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AGF Management Limited Quarterly Report

For the three months ended **February 28, 2005**



What are you doing after work?

dear fellow shareholders

I'm pleased to report that AGF has made significant progress reinvesting in our core investment management business, while continuing to generate healthy cash flow that brings value to shareholders and our business.

In March 2005, we announced a substantial increase of 36.4 per cent in the quarterly dividend rate to 15 cents per share from 11 cents per share. This increase signals our confidence in the vitality of AGF and our solid financials.

For the three months ended February 28, 2005, AGF reported cash flow from operations (before net change in non-cash balances related to operations) of \$60.8 million or \$0.67 per share diluted, compared with \$61.6 million or \$0.67 per share diluted one year ago.

In the first quarter of fiscal 2005, consolidated revenue was \$157.4 million compared with \$159.1 million in the first quarter of the prior year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$69.9 million compared with \$75.5 million for the three months ended February 29, 2004. Consolidated net income for the three months ended February 28, 2005 was \$21.2 million compared with \$23.8 million for the same period last year.

Over the last year, AGF has delivered top mutual fund performance, with 77 per cent of mutual fund assets under management performing above median for the 10-year period ending February 28, 2005.

AGF's strong investment management performance continues to attract institutional and private investment management business. Assets in this business have grown to \$10.3 billion, representing 31 per cent of total assets under management, an increase of 60.9 per cent over February 29, 2004. This increase is primarily due to new investment management mandates and the acquisition of Cypress Capital Management Ltd. Redemptions in the retail fund area have been significantly offset by new overseas institutional mandates.

During the quarter, we made progress towards strengthening our mutual fund business with the introduction of a wide range of enhancements and additions to our product lineup. With strong demand for yield products, AGF has developed a new suite of income-generating funds to meet all needs. We also launched a unique low-load purchase option, and stronger tools for the Harmony wrap program, and introduced new managers on AGF American Growth Class and AGF Asian Growth Class.

Subsequent to the quarter end, we announced that AGF had entered into an agreement to acquire the mutual fund assets of ING Investment Management Inc., a subsidiary of ING Canada Inc. This is an important acquisition that creates the opportunity for AGF to build stronger distribution and subadvisory relationships with ING. We also announced the launch of a new structured products category with AGF Advantage Trusts, three investment vehicles that harness the investment power of individual income trusts wrapped within an innovative tax-efficient mechanism.

As we progress during the year, we are committed to maintaining this momentum as we focus on meeting the needs of our clients and reinforcing AGF's broad investment management capabilities.



Blake C. Goldring, CFA
President and Chief Executive Officer
March 30, 2005

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. 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 current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events 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. 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. Please see the 2004 annual MD&A "Factors that May Affect Future Results" section for a further discussion of factors that may affect actual results.

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

For the three months ended February 28, 2005

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at February 28, 2005 compared with November 30, 2004, and the results of operations for the three months ended February 28, 2005 compared with the corresponding period of 2004. This discussion should be read in conjunction with our 2004 annual MD&A and 2004 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 2004 annual MD&A: 'Critical Accounting Policies,' 'Factors that May Affect Future Results,' 'Off Balance Sheet Arrangements,' 'Contractual Obligations,' and 'Intercompany and Related Party Transactions.' There is one update to the 'Government Regulations' section. The March 9, 2005 Federal Budget, subject to approval, eliminated the restriction on foreign content in deferred savings plans such as RSPs. Accordingly, readers should refer to our 2004 annual MD&A to gain a further understanding of how these matters may impact our operating results.

Overview

AGF Management Limited ("AGF"), with approximately \$33.0 billion in Assets Under Management ("AUM"), is one of Canada's largest independent mutual fund and investment management companies, with operations in Canada, the United Kingdom, Ireland, Singapore, China and Japan. We commenced operations in 1957 with one of the first mutual funds available to Canadians wishing to invest internationally and as at February 28, 2005 offered more than 50 mutual funds to investment advisors and their clients.

While the Canadian mutual fund business remains the mainstay of our operations, representing 68.7% of AUM, a growing portion of our revenues are now being earned from our institutional and private investment management AUM.

As at February 28, 2005, institutional and private investment management AUM grew to \$10.3 billion, or 31.3% of total AUM, an increase of 60.9% over February 29, 2004. This increase is primarily due to new investment management mandates and the acquisition of Cypress Capital Management Ltd. ("Cypress") in June 2004.

For purposes of this discussion, the operations of AGF Management Limited 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, Fund Administration Operations and Trust Company Operations.

Strategy and Highlights

As stated in our 2004 annual MD&A, our overall business strategy is to help identify and facilitate opportunities for our business segments and ensure segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term. The result of this long-term focus has been steadily increasing dividends, and in conjunction with the release of our first quarter 2005 results, we announced a 36.4% increase in the dividend rate to bring the quarterly rate to \$0.15 per share, up from \$0.11 per share.

We remain committed to our strategy and believe the financial and operating results for the three months ended February 28, 2005 reflect continued progress.

Investment Management Operations

The strategic priorities for our investment management operations, which are detailed in the 2004 annual MD&A, include reinforcing AGF's investment management excellence, building a client-centric organization focused on multi-channel distribution and pursuing strategic acquisitions to supplement organic growth. Consistent with our stated strategy during the first quarter of fiscal 2005 we achieved the following:

- Increased the distributions on certain existing funds and announced the launch of two new income-generating funds: AGF Monthly High Income Fund and AGF Diversified Dividend Income Fund.
- Introduced a low-load purchase option for all funds (except AGF Managed Futures), which provides an alternative to the front-end and DSC purchase options.
- Harmony, AGF's wrap program, reached \$1 billion in assets under management. Launched in 1997, Harmony has become one of the industry's fastest growing high-end wrap services.
- Introduced Tony Genua as the new manager of AGF American Growth Class and appointed Eng Hock Ong as Managing Director of AGF Asset Management Asia Ltd. and lead portfolio advisor on AGF Asian Growth Class.
- Our strategic investment of \$3.3 million in the convertible bonds issued by Maruhachi Securities Co. Ltd. ("Maruhachi"), made on November 30, 2001, has increased in value by 107.5% based on the closing market value of Maruhachi common shares on February 28, 2005. Maruhachi completed its initial public offering on the Japanese Association of Securities Dealers Automated Quotation exchange ("JASDAQ") in Tokyo on November 22, 2004.
- Announced the acceptance by the Toronto Stock Exchange of our normal course issuer bid, which allows us to purchase up to 7,478,103 of our Class B non-voting shares during the period from February 18, 2005 to February 17, 2006.

