

AGF Management Limited

First Quarter Report

FOR THE THREE MONTHS ENDED FEBRUARY 29, 2004



What are you doing after work?

dear fellow shareholders

I am pleased to report that AGF has launched its 2004 fiscal year with solid improvement in all areas of the business. Strength in the core mutual fund business, demonstrated by improving gross sales and lower redemptions combined with healthy performance across all sectors, drove assets higher. We also made gains in our complementary businesses, such as fund administration and trust company operations.

For the three months ended February 29, 2004, AGF reported cash flow from operations (before net change in non-cash balances related to operations) of \$61.6 million, or \$0.67 per share diluted, compared with \$51.9 million, or \$0.56 per share diluted in 2003, a rise of 18.8 per cent.

As a result of the high level of free cash flow and commitment to deliver value to shareholders, we announced an increase in our quarterly dividend rate of 37.5% and repurchased one million AGF Class B shares.

Over the last few years, we strategically positioned AGF to take advantage of a market rebound and to ensure we are well prepared to take a leading role in a changing industry.

We believe that over the rest of the year, your company is poised to reap the benefits of AGF's top fund performance, the growing trend towards investing in international equity funds and enhancements to our Harmony wrap program, an increasingly popular market segment. We will continue to focus on depth and performance in our core wealth management business, while building on our strategy of delivering value from complementary businesses at home and abroad.

As ever, our goal remains the pursuit of prudent, long-term growth in the interests of shareholders. I want to extend my gratitude to all our shareholders for their patience and their confidence in the bright future of this company.



Blake C. Goldring, CFA
President and Chief Executive Officer
March 31, 2004

management's discussion and analysis of financial condition and results of operations

FOR THE THREE MONTHS ENDED FEBRUARY 29, 2004

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (collectively referred to as "AGF" or the "Corporation") as at February 29, 2004 compared with November 30, 2003, and the results of operations for the three months ended February 29, 2004 compared with the corresponding period of 2003. This MD&A should be read in conjunction with the MD&A included in the Corporation's 2003 Annual Report.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

(\$ MILLIONS)	Three months ended			% change 2004 vs. 2003 (adj.)
	February 29, 2004	February 28, 2003	February 28, 2003 (adj.) ³	
Revenue	\$ 159.1	\$ 158.7	\$ 146.0	9.0%
Cash flow from operations ¹	\$ 61.6	\$ 51.9	\$ 51.9	18.8%
EBITDA ²	\$ 75.5	\$ 81.7	\$ 68.9	9.5%
Net income	\$ 23.8	\$ 28.4	\$ 17.5	35.6%
Per Share Amounts – diluted				
Cash flow from operations ^{1,2}	\$ 0.67	\$ 0.56	\$ 0.56	19.6%
Earnings	\$ 0.26	\$ 0.30	\$ 0.19	36.8%

Consolidated revenue for the three months ended February 29, 2004 was \$159.1 million compared to \$158.7 million in the same period of the prior year.

¹ CASH FLOW FROM OPERATIONS BEFORE NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS.

² CASH FLOW FROM OPERATIONS PER SHARE AND EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION) ARE NON-GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) FINANCIAL MEASURES. MANAGEMENT BELIEVES THAT SHAREHOLDERS AND INVESTMENT ANALYSTS FIND THESE MEASURES HELPFUL IN ANALYZING AGF RESULTS. CASH FLOW FROM OPERATIONS PER SHARE HAVE BEEN COMPUTED USING THE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING SIMILAR TO THE EARNINGS PER SHARE ("EPS") CALCULATIONS.

³ RESULTS FOR THE THREE MONTHS ENDED FEBRUARY 28, 2003 INCLUDE A CAPITAL GAIN OF \$12.8 MILLION BEFORE TAX, RESULTING FROM THE DISPOSITION OF THE CORPORATION'S INVESTMENT IN AN ASSOCIATED COMPANY. FOR EASE OF COMPARISON WITH THE CURRENT YEAR PERIOD, THE RESULTS SHOWN IN THIS COLUMN HAVE BEEN ADJUSTED TO REFLECT THE EXCLUSION OF THIS GAIN.

Prior year period revenue includes a capital gain of \$12.8 million resulting from the disposition of the Corporation's investment in an associated company. Excluding this gain, revenue has increased by \$13.1 million or 9.0%. Cash flow from operations (before net change in non-cash balances related to operations) was \$61.6 million (\$0.67 per share diluted) for the three months ended February 29, 2004 as compared with \$51.9 million (\$0.56 per share diluted) in the same period of the prior year, an increase of \$9.7 million or 18.8%. EBITDA was \$75.5 million for the three months ended February 29, 2004, a decrease of 7.6% from the same period in fiscal 2003. Excluding the gain in the prior year period, EBITDA increased 9.5% over the same prior year period. Consolidated net income decreased 16.2% to \$23.8 million for the three months ended February 29, 2004 as compared to \$28.4 million a year ago. Excluding the gain in the prior year period, net income increased 35.6% over the same period last year. Diluted EPS were \$0.26 for the three months ended February 29, 2004, versus \$0.30 per share in the same period of last year, a decrease of 13.3%. Excluding the gain in the prior year period, diluted EPS increased by 36.8%.

CHANGE IN ACCOUNTING POLICY

Hedging Relationships

On December 1, 2003, AGF adopted CICA Accounting Guideline 13 "Hedging Relationships" ("AcG 13"). AcG 13 addresses the identification, designation, documentation and assessment of effectiveness of hedging transactions for the purpose of applying hedge accounting.

