Fair value hierarchy

### Financial Instruments Carried at Fair Value

The financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

#### *Quoted Prices in an Active Market (Level 1)*

This level of the hierarchy includes listed equity securities on major exchanges, investments in AGF mutual funds, highly liquid temporary deposits with Canadian and Irish Banks, as well as term deposits and bank deposit notes. The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

#### *Valuation Techniques with Observable Parameters (Level 2)*

This level of the hierarchy includes derivative instruments with major Canadian chartered banks, as well as investments held by AGF Trust which include commercial paper, bank-sponsored ABCP and FRNs. These instruments are recorded at fair value on the settlement date. AGF Trust values its investment holdings primarily using counterparty mark to markets provided by the major financial institutions or investment brokerages with which it deals.

The fair value of derivatives used to manage interest rate exposure is calculated through discounting future expected cash flows using the BA-based swap curve. Since the BA-based swap curve is an observable input, these financial instruments are considered Level 2.

The fair value of the derivative used to manage changes in share-based compensation is calculated as the difference between the initial swap price and the market value of Class B Non-Voting shares on the valuation date, multiplied by the total number of shares outstanding. The initial price is equal to the price agreed to at the onset of the swap agreement, adjusted for dividends that have been reinvested by the equity holder. Since the market value of Class B Non-Voting shares is an observable input, this financial instrument is considered Level 2.

#### *Valuation Techniques with Significant Unobservable Parameters (Level 3)*

This level of the hierarchy includes the retained interest from securitization. Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the retained interest from securitization is determined using the present value of future expected cash flows. The expected cash flow model incorporates expected credit losses, prepayment rates, discount rate and excess spread. Expected credit losses and prepayment rates are primarily based on historical portfolio performance, while discount rate and excess spread are based on portfolio performance combined with management's assessment of the impact of market and economic factors on expected cash flows.

The following table classifies the carrying value of the financial instruments held at fair value across the fair value hierarchy:

(\$ thousands)	Financial instruments at fair value				
	Level 1	Level 2	Level 3	Total	
<b>February 28, 2010</b>					
Cash and cash equivalents	\$ 340,809	\$ –	\$ –	\$	340,809
Investments	17,787	517,022	–		534,809
Retained interest from securitization	–	–	39,842		39,842
Derivatives	–	43,311	–		43,311
<b>Total financial assets</b>	<b>\$ 358,596</b>	<b>\$ 560,333</b>	<b>\$ 39,842</b>	<b>\$</b>	<b>958,771</b>
Derivatives	\$ –	\$ 2,773	\$ –	\$	2,773
<b>Total financial liabilities</b>	<b>\$ –</b>	<b>\$ 2,773</b>	<b>\$ –</b>	<b>\$</b>	<b>2,773</b>

Notes to Consolidated Financial Statements

(\$ thousands) November 30, 2009	Financial instruments at fair value			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 274,870	\$ –	\$ –	\$ 274,870
Investments	19,724	530,756	–	550,480
Retained interest from securitization	–	–	40,448	40,448
Derivatives	–	55,652	–	55,652
Total financial assets	\$ 294,594	\$ 586,408	\$ 40,448	\$ 921,450
Derivatives	\$ –	\$ 3,900	\$ –	\$ 3,900
Total financial liabilities	\$ –	\$ 3,900	\$ –	\$ 3,900

During the three months ended February 28, 2010, there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

The following is a reconciliation of Level 3 fair value measurements from November 30, 2009 to February 28, 2010:

(\$ thousands)	Fair value measurements using Level 3 inputs	
		Retained interest from securitization
Balance at November 30, 2009		\$ 40,448
Accretion income		681
Cash receipts, net of writeoffs		(829)
Securitization write-down		(312)
Unrealized losses recognized in other comprehensive income		(146)
Balance at February 28, 2010		\$ 39,842

#### Financial Instruments not Carried at Fair Value

The following table presents the estimated fair value of the Company's financial instruments which are not carried at fair value in the balance sheet:

(\$ thousands)	February 28, 2010		November 30, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Accounts receivable	\$ 75,256	\$ 75,256	\$ 80,968	\$ 80,968
Real estate secured loans and investment loans	3,491,970	3,512,867	3,594,755	3,611,473
Other assets	3,705	3,705	3,321	3,321
Total financial assets	\$ 3,570,931	\$ 3,591,828	\$ 3,679,044	\$ 3,695,762
Accounts payable and accrued liabilities	\$ 232,931	\$ 232,931	\$ 281,641	\$ 281,641
Long-term debt	184,765	184,765	156,731	156,731
Deposits	3,851,899	3,890,840	3,918,563	3,963,517
Other long-term liabilities	13,923	13,923	15,177	15,177
Total financial liabilities	\$ 4,283,518	\$ 4,322,459	\$ 4,372,112	\$ 4,417,066

For accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt and other long-term liabilities, the carrying amount represents a reasonable approximation of fair value.