Fund Administration Operations

Unisen's strategic priority is to be a leading provider of investment operations administration and related services in Canada. Unisen has over 11 years of operational experience in providing technology and back office services and has combined the strength of several established companies to offer its clients a range of services. Unisen's business model and leading edge technology has been designed to support industry growth.

For mutual funds, segregated funds, wrap accounts and other specialized investment products, Unisen provides unitized record-keeping, fund and trust accounting, dealer support and multilingual client services. This comprehensive suite of services allows clients to focus on core competencies, such as investment management and distribution.

Investmaster's business strategy is to continue to provide a high level of service and support to existing customer relationships and build on this reputation to expand market share.

Trust Company Operations

The Trust Company Operations segment strives to earn a strong financial return as well as maximize synergies with the Investment Management Operations segment by utilizing effective targeted marketing, providing tailored products that directly serve advisor needs, adhering to disciplined loan-underwriting standards and managing expenses to keep costs stable while assets grow.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our strategies using a number of key performance indicators that are defined and described in our 2004 annual MD&A. With the exception of revenue, the following key performance indicators are not measurements in accordance with Canadian GAAP and 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 key performance indicators that are relevant to each segment. Key performance indicators include:

- assets under management
- investment performance (market appreciation of fund portfolios)
- net sales
- revenue
- EBITDA
- cash flow from operations
- return on equity (ROE) and return on investment (ROI)
- loan asset growth
- efficiency ratio

Two non-GAAP measures that we use throughout this discussion are defined as follows:

EBITDA

We define EBITDA as income before interest expense, income taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts in understanding and comparing results. We believe this is an important measure as it allows us to assess our ongoing businesses without the impact of amortization and is an indicator of our ability to incur or service debt, invest in our business, finance sales commissions, pay dividends and execute share repurchase programs.

Cash Flow from Operations

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

Consolidated Operating Results

Our consolidated operating results for the three months ended February 28, 2005 and February 29, 2004 are as follows:

| (\$ millions, except per share amounts) Three months ended | February 28, 2005 | February 29, 2004 | % change |
|---|----------------------|----------------------|----------|
| Revenue | | | |
| Investment management operations | \$ 128.0 | \$ 131.0 | (2.3%) |
| Fund administration operations | 30.1 | 31.8 | (5.3%) |
| Trust company operations | 12.7 | 9.6 | 32.3% |
| Other | 0.3 | 0.6 | n/m |
| Intersegment eliminations | (13.7) | (13.9) | (1.4%) |
| | 157.4 | 159.1 | (1.1%) |
| Expenses | | | |
| Investment management operations | 63.4 | 61.6 | 2.9% |
| Fund administration operations | 26.9 | 27.7 | (2.9%) |
| Trust company operations | 10.9 | 8.2 | 32.9% |
| Intersegment eliminations | (13.7) | (13.9) | (1.4%) |
| | 87.5 | 83.6 | 4.7% |
| EBITDA ¹ | 69.9 | 75.5 | (7.4%) |
| Amortization | 38.0 | 39.6 | (4.0%) |
| Interest Expense | 1.5 | 2.4 | (37.5%) |
| Income Taxes | 9.2 | 9.7 | (5.2%) |
| Net income | \$ 21.2 | \$ 23.8 | (10.9%) |
| Cash flow from operations ² | \$ 60.8 | \$ 61.6 | (1.3%) |
| Per Share Amounts - Diluted | | | |
| Cash flow from operations | \$ 0.67 | \$ 0.67 | - |
| Earnings | \$ 0.23 | \$ 0.26 | (11.5%) |

¹ As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section. The items required to reconcile EBITDA to Net Income, a defined term under Canadian GAAP, are detailed above.

² Cash flow from operations before net change in non-cash balances related to operations.

Revenues for the three months ended February 28, 2005 declined by 1.1% from the corresponding period in 2004 and have remained relatively flat versus the fourth quarter of the fiscal year ended November 30, 2004. The Trust Company Operations segment reported solid revenue growth of 32.3%, which was offset by reduced revenues in both the Investment Management Operations and Fund Administration Operations segments.

Expenses for the three months ended February 28, 2005 increased by 4.7% as compared with the corresponding period in 2004, with growth in the Trust Company Operations segment contributing two-thirds of the increase. Fund Administration Operations expenses declined by 2.9% as a result of declining revenues, and Investment Management Operations expenses increased by 2.9% as a result of the increased number of sales staff as well as the acquisition of Cypress in June 2004.

The revenue and expense impact contributed to the decline in EBITDA of 7.4% for the three months ended February 28, 2005 from the corresponding period of 2004.

Amortization expenses decreased by 4.0% in the three months ended February 28, 2005 compared with the corresponding period in 2004. Amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$28.5 million (2004 - \$30.3 million) of the total amortization expense and was the primary driver of the decrease.

Interest expense decreased to \$1.5 million for the three months ended February 28, 2005 from \$2.4 million in the same period in 2004. The decrease is primarily a result of lower average outstanding loan balances and a reduction in interest expense related to interest rate swaps.

Income tax expense for the three months ended February 28, 2005 was \$9.2 million as compared with \$9.7 million in the first quarter of 2004, based on an effective tax rate of 30.2% in the first quarter of 2005 as compared with 29.0% in the corresponding period in 2004.

The impact of the above revenue and expense items resulted in net income of \$21.2 million in the quarter ended February 28, 2005 as compared with \$23.8 million in the comparable period of 2004. Basic and fully diluted earnings per share were \$0.23 per share in the first quarter of 2005 as compared with \$0.26 per share in 2004.

Cash flow from operations in the first quarter of 2005 remained relatively unchanged on a year-over-year basis, resulting in the cash flow from operations on a per share basis remaining constant at \$0.67 per share.