Under this new guideline the Corporation is required to document its hedging transactions and demonstrate that the hedges are sufficiently effective in order to use hedge accounting for positions hedged with derivatives.

The Corporation reviewed its hedging relationships as of December 1, 2003 and determined that its cross-currency swap transaction and certain interest rate swap transactions do not qualify for hedge accounting. As such, the Corporation recorded these swaps at fair value, which increased both assets and liabilities as at December 1, 2003 by \$1.4 million. The deferred asset is being amortized over the remaining term of the swap and the expense of such amortization for the three months ended February 29, 2004 was \$39,000 (2003 - nil). An expense of \$494,000 on the mark-to-market of the swap transactions has been included in interest expense. In each subsequent reporting period, the change in fair value of these derivatives will be recorded as income or expense for the period.

Seasonality

Since a significant proportion of the Corporation's revenue is based on the daily value of mutual fund assets under management, the Corporation is not subject to significant seasonal swings that impact earnings. Generally, the Corporation experiences somewhat higher mutual fund sales during the months of February and March as a result of the RSP season, however, the immediate impact of the level of sales on total assets under management is not nearly as significant as the potential movement caused by changes in market value. The Corporation's revenue is more highly correlated to market values.

Acquisition of P.J. Doherty & Associates Co. Ltd.

On January 15, 2004, the Corporation completed the acquisition of 100% of the shares of P.J. Doherty & Associates Co. Ltd. ("P.J. Doherty") for consideration of \$12.2 million including \$0.3 million of acquisition costs. Cash consideration paid amounted to \$9.4 million with future payments of \$2.8 million due within one year. A portion of these future payments is contingent on the business maintaining certain revenue levels. There is also additional consideration that may become payable based on revenue growth during the two year period subsequent to completion of the acquisition. These amounts are not determinable at the present date. The acquired business, which is based in Ottawa, is an investment counselling firm for high-net-worth individuals and institutions. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

The fair value of the net assets acquired and consideration paid are summarized as follows:

	\$(000s)	
Net Assets Acquired		
Cash	\$	468
Other assets		318
Customer contracts		13,015
Goodwill		3,360
Current liabilities		(233)
Future income tax		(4,701)
	\$	12,227
Consideration Paid (including acquisition costs)		
Cash	\$	9,451
Future payments due within one year		2,776
	\$	12,227

Reportable Segments

The Corporation reports on three business segments: wealth management operations, fund administration operations and trust company operations. The wealth management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products and services, including retail mutual fund operations and high-net-worth client investment counselling services. Fund administration, which operates in both Canada and the U.K., offers fund administrative services and transfer agency solutions to institutional clients in Canada and the U.K., including the AGF mutual funds. The trust company segment offers a wide range of trust services and products including GICs, mortgages, investment loans and RSP loans. The "Other" segment includes the results of Smith & Williamson Holdings Limited ("S&WHL"), which are accounted for by the equity method and the interest expense on the Corporation's long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

WEALTH MANAGEMENT OPERATIONS

REVENUE

Revenue of the wealth management operations segment is composed of the following:

(\$ MILLIONS)					
Three months ended	February 29, 2004		February 28, 2003		
	Amount	% of total	Amount	% of total	% change
Net management and advisory fees	\$ 110.9	84.6%	\$ 101.8	83.5%	8.9%
Deferred sales charges	9.9	7.6%	11.4	9.4%	(13.3%)
Administration fees and other revenue	10.0	7.6%	8.3	6.8%	20.5%
Investment income	0.2	0.2%	0.4	0.3%	(55.7%)
	\$ 131.0	100.0%	\$ 121.9	100.0%	7.5%

Net Management and Advisory Fees

Management and advisory fee revenue, net of distribution fees paid to limited partnerships and other third-party financing entities of \$4.6 million (\$5.1 million in 2003), increased 8.9% to \$110.9 million for the three months ended February 29, 2004 compared to \$101.8 million in the same period in 2003. The amount of management and advisory fees is dependent on the level and composition of assets under management ("AUM"). Under the management and investment advisory contracts between the Corporation and each of the mutual funds it manages, the Corporation is entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund.

The following table illustrates the composition of the changes in mutual fund AUM during the three months ended February 29, 2004 and February 28, 2003.

(\$ MILLIONS)			
Three months ended	February 29, 2004	February 28, 2003	% change
Mutual fund AUM, beginning of period	\$ 23,168	\$ 23,549	(1.6%)
Gross sales of mutual funds	785	708	10.9%
Redemptions of mutual funds	(1,200)	(1,175)	2.1%
Net mutual fund redemptions	(415)	(467)	(11.1%)
Market appreciation (depreciation) of fund portfolios	2,375	(2,108)	
Mutual fund AUM, end of period	\$ 25,128	\$ 20,974	19.8%
Average daily mutual fund AUM for the period	\$ 24,373	\$ 22,386	8.9%
Redemptions (as a % of average daily mutual fund AUM)	19.7%	21.0%	(1.3%)

Mutual fund AUM increased 8.5% during the three months ended February 29, 2004. Average daily mutual fund AUM in the first quarter of fiscal 2004 were 8.9% higher than in the first quarter of 2003, directly contributing to an 8.9% increase in net management and advisory fee revenue from the same period a year ago.