Real estate secured loans, investment loans, RSP loans, HELOC receivables, and finance loans are classified as loans and receivables and are recorded at amortized cost using the effective interest method, net of any allowance for loan losses and related deferred fees and charges. The fair value of mortgage loans and deposits is calculated based on the discounted present value of future cash flows associated with the loans and deposits. The discount rates used reflect prevailing market rates for loans and deposits with similar residual terms to maturity and product characteristics. For all other loan types, the carrying value is considered to be a reasonable approximation of fair value due to the variable interest rate nature of the loan.

## 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 prices other than from change in interest rates and foreign currency. The Company is exposed to fair value risk on certain investments available for sale and certain derivative positions. The Company's investments that have fair value risk include mutual funds managed by the Company and common shares of \$17.8 million as at February 28, 2010 (2009 – \$22.6 million). 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, 2010, the effect of a 10% decline or increase in the value of investments would result in a \$1.7 million (2009 – \$2.2 million) unrealized gain or loss to other comprehensive income.

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

(\$ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
<b>February 28, 2010</b>				
Derivatives used to manage interest rate exposure	0.57% - 5.08%	2015	2,380,000	43,311
Derivatives used to manage changes in share-based compensation	–	2010	6,206	(2,773)
<hr/>				
(\$ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
<b>November 30, 2009</b>				
Derivatives used to manage interest rate exposure	0.70% - 5.08%	2014	2,280,000	55,652
Derivatives used to manage changes in share-based compensation	–	2010	8,919	(3,900)

As at February 28, 2010, the effect of a 10% decline or increase in the value of the underlying reference asset of the derivatives used to manage changes in share-based compensation would result in a \$0.3 million (2009 – \$0.4 million) increase or decrease in income.

### 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 primarily through its cash and cash equivalents, investments available for sale, real estate secured and investment loans receivable and deposits, 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. At February 28, 2010, a 1% increase in interest rates in the aforementioned financial instruments would result in an increase in annual net interest income of approximately \$4.3 million. At February 28, 2009, a 1% change in interest rates in the aforementioned financial instruments would result in an increase in annual net interest income of approximately \$4.7 million. As a result of current interest rate levels, a sensitivity analysis based on a 1% decrease would not provide meaningful information. Refer to Note 3 for the effect of changes to key assumptions on the fair value of retained interests.

The Company, excluding AGF Trust, is also exposed to interest rate risk through its floating-rate debt and cash balances. As at February 28, 2010, the effect of a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately \$1.7 million (2009 – \$1.5 million).

## Foreign Exchange 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 10 and 14. 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 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:

(\$ thousands)			
February 28, 2010	Demand	1 Year or Less	1 to 5 Years
Accounts payable and accrued liabilities	\$ –	\$ 235,704	\$ –
Long-term debt	–	30,833	153,932
Deposits <sup>1</sup>	3,076	1,784,162	2,276,258
Other liabilities	–	–	13,923
Total	\$ 3,076	\$ 2,050,699	\$ 2,444,113

  

(\$ thousands)			
November 30, 2009	Demand	1 Year or Less	1 to 5 Years
Accounts payable and accrued liabilities	\$ –	\$ 284,043	\$ –
Long-term debt	–	13,083	143,648
Deposits <sup>1</sup>	4,665	1,909,845	2,218,390
Other liabilities	–	–	16,675
Total	\$ 4,665	\$ 2,206,971	\$ 2,378,713

<sup>1</sup> 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 senior management 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, 2010, financial assets of \$4.5 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 FRNs.

Investments subject to credit risk consist primarily of FRNs, 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 maintains a list of approved securities dealers and counterparties, which are reviewed at least annually by the Trust Board. AGF Trust uses external credit rating agencies in assessing the credit quality of certain investments in financial assets. The credit rating agencies used include DBRS, S&P and Moody's. Refer to Note 2 for a breakdown of the credit ratings for AGF Trust's investments available for sale.

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 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.

At February 28, 2010, AGF Trust's loan assets totalled \$3.5 billion (November 30, 2009 – \$3.6 billion) and were comprised of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, \$1.0 billion (November 30, 2009 – \$1.1 billion) was represented by mortgage loans and \$0.4 billion (November 30, 2009 – \$0.4 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At February 28, 2010, 47.4% 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 65.1% as at February 28, 2010 (2009 – 62.2%).

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 97.1% as at February 28, 2010 (November 30, 2009 – 97.0%). 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, 2010, \$473.4 million of AGF Trust's residential mortgage portfolio was insured (November 30, 2009 – \$501.3 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 \$1.7 billion, are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately \$1.4 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 credit worthiness 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 upon 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 2009 Annual Report.

Three months ended February 28, 2010	Investment Management Operations		Trust Company Operations		Other <sup>1</sup>	Total		
(\$ thousands)								
Revenue	\$	130,688	\$	23,881	\$	1,675	\$	156,244
Operating expenses		76,299		12,757		–		89,056
Amortization and other expenses		21,843		646		1,834		24,323
Segment income before taxes	\$	32,546	\$	10,478	\$	(159)	\$	42,865
Total Assets	\$	1,165,080	\$	4,429,081	\$	–	\$	5,594,161

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

<sup>1</sup> Other revenue relates to S&WHL.

*This report contains forward-looking statements with respect to AGF, including its business operations, strategy, 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.*