A further discussion of the results of each business segment for the three months ended February 28, 2005 as compared with February 29, 2004 follows.

Business Segment Performance

We report on three business segments: Investment Management Operations, Fund Administration Operations and Trust Company Operations. 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 our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Investment Management Operations

Business and Industry Profile

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

Investment management remains a highly competitive business with numerous domestic, as well as foreign, players serving the market. We believe that although the mutual fund business is reaching the early stages of maturity, there are opportunities for growth.

Assets Under Management

The primary sources of revenue for AGF's investment management operations are management and advisory fees. The amount of management and advisory fees is dependent 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 based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and private investment management 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, 2005 and February 29, 2004:

| (\$ millions) Three months ended | February 28, 2005 | February 29, 2004 | % change |
|--|----------------------|----------------------|----------|
| Mutual fund AUM, beginning of period | \$ 22,747 | \$ 23,168 | (1.8%) |
| Gross sales of mutual funds | 691 | 785 | (12.0%) |
| Redemptions of mutual funds | (2,318) | (1,200) | 93.2% |
| Net mutual fund redemptions | (1,627) | (415) | 292.0% |
| Market appreciation of fund portfolios | 1,537 | 2,375 | (35.3%) |
| Mutual fund AUM, end of period | \$ 22,657 | \$ 25,128 | (9.8%) |
| Institutional and PIM AUM | 10,311 | 6,407 | 60.9% |
| Total AUM | \$ 32,968 | \$ 31,535 | 4.5% |
| Average daily mutual fund AUM for the period | \$ 22,693 | \$ 24,373 | (6.9%) |

Strong investment performance was offset by \$1.6 billion in net redemptions, including \$1.2 billion in institutional mutual fund redemptions, resulting in a decline in mutual fund AUM to \$22.7 billion at February 28, 2005 from \$25.1 billion at February 29, 2004. However, total AUM increased by 4.5% on the strength of growing institutional and private investment management AUM. During the first quarter of 2005 alone, institutional and PIM assets were up \$1.7 billion, primarily due to new domestic and international mandates. Mutual fund AUM at the end of the first quarter of 2005 remained relatively flat, compared with November 30, 2004 AUM of \$22.7 billion.

Stock market performance influences the level of AUM. During the three months ended February 28, 2005, the Canadian-dollar-adjusted S&P 500 Index rose 6.2%, the Canadian-dollar-adjusted NASDAQ Index rose 1.6% and the S&P/TSX Composite Index rose 7.5%. The aggregate market appreciation of our mutual fund portfolios for the three months ended February 28, 2005 divided by the average daily mutual fund AUM for the quarter was 6.8%.

The impact of the U.S. dollar decline relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2004 has been a reduction in AUM of approximately \$0.2 billion.

For the five-year period ended February 28, 2005, 57% of ranked mutual fund AUM performed above median. Over the 10-year period ended February 28, 2005, 77% of ranked AUM performed above median.

Financial and Operational Results

The Investment Management Operations segment results for the three months ended February 28, 2005 and February 29, 2004 are as follows:

| (\$ millions) Three months ended | February 28, 2005 | February 29, 2004 | % change |
|---|----------------------|----------------------|----------|
| Revenue | | | |
| Net management and advisory fees | \$ 103.6 | \$ 110.9 | (6.6%) |
| Administration fees and other revenue | 13.5 | 10.0 | 35.0% |
| Deferred sales charges | 10.6 | 9.9 | 7.1% |
| Investment income | 0.3 | 0.2 | 50.0% |
| | 128.0 | 131.0 | (2.3%) |
| Expenses | | | |
| Selling, general and administrative | 30.0 | 25.6 | 17.2% |
| Trailing commissions | 26.3 | 28.0 | (6.1%) |
| Investment advisory fees | 7.1 | 8.0 | (11.3%) |
| | 63.4 | 61.6 | 2.9% |
| EBITDA ¹ | 64.6 | 69.4 | (6.9%) |
| Amortization | 33.9 | 35.6 | (4.8%) |
| Income before taxes and non-segmented items | \$ 30.7 | \$ 33.8 | (9.2%) |

¹ As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

Revenue

Revenue for the Investment Management Operations segment declined 2.3% over the previous year, with changes in the categories being:

Net Management and Advisory Fees

The decline in average daily mutual fund AUM in the first quarter of fiscal 2005 of 6.9% directly contributed to a 6.6% decrease in net management and advisory fee revenue from the same period a year ago.

Management and advisory fee revenue in the first fiscal quarter of 2005 is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$3.5 million (\$4.6 million in 2004).

Administration Fees and Other Revenue

Administration fees and other revenue, which includes fees earned on Harmony, institutional and private investment management AUM, increased by 35% in the three months ended February 28, 2005 as compared with the same period in the prior year. There was strong growth in Harmony revenues, which was augmented by the acquisition of Cypress.

Deferred Sales Charges

We receive Deferred Sales Charges upon redemption of securities sold on the contingent DSC or "back-end" commission basis for which we 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 fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of "back-end" assets.

DSC revenues for the three months ended February 28, 2005 increased by 7.1% over the corresponding period in 2004, reflecting the increase in retail mutual fund redemptions.

Expenses

Expenses for the Investment Management Operations segment increased 2.9% over the previous year. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

SG&A expenses for the quarter ending February 28, 2005 were \$30.0 million, representing a \$4.4 million increase in SG&A expenses compared with 2004. This increase was the result of costs associated with the continued building of AGF's investment management and sales teams and the inclusion of operating expenses related to Cypress and P.J. Doherty and Associates Co. Ltd.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis, and the proportion of equity fund AUM versus fixed income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.463% for the three-month period ended February 28, 2005 from 0.460% in the comparable 2004 period, due to an increased proportion of mutual fund AUM sold on a front-end basis.

Investment Advisory Fees

External investment advisory fees remained relatively constant as the average AUM managed by subadvisors remained consistent for the three months ended February 28, 2005, compared with the same quarter in 2004.

EBITDA

EBITDA for the Investment Management Operations segment were \$64.6 million for the three months ended February 28, 2005, a decrease of 6.9% from \$69.4 million for the same period of fiscal 2004.