The strong growth in global equity markets seen in fiscal 2003 has continued into the first quarter of 2004 with most major indices continuing to experience significant gains. During the three months ended February 29, 2004, the S&P 500 Index rose 11.7%, the NASDAQ Index rose 6.9% and the S&P/TSX Composite Index rose 11.8%.

The Corporation's equity mutual funds have continued to benefit from the improving global stock markets, resulting in market value appreciation of \$2.4 billion during the three months ended February 29, 2004, compared to market value depreciation of \$2.1 billion in the same period a year ago.

The aggregate market value of assets managed by AGF for high-net-worth individuals and institutional clients were as follows:

As at February 28, 2003	\$4.7 billion
As at November 30, 2003	\$5.1 billion
As at February 29, 2004	\$6.4 billion

The increase in the market value of these assets during the three months ended February 29, 2004, is partly attributable to the acquisition of P.J. Doherty, which occurred in January 2004. These assets under management continue to provide the Corporation with a stable revenue stream.

Deferred Sales Charges

The Corporation receives Deferred Sales Charges (“DSC”) upon redemption of securities sold on the contingent DSC or “back-end” commission basis for which the Corporation financed the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after seven years. DSC revenue decreased 13.3% from \$11.4 million for the three months ended February 28, 2003 to \$9.9 million for the three months ended February 29, 2004. DSC revenue fluctuates based on the age of the assets being redeemed and the proportion of redemptions composed of “back-end” assets.

Administration Fees and Other Revenue

Administration fees and other revenue in the wealth management operations segment for the three months ended February 29, 2004 was \$10.0 million compared to \$8.3 million in the prior year, an increase of 20.5%. This increase was predominantly due to an increase in revenue from the Harmony investment pools as well as higher investment advisory fees earned from institutional clients.

EXPENSES

Expenses for the wealth management operations segment were as follows:

(\$ MILLIONS)				
Three months ended	February 29, 2004	February 28, 2003	% change	
Selling, general and administrative	\$ 25.6	\$ 21.3	20.0%	
Trailing commissions	28.0	26.2	6.8%	
Investment advisory fees	8.0	7.9	1.3%	
Amortization of DSC	30.3	28.5	6.0%	
Amortization of customer contracts, relationships and investment advisory contracts	3.1	3.0	3.6%	
Amortization of property, equipment and other intangible assets	2.2	3.4	(36.1%)	
Write-down of short-term investments	–	0.6	(100.0%)	
	\$ 97.2	\$ 90.9	6.9%	

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the Corporation's wealth management operations segment increased by \$4.3 million or 20.0% for the three months ended February 29, 2004 compared to the same period in 2003. The increase in SG&A expenses in 2004 is due to costs associated with the continued building of AGF's successful investment management team and the acquisition of P.J. Doherty.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM levels as well as 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 paid on equity funds are generally higher than those paid on fixed income funds. Trailing commissions increased 6.8% to \$28.0 million for the three months ended February 29, 2004 from \$26.2 million for the three months ended February 28, 2003. Trailing commissions as a percentage of average daily mutual fund AUM declined slightly to 0.460% for the three months ended February 29, 2004 versus 0.468% for the comparable 2003 period.

Investment Advisory Fees

Investment advisory fees increased 1.3% to \$8.0 million for the three months ended February 29, 2004 from \$7.9 million in the three months ended February 28, 2003. As a percentage of average daily mutual fund AUM, investment advisory fees declined to 0.132% for the three months ended February 29, 2004 compared to 0.142% for the comparable 2003 period.

Amortization of Deferred Sales Commissions

Amortization of DSC increased by 6.0% to \$30.3 million for the three months ended February 29, 2004 from \$28.5 million for the three months ended February 28, 2003. Currently, the Corporation internally finances 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. During the three months ended February 29, 2004, the Corporation paid \$16.1 million (2003 - \$12.4 million) in selling commissions.

Earnings Before Interest, Taxes, Depreciation and Amortization

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the wealth management operations segment were \$69.4 million for the three months ended February 29, 2004, an increase of 5.3% from \$65.9 million for the same period of fiscal 2003.

FUND ADMINISTRATION OPERATIONS

REVENUE

Revenue for the fund administration business, operated in Canada as Unisen Inc. ("Unisen") and in the United Kingdom as Investmaster Group Limited ("Investmaster"), for the three months ended February 29, 2004 was \$31.8 million, unchanged from the same period in 2003.

Unisen, a leading provider of outsourcing solutions, supports the fund information cycle by providing unitholder record-keeping systems and operations administration, client services and fund valuation services. As at February 29, 2004, Unisen served, directly or through other third-party administrators, more than 160 investment companies and financial institutions, with assets under administration exceeding \$200 billion.

Investmaster, a wholly-owned subsidiary of AGF, develops and licenses customized investment industry software in the United Kingdom. During the second quarter of fiscal 2003, Investmaster completed the acquisition of Consort Information Systems Limited ("CISL"), making it the U.K.'s largest supplier of integrated systems for private wealth investment managers. This acquisition is expected to provide significant cost synergies once the integration of the two operations is completed over the next year. With an expanded customer base and the successful introduction of new products, Investmaster is well positioned to continue to grow its revenue.