Amortization

The largest item in this category is amortization of deferred selling commissions. Amortization also includes amortization of property, equipment and other intangible assets and amortization of customer contracts, relationships and investment advisory contracts.

We internally finance all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$28.5 million in the first fiscal quarter of 2005 as compared with \$30.3 million in the comparable period in 2004.

During the first quarter of fiscal 2005, we paid \$14.9 million in selling commissions, compared with \$16.1 million in 2004. As at February 28, 2005, the unamortized balance of deferred selling commissions stood at \$314.0 million, a decrease of \$13.6 million from the November 30, 2004 balance of \$327.6 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at February 28, 2005 were estimated to be approximately \$424.4 million (2004 - \$488.7 million).

Fund Administration Operations

This segment operates in Canada as Unisen Inc. ("Unisen") and in the United Kingdom as Investmaster Group Limited ("Investmaster"). Unisen comprises the majority of the segment's results.

Business and Industry Profile

Unisen offers technology solutions and business process services to investment firms and institutional clients, including the AGF group of mutual funds. Unisen was formed in 2002 by the combination of AdminSource Inc., The Toronto-Dominion Bank third-party administration business ("TD Administration"), Jewelstone Systems Inc. ("Jewelstone") and the fund administration operations of AGF.

Unisen holds a strong position in the outsourcing market and serves, directly or through other third-party administrators, approximately 170 investment companies and financial institutions. There has been a trend toward outsourcing investment fund back office processing in the United States and Europe. In the Canadian marketplace, although investment funds have been slower to embrace outsourcing, increased acceptance may provide opportunities for the market to grow.

Investmaster provides IT solutions to the United Kingdom's wealth management and institutional brokering sectors and its technology now handles approximately 25% of the London Stock Exchange's private client volumes.

Financial and Operational Results

The Fund Administration Operations segment results for the three months ended February 28, 2005 and February 29, 2004 are as follows:

| (\$ millions) Three months ended | February 28, 2005 | February 29, 2004 | % change |
|--|----------------------|----------------------|----------|
| Administration fees and other revenue | \$ 30.1 | \$ 31.8 | (5.3%) |
| Selling, general and administrative | 26.9 | 27.7 | (2.9%) |
| EBITDA ¹ | 3.2 | 4.1 | (22.0%) |
| Amortization | 3.9 | 3.7 | 5.4% |
| Loss before income taxes and non-segmented items | \$ (0.7) | \$ 0.4 | (275.0%) |

¹ As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

Revenue

Revenue for the Fund Administration Operations segment decreased 5.3% from \$31.8 million in the first quarter of fiscal 2004 to \$30.1 million in 2005. The decrease is attributable to a decline in transfer agency revenues at Unisen.

Selling, General and Administrative Expenses

The moderation in revenue has resulted in a reduction of SG&A expenses, which declined 2.9% from \$27.7 million in the first quarter of fiscal 2004 to \$26.9 million in 2005.

Investmaster and Unisen expenses are dependent on the level of transactional volumes of clients. A lag exists after volume of activity declines before the related decrease in expenses can be realized as service standards are carefully managed during the transitional period.

EBITDA

EBITDA for the Fund Administration Operations segment decreased to \$3.2 million in the first quarter of fiscal 2005 compared with \$4.1 million in 2004.

Amortization of Customer Contracts and Relationships

Amortization of customer contracts and relationships amounted to \$1.5 million for the three months ended February 28, 2005, unchanged from the corresponding period in 2004.

Amortization of Property, Equipment and Other Intangible Assets

Amortization of property, equipment and other intangible assets includes the amortization over a period of five years of software acquired as part of the Jewelstone and Consort Information Systems Limited ("CISL") acquisitions. These acquisitions resulted in the addition of software amounting to \$9.3 million and \$9.5 million, respectively. The increase in amortization of property and equipment for the three months ending February 28, 2005 was also attributable to capital spending incurred in 2004 on leasehold improvements and IT infrastructure in respect of Unisen's head office in Mississauga, Ontario.

Trust Company Operations

Business and Industry Profile

Through AGF Trust we offer financial solutions including mortgages, investment loans, RSP loans, and both non-registered and registered term deposits. Our products are distributed through independent financial advisors as well as mortgage brokers. The mortgage broker channel has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided mortgages in this channel to reduce distribution costs. Advisors continue to broaden their suite of products as they compete for relationships with banks.

Financial and Operational Results

Trust Company Operations segment results for the three months ended February 28, 2005 and February 29, 2004 are as follows:

| (\$ millions) Three months ended | February 28, 2005 | February 29, 2004 | % change |
|---|----------------------|----------------------|----------|
| Interest, administration fees and other revenue | \$ 12.7 | \$ 9.6 | 32.3% |
| Expenses | | | |
| Selling, general and administrative | 3.9 | 2.4 | 62.5% |
| Interest on deposits | 5.6 | 4.7 | 19.1% |
| Provision for Loan Losses | 1.4 | 1.1 | 27.3% |
| | 10.9 | 8.2 | 32.9% |
| EBITDA ¹ | 1.8 | 1.4 | 28.6% |
| Amortization | 0.3 | 0.3 | 0.0% |
| Income before taxes and non-segmented items | \$ 1.5 | \$ 1.1 | 36.4% |

¹ As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

Revenue

Revenue increased by 32.3% in the three months ended February 28, 2005 as compared with 2004, with the increase being attributable to a 45.5% year-over-year increase in the quarter-end mortgage loan portfolio balance and a 60.1% year-over-year increase in the quarter-end consumer loan portfolio balance, partly offset by a 15-basis-point drop in the lending rate and slightly lower margins on the RSP loan portfolio.

Selling, General and Administrative Expenses

SG&A expenses increased by 62.5% in the first quarter of fiscal 2005 as compared with 2004, as a result of increased variable expenses directly related to growth in the loan portfolios.

Provision for Loan Losses

The total provision for loan losses increased by 27.3% in the first quarter of 2005, as compared with the first quarter of 2004. The increase is attributable to the increase in our loan portfolios.