EXPENSES

Expenses for the fund administration operations segment are summarized as follows:

(\$ MILLIONS)			
Three months ended	February 29, 2004	February 28, 2003	% change
Selling, general and administrative	\$ 27.7	\$ 28.7	(3.5%)
Amortization of customer contracts and relationships	1.5	1.7	(11.8%)
Amortization of property, equipment and other intangible assets	2.2	1.5	46.7%
	\$ 31.4	\$ 31.9	(1.6%)

Selling, General and Administrative Expenses

SG&A expenses were \$27.7 million for the three months ended February 29, 2004, a decrease of \$1.0 million as compared to the corresponding period in fiscal 2003. The decrease in SG&A was due to cost savings resulting from the integration of Unisen's fund administration operations onto one IT platform offset by an increase in Investmaster's SG&A as a result of the acquisition of CISL.

Amortization of Customer Contracts and Relationships

Amortization of customer contracts and relationships for the three months ended February 29, 2004 decreased by 11.8% from \$1.7 million in 2003 to \$1.5 million in 2004. The decline was a result of a lower carrying value for customer contracts and relationships due to a purchase price adjustment for an acquired fund administration business.

Amortization of Property, Equipment and Other Intangible Assets

Amortization of property, equipment and other intangible assets for the three months ended February 29, 2004 was \$2.2 million, representing an increase of \$0.7 million or 46.7% over the corresponding period of 2003. The expense includes the amortization over a period of five years of software acquired in the Jewelstone Systems Inc. and CISL acquisitions. The increase in amortization of property and equipment in fiscal 2004 is also attributable to higher capital spending in fiscal 2003 relating to IT infrastructure, facilities and computer hardware.

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA for the fund administration operations segment were \$4.1 million for the three months ended February 29, 2004 compared to \$3.1 million in the same period of fiscal 2003, an increase of 32.5%.

TRUST COMPANY OPERATIONS

AGF Trust Company (the "Trust Company") recorded net income of \$0.7 million for the three months ended February 29, 2004, compared with \$0.2 million for the same period last year. Net investment income for the three months ended February 29, 2004 was \$3.9 million compared with \$2.9 million for the same period last year. This increase is a reflection of the higher asset levels at the Trust Company.

Consumer loans, including investment loans and RSP loans, have increased 22.8% in the first quarter of fiscal 2004, growing by \$63.7 million to \$343.5 million at February 29, 2004. The general allowance for consumer loan losses was increased to \$2.4 million from \$1.9 million at November 30, 2003. Mortgage loans outstanding grew by \$4.9 million during the first quarter to \$219.4 million.

The provision for loan losses for the three months ended February 29, 2004 was \$1.1 million compared with \$0.7 million for the same period last year. This increase reflects higher loan balances and current credit risk in the loan portfolios. Loss provisions are generally higher in the first quarter of the year due to the large increase in RSP loan balances and the related general allowances during the period.

The Trust Company's financial position and balance sheet remain sound. Total assets have grown to \$643.0 million at February 29, 2004, an increase of 8.9% or \$52.6 million since November 30, 2003. The assets to capital multiple at February 29, 2004 stood at 14.4 times, up from 14.3 times at November 30, 2003, and within the permitted multiple of 17.5 times.

OTHER CORPORATE EXPENSES

Interest Expense

Interest expense (included in the AGF consolidated financial statements segment information note under "Other") decreased by 6.1% to \$2.4 million for the three months ended February 29, 2004 from \$2.5 million in the same period in 2003. This decrease is a result of lower average outstanding loan balances compared to the same period in 2003 offset in part by \$0.5 million of amortization and expense recorded in marking to market its interest rate swap transactions as required following the adoption of CICA Accounting Guideline 13 (see Change in Accounting Policy – "Hedging Relationships").

Except for the interest rate swap transactions that fixed the interest rate on an average of \$38.6 million of the outstanding loan balance at an average rate of 5.53% per annum, interest rates paid on the bank loans were floating based on the prevailing bankers' acceptance rates.

Income Taxes

The Corporation's effective income tax rate for the three months ended February 29, 2004 was 29.0%, as compared to the statutory rate of 35.9%. The reduction in the effective income tax rate is related primarily to tax rate differentials on earnings of certain of the Corporation's foreign subsidiaries.

As at February 29, 2004, the future income tax liability was \$287.6 million, as compared with \$285.2 million at November 30, 2003. Approximately half of the future income tax liability balance arose from the deduction for income tax purposes of the full amount of selling commissions paid in a year as compared with the amortization of such selling commissions for accounting purposes over six to eight years. The remaining future income tax liability balance relates primarily to the impact of business combinations where the accounting values of the acquired assets and liabilities differ from their tax values.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operating activities (before net change in non-cash balances related to operations) was \$61.6 million for the three months ended February 29, 2004 compared to \$51.9 million in the same period a year ago, an increase of \$9.7 million or 18.8%.

The Corporation's free cash flow (defined as cash flow from operations less selling commissions paid) was \$45.5 million for the three months ended February 29, 2004, compared to \$39.5 million in the same period of the prior year, an increase of 15.2%. The Corporation's free cash flow was used primarily to fund the following:

(\$ MILLIONS)	
Three months ended	February 29, 2004
Repurchase AGF Class B shares	\$ 17.7
Acquisition of P.J. Doherty	9.5
Payment of dividends	7.4
Purchase of property, equipment and other intangible assets	2.7

During the first quarter of fiscal 2004, the Corporation used \$17.7 million of its free cash flow to repurchase 1,000,000 AGF Class B shares at an average price of \$17.65 per share.

Consolidated cash and term deposits amounted to \$75.6 million as at February 29, 2004 as compared with \$88.9 million at November 30, 2003. The decrease is mainly due to a \$16.5 million use of cash in the Trust Company operations to fund consumer loans during the RSP season, net of the increase in Trust Company deposits. With respect to the consolidated statements of cash flow, the Corporation's cash and cash equivalents have been reclassified to include cash and term deposits and to exclude short-term investments. Unlike past practice, the Corporation no longer considers short-term investments when managing its consolidated cash position. Prior period comparative amounts have been reclassified to conform to the current period's presentation.

The Corporation's long-term debt to equity ratio increased from 0.13:1 as at November 30, 2003 to 0.17:1 as at February 29, 2004. During the first quarter of fiscal 2004, bank debt increased by \$37.2 million, primarily due to a reduction in current liabilities.

The Corporation has a 10-year prime rate-based revolving term loan facility to a maximum of \$150.0 million, of which \$49.7 million was available to be drawn as at February 29, 2004. This facility will be available to meet future operational and investment needs. The Corporation anticipates that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement its business plan, finance selling commissions, satisfy regulatory capital requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Shareholders' equity decreased slightly from \$903.3 million at November 30, 2003 to \$902.2 million at February 29, 2004, a decrease of 0.1%. The decrease was primarily due to the large amount of AGF Class B shares repurchased during the first quarter of fiscal 2004.

HEDGING ACTIVITIES

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions, which expire between March 1, 2004 and February 28, 2009. At February 29, 2004, the swaps convert the interest rates paid on \$412.7 million of outstanding deposits from fixed interest rates into floating interest rates. AGF Trust Company would receive \$9.0 million from the counter-parties if the swap transactions were terminated at February 29, 2004.

The Corporation's U.K. pound denominated investment in associated company, S&WHL has increased from \$108.7 million at November 30, 2003 to \$120.9 million at February 29, 2004, primarily as a result of the appreciation of the U.K. pound versus the Canadian dollar.

To hedge the currency exposure in connection with its investment in S&WHL, the Corporation has entered into foreign exchange forward contracts to sell U.K. £50.0 million on November 29, 2004 at an average exchange rate of 2.1820 for CDN \$109.1 million. The unrealized loss on the hedge transaction as at February 29, 2004 substantially offsets the increase in the investment in the associated company described above.

RISK FACTORS

The Corporation's risk exposure from foreign exchange, interest rate and capital market movements remains substantially unchanged since the most recent fiscal year-end and readers should refer to the MD&A in the Corporation's 2003 Annual Report.

BUSINESS STRATEGY

During 2004 the Corporation's primary strategy will be to continue to grow its core wealth management business while at the same time selectively diversifying revenue sources into complementary businesses. The Corporation's objective of growing its core mutual fund business will be facilitated by the superior investment performance results delivered by AGF's investment management team, continued reinforcement of the AGF brand, high client service levels, focused sales strategies and by building strategic partnerships with key distributors. Products and services, including Trust Company offerings, will continue to be expanded along the wealth continuum to meet the needs of investors and advisors at all stages of their investment lives. The Corporation will continue the integration of administration and systems capabilities within Unisen with a view to positioning Unisen to take full advantage of the trend in the investment funds industry towards outsourcing of administrative functions.

Global initiatives will be concentrated on wealth management and third-party administration activities in markets which management believes have above-average growth potential.

OUTLOOK

Global equity markets improved significantly during the three month period ended February 29, 2004, resulting in growth of AUM from \$23.2 billion at November 30, 2003, to \$25.1 billion at the end of the Corporation's first fiscal quarter. Net management fees are directly impacted by market appreciation (depreciation) of fund portfolios and to a lesser degree by net fund sales or redemptions. Continued market strength should result in revenue and earnings from the Corporation's core wealth management operations exceeding 2003 levels for the balance of fiscal 2004.

Although the Corporation experienced net redemptions of \$0.4 billion during the first quarter, management believes that recent gains by global equity markets will lead to improved sales of AGF's equity mutual funds. There were several achievements in wealth management operations in the first quarter that position the Corporation for further asset growth during the balance of 2004:

- 70% of AGF's mutual fund assets performed above median for the 12-month period ended February 29, 2004.
- The Corporation's specialty funds continued to perform well over the last 12 months. For example, the AGF Canadian Resources Fund is up 46%, the AGF China Focus Class is up 83% and the AGF Precious Metals Fund is up 74%. Furthermore, AGF International Advisors, based in Dublin, Ireland, placed second in the highly coveted Financial Times (U.K.) world-wide fund manager rankings for three-year returns on European equity mandates.
- The Corporation acquired 100% of P.J. Doherty, an investment counselling firm for high-net-worth individuals and institutions. P.J. Doherty provides AGF with a prominent presence in the Ottawa high-net-worth marketplace.
- AGF enhanced its highly successful wrap product with the introduction of Harmony Investment Portfolios. Harmony continues to generate strong asset inflows and management believes it will continue to be a leading product in this market segment.

The robust equity markets of the past year have been a welcome turnaround from the bear market of the prior two years. Global economic growth and low inflation bode well for capital markets during the remainder of 2004.

Unisen is expected to continue its solid first-quarter financial performance by growing its revenue through new client acquisition and providing new services to the existing client base. In addition, Unisen is also expected to realize further cost savings once the migration of all third-party unitholder record-keeping clients are merged onto one IT platform over the next year.