EBITDA

Strong revenue growth served to increase EBITDA by 28.6% in the first fiscal quarter of 2005, as compared with 2004.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three months ended February 28, 2005 and February 29, 2004.

| (\$ millions) Three months ended | February 28, 2005 | February 29, 2004 | % change |
|---|----------------------|----------------------|----------|
| Mortgage Loan Assets | \$ 319.3 | \$ 219.4 | 45.5% |
| Consumer Loan Assets | 550.0 | 343.5 | 60.1% |
| Other Assets | 74.5 | 80.3 | (7.2%) |
| Total Assets | \$ 943.8 | \$ 643.2 | 46.7% |
| Net Interest Income ¹ | \$ 5.8 | \$ 4.1 | 41.5% |
| Other income | 0.6 | 0.6 | 0.0% |
| Non-interest expenses | 3.5 | 2.5 | 40.0% |
| Provision for Loan Losses | 1.4 | 1.1 | 27.3% |
| Income before taxes and non-segmented items | \$ 1.5 | \$ 1.1 | 36.4% |
| Efficiency Ratio ² | 54.7% | 53.2% | |
| Assets-to-Capital Multiple | 14.2 | 14.4 | |

¹ Net Interest Income above is reported net of agent commissions.

² The efficiency ratio is calculated by dividing non-interest expenses by the total of Net Interest Income and fee income.

Loan Asset Growth

Loan assets experienced substantial growth during the first quarter of 2005. RSP loan advances were more than 80% higher than during the comparable period in 2004, with the bulk of RSP loans supporting the purchase of AGF mutual funds. New investment loan products contributed to overall growth in loan advances. AGF Trust's focus on the mortgage broker channel has resulted in acceleration of mortgage lending growth. Non-accrual loans were \$0.8 million, or 0.25% of the mortgage portfolio.

Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and fee income) is a key industry performance indicator utilized to ensure expenses are contained as the Trust business grows. The efficiency ratio increased to 54.7% in the first fiscal quarter of 2005 from 53.2% during the comparable quarter in 2004. This modest variance to the target efficiency ratio of 50% resulted from the very strong RSP lending volumes during the first quarter of 2005. Overtime required to process the high number of loan applications resulted in a short-term increase in the Trust Company's expenses.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 46.7% from February 29, 2004 to \$943.8 million at February 28, 2005. Our assets-to-capital multiple stood at 14.2 times, down from 15.3 times at November 30, 2004, and well below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.2% at February 28, 2005. We issued \$9.0 million in subordinated debt during the quarter, to bolster regulatory capital in support of increased asset levels. Liquid assets were equal to \$58.1 million in cash and cash equivalents at February 28, 2005.

Loan Portfolio Credit

Due to higher loan balances, the general allowance for mortgage loan losses was increased during the quarter to \$1.2 million from \$0.8 million at February 29, 2004. The general allowance for consumer loan losses was increased during the quarter to \$3.5 million from \$2.4 million a year ago.

Approximately two-thirds of mortgage loan assets are insured. We have strong security for non-RSP investment loans and loan losses during the history of the program have been minimal.

Liquidity and Capital Resources

Cash flow generated from operating activities (before net change in non-cash balances related to operations) was \$60.8 million for the three months ended February 28, 2005, compared with \$61.6 million in the prior year period.

Our free cash flow (defined as cash flow from operations less selling commissions paid) was \$45.9 million for the three months ended February 28, 2005, compared with \$45.5 million in the prior year period. During the quarter, we paid \$14.9 million in selling commissions, which were deferred for accounting purposes, compared with \$16.1 million in the first quarter of 2004. Our free cash flow was used primarily to fund the following:

| (\$ millions) Three months ended | February 28, 2005 | February 29, 2004 |
|--|----------------------|----------------------|
| Payment of dividends | \$ 10.0 | \$ 7.4 |
| Purchase of property, equipment and other intangible assets | 2.0 | 2.7 |
| Repurchase of AGF Class B non-voting shares for cancellation | 1.3 | 17.7 |
| Purchase of investments | 2.5 | 1.8 |
| Acquisitions | 1.5 | 9.0 |
| Cash required to fund working capital | 28.2 | 42.5 |
| Trust Company loan growth in excess of deposit growth | 63.5 | 16.5 |
| | \$ 109.0 | \$ 97.6 |

As a result of these uses of funds, our bank loan increased by \$16.2 million during the three months ended February 28, 2005 (2004 - \$37.2 million), while our cash and cash equivalents declined by \$47.6 million (2004 - \$13.3 million) from November 30, 2004. The long-term debt-to-equity ratio increased from 0.08:1 as at November 30, 2004 to 0.10:1 at February 28, 2005.

During the quarter, we used \$1.3 million (2004 - \$17.7 million) of free cash flow to repurchase 75,000 Class B non-voting shares of AGF at an average price of \$17.60 per share. We remain committed to the share buy back program and anticipate purchases will accelerate in the final three quarters of fiscal 2005.

Consolidated cash and cash equivalents amounted to \$71.3 million as at February 28, 2005, compared with \$75.6 million a year ago.

We have a 10-year prime rate-based revolving term loan facility to a maximum of \$150.0 million, of which \$81.7 million was available to be drawn as of February 28, 2005. This 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.

Hedging

We determined in November 2004 that we would no longer hedge our currency exposure in connection with our U.K. pound denominated long-term investment in S&WHL. As a result of the U.K. pound strengthening in value against the Canadian dollar during the three months ended February 28, 2005, our investment in S&WHL increased by \$4.9 million with a corresponding \$4.0 million increase in the foreign currency translation adjustment account and an increase of \$0.9 million in future income tax liabilities. Please refer to the 2004 annual Consolidated Financial Statements and Notes as well as the Consolidated Financial Statements and Notes for the three months ended February 28, 2005 for details.