Management expects industry consolidation to continue, especially in the high-net-worth investment management business, as companies seek to achieve greater economies of scale and benefit from access to national distribution channels.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements that are made based on management's judgement and expectations but are inherently subject to risks and uncertainties beyond the Corporation's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. Actual results may differ materially from those anticipated in the forward-looking statements.

AGF MANAGEMENT LIMITED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

	February 29, 2004	November 30, 2003
	(UNAUDITED)	
ASSETS		
Current Assets		
Cash and term deposits	\$ 9,063	\$ 5,838
Short-term investments	20,745	19,065
Accounts receivable and prepaid expenses	59,458	55,835
Income taxes recoverable	5,796	–
	95,062	80,738
Investment in associated company	120,915	108,692
Other investments	8,811	8,811
Management contracts	473,670	473,670
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	110,333	101,918
Deferred selling commissions, net of accumulated amortization	380,682	394,839
Property, equipment and other intangible assets, net of accumulated amortization	58,036	59,769
Goodwill	151,525	148,165
Other assets	1,369	–
	1,400,403	1,376,602
Trust Company Assets		
Cash and term deposits	66,546	83,067
Accounts receivable and other assets	7,677	7,216
Investments	5,895	5,793
Mortgages and consumer loans	562,847	494,318
	642,965	590,394
	\$ 2,043,368	\$ 1,966,996

AGF MANAGEMENT LIMITED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

	February 29, 2004 (UNAUDITED)	November 30, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 50,899	\$ 46,335
Long-term debt due within one year (note 4)	40,755	41,371
Income taxes payable	–	18,148
	91,654	105,854
Long-term debt (note 4)	150,364	114,114
Participation units	6,157	6,157
Future income taxes	287,633	285,207
Leasehold inducements	4,079	1,493
Other liabilities	1,902	–
	541,789	512,825
Trust Company Liabilities		
Accounts payable and accrued liabilities	11,128	15,661
Deposits	588,244	535,200
	599,372	550,861
Shareholders' Equity		
Capital stock (note 3)	391,289	395,168
Retained earnings	509,302	506,274
Foreign currency translation adjustment	1,616	1,868
	902,207	903,310
	\$ 2,043,368	\$ 1,966,996

AGF MANAGEMENT LIMITED

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

Three months ended	February 29, 2004	February 28, 2003
Revenue		
Net management and advisory fees	\$ 110,883	\$ 101,840
Administration fees and other revenue	28,823	24,294
Deferred sales charges	9,894	11,406
Gain on sale of investment in associated company	–	12,758
Investment income	186	410
	149,786	150,708
Trust Company interest, dividends and administration fees	9,320	8,003
	159,106	158,711
Expenses		
Selling, general and administrative	39,909	35,427
Trailing commissions	28,017	26,221
Investment advisory fees	8,024	7,920
Amortization of deferred selling commissions	30,253	28,539
Amortization of customer contracts, relationships and investment advisory contracts	4,600	4,671
Amortization of property, equipment and other intangible assets	4,502	5,478
Interest expense	2,376	2,530
Write-down of short-term investments	–	643
	117,681	111,429
Trust Company Expenses		
Interest on deposits	4,701	4,546
General and administrative	2,189	1,761
Provision for loan losses	1,058	710
	7,948	7,017
	125,629	118,446
Income before income taxes	33,477	40,265
Income Taxes		
Current	13,639	16,364
Future	(3,935)	(4,471)
	9,704	11,893
Net income for the period	\$ 23,773	\$ 28,372
Earnings Per Share		
Basic	\$ 0.26	\$ 0.31
Diluted	\$ 0.26	\$ 0.30

AGF MANAGEMENT LIMITED

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

Three months ended	February 29, 2004	February 28, 2003
Retained earnings, beginning of period	\$ 506,274	\$ 495,819
Net income for the period	23,773	28,372
	530,047	524,191
Deduct:		
Dividends on Class A and Class B shares	7,377	5,926
Excess paid over average issue price of Class B shares purchased for cancellation	13,368	-
	20,745	5,926
Retained earnings, end of period	\$ 509,302	\$ 518,265

AGF MANAGEMENT LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOW

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

Three months ended	February 29, 2004	February 28, 2003
Operating Activities		
Net income for the period	\$ 23,773	\$ 28,372
Items Not Affecting Cash		
Amortization of deferred selling commissions	30,253	28,539
Amortization of customer contracts, relationships and investment advisory contracts	4,600	4,671
Amortization of property, equipment and other intangible assets	4,780	5,711
Future income taxes	(3,935)	(4,471)
Gain on sale of investment in associated company	–	(12,758)
Mark-to-market on swap transactions	494	–
Other	1,667	1,823
	61,632	51,887
Net increase in non-cash balances related to operations	(42,513)	(23,249)
	19,119	28,638
Financing Activities		
Net change in Class B shares	(17,247)	2,485
Dividends	(7,377)	(5,926)
Increase (decrease) in bank loan	37,150	(8,350)
Decrease in notes payable	(1,543)	(1,747)
Increase in leasehold inducements	2,665	–
Increase in Trust Company deposits	53,044	31,983
	66,692	18,445
Investing Activities		
Deferred selling commissions paid	(16,096)	(12,355)
Investment in associated company	–	(604)
Acquisition of subsidiary, net of cash acquired	(8,983)	–
Purchase of property, equipment and other intangible assets	(2,659)	(1,339)
Sale (purchase) of investments	(1,680)	594
Sale (purchase) of investments – Trust Company	(102)	672
Increase in Trust Company mortgages and consumer loans	(69,587)	(57,672)
	(99,107)	(70,704)
Decrease in cash and cash equivalents during the period	(13,296)	(23,621)
Balance of cash and cash equivalents, beginning of period	88,905	124,825
Balance of cash and cash equivalents, end of period	\$ 75,609	\$ 101,204
Represented by:		
Cash and term deposits	\$ 9,063	\$ 4,648
Trust Company cash and term deposits	66,546	96,556
	\$ 75,609	\$ 101,204

notes to consolidated financial statements

FOR THE THREE MONTHS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003 (UNAUDITED)
(IN DOLLARS, EXCEPT AS OTHERWISE STATED)

These unaudited interim consolidated financial statements of AGF Management Limited ("AGF" or "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2003, except for the change in accounting policy described in note 1. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2003, as set out in AGF's 2003 Annual Report. Certain comparative amounts have been reclassified to conform with the current period's presentation. At December 1, 2003, cash and cash equivalents were reclassified to include cash and term deposits and exclude short-term investments.

1.

CHANGE IN ACCOUNTING POLICY

Hedging Relationships

On December 1, 2003, AGF adopted CICA Accounting Guideline 13 "Hedging Relationships" ("AcG 13"). AcG 13 addresses the identification, designation, documentation and assessment of effectiveness of hedging transactions for the purpose of applying hedge accounting.

Under this new guideline the Corporation is required to document its hedging transactions and demonstrate that the hedges are sufficiently effective in order to use hedge accounting for positions hedged with derivatives.

The Corporation reviewed its hedging relationships as of December 1, 2003 and determined that its cross-currency swap transaction and certain interest rate swap transactions do not qualify for hedge accounting. As such, the Corporation recorded these swaps at fair value which increased both assets and liabilities as at December 1, 2003 by \$1.4 million. The deferred asset is being amortized over the remaining term of the swap and the expense of such amortization for the three months ended February 29, 2004 was \$39,000 (2003 – nil). An expense of \$494,000 on the mark-to-market of the swap transactions has been included in interest expense. In each subsequent reporting period, the change in fair value of these swaps will be recorded as income or expense for the period.

Certain other interest rate swaps entered into by AGF Trust Company are designated as hedges, and the interest payable or receivable under the swap transactions is accrued and recorded as interest expense.

The foreign exchange forward contracts used to hedge the investment in Smith & Williamson Holdings Limited ("S&WHL") are designated as hedges and qualify for hedge accounting. The unrealized foreign exchange gains or losses on the forward contracts are recorded in a separate component of shareholders' equity as a foreign currency translation adjustment.

2.

ACQUISITION OF P.J. DOHERTY & ASSOCIATES CO. LTD.

On January 15, 2004, the Corporation completed the acquisition of 100% of the shares of P.J. Doherty & Associates Co. Ltd. for consideration of \$12.2 million including \$0.3 million of acquisition costs. Cash consideration paid amounted to \$9.4 million with future payments of \$2.8 million due within one year. A portion of these future payments are contingent on the business maintaining certain revenue levels. There is also potential additional consideration which may become payable based on revenue growth during the two year period subsequent to completion of the acquisition. These amounts are not determinable at the present date. The acquired business, which is based in Ottawa, is an investment counselling firm for high-net-worth individuals and institutions. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

The fair value of the net assets acquired and consideration paid are summarized as follows:

	\$(000s)	
Net Assets Acquired		
Cash	\$	468
Other assets		318
Customer contracts		13,015
Goodwill		3,360
Current liabilities		(233)
Future income tax		(4,701)
	\$	12,227
Consideration Paid (including acquisition costs)		
Cash	\$	9,451
Future payments due within one year		2,776
	\$	12,227

3.

CAPITAL STOCK

(a) Authorized Capital

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

(b) Movement During the Period

The movement in capital stock during the three months ended February 29, 2004 is summarized as follows:

	Number of shares issued	Amount \$(000s)
Class B shares		
Balance, November 30, 2003	92,214,723	\$ 395,168
Issued through dividend reinvestment plan	4,615	79
Stock options exercised	35,166	328
Purchased for cancellation	(1,000,000)	(4,286)
Balance, February 29, 2004	91,254,504	\$ 391,289
Class A shares		
Balance, November 30, 2003 and February 29, 2004	57,600	-
Total capital stock		\$ 391,289

(c) Class B Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of The Toronto Stock Exchange. Present approval for such purchases extends through to February 2005.

(d) Stock Option Plans

Stock-Based Compensation

On December 1, 2002, AGF adopted the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," for stock options granted on or after that date. Under this standard, the fair value of stock options are determined on their grant date and recorded as compensation expense over the period that the stock options vest. During the three months ended February 29, 2004, the Corporation granted 720,000 options and recorded \$250,000 in compensation expense in respect of the options granted during that period. The fair value of options granted during the period has been estimated at between \$2.72 to \$5.41 per share using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options on the date of grant:

Risk-free interest rate	4.09%
Expected dividend yield	1.82%
Expected share price volatility	33.19%
Option term	7.0 to 10.0 years

Stock options to purchase an aggregate maximum of 4,062,504 Class B shares could have been granted as at February 29, 2004. The options vest over a three to four year period and have terms ranging from 7 to 10 years. The Corporation or employee is required to meet performance criteria for certain of the options to vest.