Selected Quarterly Information

| (\$ millions, except per share amounts) For the three month period ended | Feb. 28, 2005 | Nov. 30, 2004 | Aug. 31, 2004 | May 31, 2004 |
|---|------------------|------------------|------------------|-----------------|
| Revenue | \$ 157.4 | \$ 156.6 | \$ 158.2 | \$ 166.0 |
| Cash flow from operations ¹ | 60.8 | 15.4 | 62.4 | 68.4 |
| EBITDA ² | 69.9 | 21.8 | 76.2 | 79.0 |
| Pretax income (loss) | 30.4 | (18.7) | 33.2 | 36.9 |
| Net income (loss) | 21.2 | (8.1) | 27.6 | 34.0 |
| Net Income (Loss) Per Share | | | | |
| Basic | \$ 0.23 | \$ (0.08) | \$ 0.30 | \$ 0.37 |
| Diluted | \$ 0.23 | \$ (0.09) | \$ 0.30 | \$ 0.37 |
| Cash Flow From Operations Per Share ¹ | | | | |
| Basic | \$ 0.67 | \$ 0.17 | \$ 0.69 | \$ 0.75 |
| Diluted | \$ 0.67 | \$ 0.17 | \$ 0.68 | \$ 0.74 |
| Weighted Average Fully Diluted Shares | 91,085,474 | 91,798,233 | 91,941,879 | 92,117,368 |

| (\$ millions, except per share amounts) For the three month period ended | Feb. 29, 2004 | Nov. 30, 2003 | Aug. 31, 2003 | May 31, 2003 |
|---|------------------|------------------|------------------|-----------------|
| Revenue | \$ 159.1 | \$ 153.9 | \$ 147.4 | \$ 140.8 |
| Cash flow from operations ¹ | 61.6 | 50.0 | 55.8 | 50.8 |
| EBITDA ² | 75.5 | 63.4 | 72.4 | 66.7 |
| Pretax income | 33.5 | 20.6 | 30.4 | 25.9 |
| Net income (loss) | 23.8 | (25.8) | 21.8 | 19.6 |
| Net Income (Loss) Per Share | | | | |
| Basic | \$ 0.26 | \$ (0.28) | \$ 0.24 | \$ 0.21 |
| Diluted | \$ 0.26 | \$ (0.27) | \$ 0.23 | \$ 0.21 |
| Cash Flow From Operations Per Share ¹ | | | | |
| Basic | \$ 0.67 | \$ 0.55 | \$ 0.61 | \$ 0.55 |
| Diluted | \$ 0.67 | \$ 0.54 | \$ 0.60 | \$ 0.55 |
| Weighted Average Fully Diluted Shares | 92,230,930 | 92,846,779 | 92,762,982 | 92,282,350 |

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

² 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, 2005, our 2004 annual MD&A and Consolidated Financial Statements, our 2004 AIF and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

AGF Management Limited
consolidated balance sheets

| (in thousands of dollars) | February 28, 2005 (unaudited) | November 30, 2004 (audited) |
|---|-------------------------------------|-----------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 71,254 | \$ 118,805 |
| Short-term investments | 22,733 | 20,110 |
| Accounts receivable and other assets | 68,988 | 63,099 |
| Income taxes receivable | 1,154 | - |
| | 164,129 | 202,014 |
| Mortgages and consumer loans | 869,350 | 707,306 |
| Investment in associated company | 113,274 | 108,802 |
| Other investments | 7,655 | 7,532 |
| Management contracts | 473,670 | 473,670 |
| Customer contracts, relationships and investment advisory contracts, net of accumulated amortization | 118,678 | 123,862 |
| Deferred selling commissions, net of accumulated amortization | 314,006 | 327,618 |
| Property, equipment and other intangible assets, net of accumulated amortization | 50,247 | 52,356 |
| Goodwill | 160,937 | 160,794 |
| Other assets | 3,367 | 3,892 |
| | \$ 2,275,313 | \$ 2,167,846 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 81,556 | \$ 102,818 |
| Long-term debt due within one year (note 2) | 35,713 | 44,553 |
| Income taxes payable | - | 1,046 |
| | 117,269 | 148,417 |
| Deposits | 861,167 | 761,232 |
| Long-term debt (note 2) | 93,724 | 69,706 |
| Participation units | 6,157 | 6,157 |
| Future income taxes | 262,247 | 262,383 |
| Leasehold inducements | 4,397 | 4,370 |
| Other liabilities | 1,114 | 1,215 |
| | 1,346,075 | 1,253,480 |
| Shareholders' Equity | | |
| Capital stock (note 3) | 394,122 | 394,125 |
| Contributed surplus | 2,415 | 1,781 |
| Retained earnings | 527,876 | 517,681 |
| Foreign currency translation adjustment | 4,825 | 779 |
| | 929,238 | 914,366 |
| | \$ 2,275,313 | \$ 2,167,846 |

(See accompanying notes to consolidated financial statements)

| (in thousands of dollars, except per share amounts) (unaudited) Three months ended | February 28, 2005 | February 29, 2004 |
|---|----------------------|----------------------|
| Revenue | | |
| Net management and advisory fees | \$ 103,593 | \$ 110,883 |
| Administration fees, interest and other revenue | 42,879 | 38,143 |
| Deferred sales charges | 10,588 | 9,894 |
| Investment income | 308 | 186 |
| | 157,368 | 159,106 |
| Expenses | | |
| Selling, general and administrative | 47,142 | 41,820 |
| Trailing commissions | 26,290 | 28,017 |
| Investment advisory fees | 7,117 | 8,024 |
| Amortization of deferred selling commissions | 28,513 | 30,253 |
| Amortization of customer contracts, relationships and investment advisory contracts | 5,184 | 4,600 |
| Amortization of property, equipment and other intangible assets | 4,337 | 4,780 |
| Interest on Trust Company deposits | 5,632 | 4,701 |
| Interest expense | 1,420 | 2,376 |
| Provision for Trust Company loan losses | 1,378 | 1,058 |
| | 127,013 | 125,629 |
| Income before income taxes | 30,355 | 33,477 |
| Income Tax Expense (Reduction) | | |
| Current | 10,205 | 13,639 |
| Future | (1,027) | (3,935) |
| | 9,178 | 9,704 |
| Net income for the period | \$ 21,177 | \$ 23,773 |
| Earnings Per Share | | |
| <i>Basic</i> | \$ 0.23 | \$ 0.26 |
| <i>Diluted</i> | \$ 0.23 | \$ 0.26 |

(See accompanying notes to consolidated financial statements)

AGF Management Limited
consolidated statements of retained earnings

| (in thousands of dollars) (unaudited) Three months ended | February 28, 2005 | February 29, 2004 |
|--|----------------------|----------------------|
| Retained earnings, beginning of period | \$ 517,681 | \$ 506,274 |
| Net income for the period | 21,177 | 23,773 |
| | 538,858 | 530,047 |
| Deduct: | | |
| Dividends on AGF Class A voting common shares and AGF Class B non-voting shares | 9,988 | 7,377 |
| Excess paid over book value of AGF Class B non-voting shares purchased for cancellation | 994 | 13,368 |
| Retained earnings, end of period | \$ 527,876 | \$ 509,302 |

(See accompanying notes to consolidated financial statements)

| (in thousands of dollars) (unaudited) Three months ended | February 28, 2005 | February 29, 2004 |
|---|----------------------|----------------------|
| Operating Activities | | |
| Net income for the period | \$ 21,177 | \$ 23,773 |
| Items not affecting cash - | | |
| Amortization of deferred selling commissions | 28,513 | 30,253 |
| Amortization of customer contracts, relationships and investment advisory contracts | 5,184 | 4,600 |
| Amortization of property, equipment and other intangible assets | 4,337 | 4,780 |
| Future income taxes | (1,027) | (3,935) |
| Mark-to-market on swap transactions | (101) | 494 |
| Other | 2,715 | 1,667 |
| | 60,798 | 61,632 |
| Net decrease in non-cash balances related to operations | (28,178) | (42,513) |
| | 32,620 | 19,119 |
| Financing Activities | | |
| Purchase of Class B non-voting shares for cancellation | (1,320) | (17,654) |
| Issuance of Class B non-voting shares | 323 | 407 |
| Dividends | (9,988) | (7,377) |
| Increase in bank loan | 16,150 | 37,150 |
| Net decrease in notes payable and capital lease obligations | (972) | (1,543) |
| Increase in leasehold inducements | 27 | 2,665 |
| Net increase in Trust Company deposits | 99,935 | 53,044 |
| | 104,155 | 66,692 |
| Investing Activities | | |
| Deferred selling commissions paid | (14,901) | (16,096) |
| Acquisition of subsidiary, net of cash acquired | (1,476) | (8,983) |
| Purchase of property, equipment and other intangible assets | (1,980) | (2,659) |
| Purchase of investments | (2,547) | (1,782) |
| Net increase in Trust Company mortgages and consumer loans | (163,422) | (69,587) |
| | (184,326) | (99,107) |
| Increase (decrease) in cash and cash equivalents during the period | (47,551) | (13,296) |
| Balance of cash and cash equivalents, beginning of period | 118,805 | 88,905 |
| Balance of cash and cash equivalents, end of period | \$ 71,254 | \$ 75,609 |
| Represented by: | | |
| Cash and cash equivalents | \$ 13,137 | \$ 9,063 |
| Trust Company cash and cash equivalents | 58,117 | 66,546 |
| | \$ 71,254 | \$ 75,609 |

(See accompanying notes to the consolidated financial statements)

notes to consolidated financial statements

For the three months ended February 28, 2005 and February 29, 2004 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited interim consolidated financial statements of AGF Management Limited ("AGF" or "Company") 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, 2004. 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, 2004, as set out in AGF's 2004 Annual Report. Certain comparative amounts have been reclassified to conform with the current period's presentation.

Note 1: Adoption of AcG 15 "Consolidation of Variable Interest Entities"

The CICA issued AcG 15, "Consolidation of Variable Interest Entities," which provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG 15 is effective for all annual and interim periods beginning on or after December 1, 2004. An entity is a VIE when, by design, one or both of the following conditions exist: (a) total equity investment at risk is insufficient to permit the entity to finance its activities without additional subordinated support from others; (b) as a group, the holders of the equity investment at risk lack certain essential characteristics of a controlling financial interest.

The Company has reviewed its relationships and determined that there are no entities whose financial results would be required to be included in the consolidated results for the three months ended February 28, 2005.

Note 2: Long-Term Debt

| | February 28, 2005 | November 30, 2004 |
|--|----------------------|----------------------|
| Bank Loans | | |
| Fully amortizing term loan | \$ 26,550 | \$ 35,400 |
| Revolving term loan | 68,300 | 43,300 |
| Notes payable due April 30, 2013 | 18,540 | 19,327 |
| Payment re CISL due January 31, 2006 | 1,067 | 1,067 |
| Cypress payments due June 30, 2005 | 6,500 | 6,500 |
| Cypress payments due June 30, 2006 | 6,500 | 6,500 |
| Capital lease obligations | 1,980 | 2,165 |
| | 129,437 | 114,259 |
| Less: amount included in current liabilities | 35,713 | 44,553 |
| | \$ 93,724 | \$ 69,706 |

Bank Loans

Fully Amortizing Term Loan

As at February 28, 2005, the Company has drawn the facility in the form of a 91-day bankers' acceptance ("BA") at an effective interest rate of 3.01% per annum.

Revolving Term Loan

As at February 28, 2005, the Company has drawn \$68.3 million against the available loan amount of \$150.0 million in the form of three- to 92-day BAs at an effective interest rate of 3.02% per annum.

Cypress Payments

On June 30, 2004, the Company completed the acquisition of 100% of the shares of Cypress Capital Management Ltd. ("Cypress"). These future payments relate to the acquisition of Cypress. These payments are non-interest-bearing and unsecured.

Note 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) Change During the Period

The change in capital stock during the three months ended February 29, 2004 and February 28, 2005 is summarized as follows:

| | Number of Shares | Amount |
|--|------------------|------------|
| Class B Shares | | |
| Balance, November 30, 2004 | 90,739,463 | \$ 394,125 |
| Issued through dividend reinvestment plan | 3,251 | 51 |
| Stock options exercised | 31,516 | 272 |
| Purchased for cancellation | (75,000) | (326) |
| Balance, February 28, 2005 | 90,699,230 | 394,122 |
| Class A Shares | | |
| Balance, November 30, 2004 and February 28, 2005 | 57,600 | - |
| Total capital stock, February 28, 2005 | | \$ 394,122 |

| | Number of Shares | Amount |
|--|------------------|------------|
| 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, February 29, 2004 | | \$ 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 17, 2006. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,478,103 million shares. During the period ended February 28, 2005, 75,000 Class B shares were purchased at a cost of \$1.3 million and the excess paid over the book value of the shares purchased for cancellation was charged to retained earnings.