The movement in stock options during the three months ended February 29, 2004 is summarized as follows:

	Number of options	Weighted average exercise price
Class B Share Options		
Balance outstanding, November 30, 2003	3,270,080	\$ 16.84
Options granted	720,000	\$ 18.94
Options cancelled	(37,600)	\$ 23.55
Options exercised	(35,166)	\$ 9.33
Balance outstanding, February 29, 2004	3,917,314	\$ 17.23

4. LONG-TERM DEBT

\$(000s)	February 29, 2004	November 30, 2003
Bank Loans		
Fully amortizing term loan	\$ 61,950	\$ 70,800
Revolving term loan	100,300	54,300
Notes payable due November 22, 2004	4,354	4,970
Notes payable due April 30, 2013	20,476	21,230
Payment re CISL due January 31, 2006	1,067	1,067
Capital lease obligations	2,710	2,883
Loan notes due September 30, 2004	262	235
	191,119	155,485
Less: amount included in current liabilities	40,755	41,371
	\$ 150,364	\$ 114,114

Bank Loans

Fully Amortizing Term Loan

At February 29, 2004, the Corporation has drawn the facility in the form of a 90-day bankers' acceptance ("BA") at an effective interest rate of 2.72% per annum.

Revolving Term Loan

As at February 29, 2004, the Corporation has drawn \$100.3 million against the available loan amount of \$150.0 million in the form of five to 91 day BAs at an effective interest rate of 2.99% per annum.

5.

INTEREST RATE SWAP AND FOREIGN EXCHANGE HEDGE TRANSACTIONS

To hedge its currency exposure in connection with its investment in U.K.-based S&WHL, an associated company, the Corporation has entered into foreign exchange forward contracts to sell U.K. £50,000,000 on November 29, 2004 at an average exchange rate of 2.1820 for CDN \$109,102,000. The fair value of the forward contracts at February 29, 2004 has been recorded in a separate component of shareholders' equity as a foreign currency translation adjustment.

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions with three Canadian chartered banks as noted below. The swap transactions expire between March 1, 2004 and February 28, 2009 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. As at February 29, 2004, the aggregate notional amount of the swap transactions was \$412,700,000. The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust Company if the transactions were terminated at February 29, 2004, was \$8,991,000.

\$(000s)		
Notional Amount of Swap	Maturity Date	Fixed Interest Rate Received
\$ 94,500	2004	2.63% - 4.41%
63,500	2005	3.06% - 4.17%
62,000	2006	3.64% - 4.57%
96,700	2007	3.00% - 5.11%
76,000	2008	4.13% - 4.43%
20,000	2009	3.80% - 3.82%

6.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest payments for the three months ended February 29, 2004 were \$7,102,000 (2003 - \$7,076,000).
Income tax payments for the three months ended February 29, 2004 were \$37,583,000 (2003 - \$22,186,000).

7.

SEGMENT INFORMATION

AGF has three reportable segments: wealth management operations, fund administration operations and trust company operations. The wealth management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. Fund administration offers fund administrative services and transfer agency solutions to institutional clients including the Corporation's group of mutual funds. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RRSP loans. AGF's reportable segments are strategic business units that offer different products and services.

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 2003 annual financial statements.

\$(000s)						
For the three months ended February 29, 2004	Wealth Management Operations	Fund Administration Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 129,848	\$ 19,358	\$ 9,320	\$ 580	\$ –	\$ 159,106
Intersegment revenue	1,114	12,429	281	–	(13,824)	–
Segment revenue	130,962	31,787	9,601	580	(13,824)	159,106
Operating expenses	61,611	27,662	8,172	2,376	(13,824)	85,997
Amortization	35,617	3,738	278	–	–	39,633
Segment income (loss) before taxes	\$ 33,734	\$ 387	\$ 1,151	\$ (1,796)	\$ –	\$ 33,476
<i>Included in External Revenue</i>						
Interest revenue	\$ 181	\$ 5	\$ 8,954	\$ –	\$ –	\$ 9,786
Total assets	\$ 1,104,352	\$ 175,136	\$ 642,965	\$ 120,915	\$ –	\$ 2,043,368

\$(000s)						
For the three months ended February 28, 2003	Wealth Management Operations	Fund Administration Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 120,666	\$ 17,923	\$ 8,003	\$ 12,119	\$ –	\$ 158,711
Intersegment revenue	1,193	13,833	306	–	(15,332)	–
Segment revenue	121,859	31,756	8,309	12,119	(15,332)	158,711
Operating expenses	55,974	28,643	7,666	2,574	(15,332)	79,525
Amortization	34,920	3,219	233	549	–	38,921
Segment income (loss) before taxes	\$ 30,965	\$ (106)	\$ 410	\$ 8,996	\$ –	\$ 40,265
<i>Included in External Revenue</i>						
Interest revenue	\$ 357	\$ 27	\$ 7,709	\$ –	\$ –	\$ 8,093
Total assets	\$ 1,181,583	\$ 143,486	\$ 548,907	\$ 114,291	\$ –	\$ 1,988,267



What are you doing after work?

**AGF
MUTUAL
FUNDS**

**AGF TAILORED
INVESTMENT
PROGRAMS**
Harmony

**AGF PRIVATE
INVESTMENT
MANAGEMENT**

**AGF
TRUST**

AGF Management Limited

P.O. Box 50
Toronto-Dominion Centre
Toronto, ON M5K 1E9

Web site: AGF.com
E-mail: tiger@AGF.com
416 367-1900