(d) Stock Option Plans

Stock-Based Compensation

Under the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" for stock options granted on or after December 1, 2002, the fair value of stock options is determined on the grant date and recorded as compensation expense over the period that the stock options vest. During the three months ended February 28, 2005, the Company granted 978,000 options (2004 - 720,000) and recorded \$0.6 million (2004 - \$0.3 million) 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 and \$5.41 per share using the Black-Scholes option-pricing model. The following range of assumptions were used to determine the fair value of the options on the date of grant:

| | |
|---------------------------------|-------------------|
| Risk-free interest rate | 4.09% - 4.63% |
| Expected dividend yield | 1.68% - 1.86% |
| Expected share price volatility | 31.95% - 33.19% |
| Option term | 7.0 to 10.0 years |

The options vest over a three- to four-year period and have terms ranging from seven to 10 years. The Company or employee is required to meet performance criteria for certain of the options to vest.

The change in stock options during the three months ended February 28, 2005 is summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|--|----------------------|---------------------------------------|
| Class B Share Options | | |
| Balance outstanding, November 30, 2004 | 3,566,604 | \$ 17.86 |
| Options granted | 978,000 | \$ 17.09 |
| Options cancelled | (25,000) | \$ 19.66 |
| Options exercised | (31,516) | \$ 8.63 |
| Balance outstanding, February 28, 2005 | 4,488,088 | \$ 17.74 |

Stock options to purchase an aggregate maximum of 6,569,572 Class B shares could have been granted as at February 28, 2005.

(e) Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share:

| Three months ended | February 28, 2005 | February 29, 2004 |
|---|----------------------|----------------------|
| Numerator | | |
| Net income for the period | \$ 21,177 | \$ 23,773 |
| Denominator | | |
| Weighted average number of shares - basic | 90,739,413 | 91,643,128 |
| Dilutive effect of employee stock options | 346,061 | 587,802 |
| Weighted average number of shares - diluted | 91,085,474 | 92,230,930 |
| Earnings per share: | | |
| Basic | \$ 0.23 | \$ 0.26 |
| Diluted | \$ 0.23 | \$ 0.26 |

Note 4: Acquisition of P.J. Doherty & Associates Co. Ltd.

On January 15, 2004, the Company 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. The acquisition was accounted for by the purchase method of accounting, with the results of operations of P.J. Doherty included in the consolidated financial statements from the date of acquisition. Cash consideration paid amounted to \$9.4 million, with future payments of \$2.8 million due in the year following the acquisition.

There is also potential additional consideration that may become payable based on revenue growth during the two-year period subsequent to completion of the acquisition. 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:

| | | |
|--|----|---------|
| 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 |

During the three months ended February 28, 2005, the Company made \$1.5 million in payments with respect to this acquisition. Of this amount, \$1.3 million represents the final payment due within one year of the acquisition date. The Company also paid out \$0.2 million on the first anniversary of the acquisition based on revenue growth during the past year. The latter payment was recorded as an increase in goodwill.

Note 5: Interest Rate Swap Transactions

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, 2005 and February 28, 2010 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 28, 2005, the aggregate notional amount of the swap transactions was \$638.2 million. 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 28, 2005, was \$7.6 million (2004 - \$9.0 million).

| Notional Amount of Swap | Maturity Date | Fixed Interest Rate Received |
|-------------------------|---------------|------------------------------|
| \$ 53,500 | 2005 | 3.06% - 4.17% |
| 107,000 | 2006 | 3.35% - 4.57% |
| 178,700 | 2007 | 3.00% - 5.11% |
| 157,000 | 2008 | 3.17% - 4.43% |
| 112,000 | 2009 | 3.49% - 4.59% |
| 30,000 | 2010 | 3.77% - 3.88% |

Note 6: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended February 28, 2005 were \$7.1 million (2004 - \$7.1 million).
Income tax payments for the three months ended February 28, 2005 were \$12.9 million (2004 - \$37.6 million).

Note 7: Segment Information

AGF has three reportable segments: investment management operations, fund administration operations and trust company operations. The investment 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 Company'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 2004 annual financial statements.

| For the three months ended February 28, 2005 | Investment management operations | Fund administration operations | Trust company operations | Other | Inter-segment elimination | Total |
|--|----------------------------------|--------------------------------|--------------------------|------------|---------------------------|--------------|
| External revenue | \$ 127,184 | \$ 17,483 | \$ 12,417 | \$ 284 | \$ - | \$ 157,368 |
| Intersegment revenue | 791 | 12,661 | 259 | - | (13,711) | - |
| Segment revenue | 127,975 | 30,144 | 12,676 | 284 | (13,711) | 157,368 |
| Operating expenses | 63,432 | 26,922 | 10,917 | 1,420 | (13,711) | 88,980 |
| Amortization | 33,872 | 3,913 | 248 | - | - | 38,033 |
| Segment income (loss) before taxes | \$ 30,671 | \$ (691) | \$ 1,511 | \$ (1,136) | \$ - | \$ 30,355 |
| Included in external revenue | | | | | | |
| Interest revenue | \$ 500 | \$ 6 | \$ 12,044 | \$ - | \$ - | \$ 12,550 |
| Total assets | \$ 1,050,871 | \$ 167,327 | \$ 943,841 | \$ 113,274 | \$ - | \$ 2,275,313 |

| For the three months ended February 29, 2004 | Investment 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 |
| Included in external revenue | | | | | | |
| Interest revenue | \$ 181 | \$ 5 | \$ 8,954 | \$ - | \$ - | \$ 9,140 |
| Total assets | \$ 1,104,352 | \$ 175,136 | \$ 642,965 | \$ 120,915 | \$ - | \$ 2,043,368 |



What are you doing after work?

**AGF
MUTUAL
FUNDS**

**AGF TAILORED
INVESTMENT
PROGRAMS**
Harmony

**AGF PRIVATE
INVESTMENT
MANAGEMENT**

**AGF
TRUST**