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AGF MANAGEMENT LIMITED

**First Quarter Report to Shareholders** for the three months ended February 29, 2008

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AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

**Income from continuing operations before taxes up 15.8% and net income from continuing operations up 64.6% in the first quarter compared to prior year.**

Toronto | March 26, 2008

AGF Management Limited (AGF) today announced solid financial results for the first quarter ended February 29, 2008, with strong revenue and net income growth. Revenue increased 9.8% and EBITDA increased 11.3% compared to the first quarter of 2007.

“Continued market volatility impacted sales in the first quarter as investors remained cautious,” said Blake C. Goldring, Chairman and Chief Executive Officer, AGF. “Despite this, our financial results remained strong, with revenue up 9.8% and income from continuing operations before taxes increasing by 15.8%. Enhancing our relationships and world-class investment management expertise are the cornerstone of our business platform, and we will continue to focus on these areas to realize the potential of our key growth initiatives.”

In the first quarter of fiscal 2008, consolidated revenue from continuing operations rose to \$194.3 million compared with \$177.0 million in the first quarter of the prior year, with both operating segments reporting year-over-year increases. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were \$89.5 million for the three months ended February 29, 2008, compared with \$80.4 million for the three months ended February 28, 2007. However, continued market volatility resulted in net redemptions of mutual funds for the quarter, with \$221 million of net redemptions of long-term funds during the first quarter of fiscal 2008.

Income from continuing operations before taxes for the three months ended February 29, 2008, was up 15.8% to \$56.5 million, compared with \$48.8 million for the three months ended February 28, 2007. Net income from continuing operations for the three months ended February 29, 2008, was up 64.6% to \$62.7 million or \$0.70 per share diluted, compared with \$38.1 million or \$0.42 per share diluted for the three months ended February 28, 2007. Included in net income is a reduction in future income tax of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012. Excluding the impact of this change, net income from continuing operations was up 13.4% to \$43.2 million or \$0.48 per share diluted.

Total assets under management (AUM) decreased by 4.7% to \$49.3 billion at the end of the first quarter of 2008 from \$51.7 billion as at February 28, 2007. Over the same period, mutual fund assets declined by 3.8%, primarily as a result of market depreciation, however, average mutual fund assets increased 2.0% year over year. Institutional and high-net-worth client assets declined 5.9% because of market volatility as well as client rebalancing and redemptions, which were non-performance related. The AGF Trust Operations segment continued to grow significantly with total loan assets rising 47.3% year over year.

**Caution Regarding Forward-Looking Statements**

This Management's Discussion and Analysis 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 certain factors and assumptions, including expected growth, results of operations, business prospects, performance and opportunities. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. 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 'Factors that May Affect Future Results' section for a further discussion of factors that may affect actual results.

## Dear fellow shareholders

The markets continued to be very challenging during the first quarter of 2008 — stock markets were volatile and investors remained cautious, as evidenced by the substantial flows into money market funds. Throughout, AGF has remained focused on executing its long-term strategic plan, recognizing that market volatility is part of our industry and a short-term obstacle.

Our mutual fund sales were slower in the first quarter of 2008 compared to 2007, with net redemptions of long-term funds of \$221 million. We continue to work in close partnership with advisors to ensure we meet their needs and to help them guide their clients through this market downturn by providing strong investment expertise that focuses on the long term.

We offer an innovative and diverse product shelf designed to address our clients' needs. During the quarter, we introduced three new quantitative funds that are managed by our subsidiary, Highstreet Asset Management Inc. With the launch of these funds, we are providing advisors the opportunity to offer Highstreet's successful quantitative style of investing to their clients.

Our Trust Company continued to experience strong growth in the quarter, with loan assets increasing 47.3% over the first quarter of 2007. The Trust Company Operations' funding sources remain robust since our loans are primarily funded by selling Guaranteed Investment Certificates with Canada Deposit Insurance Corporation insurance, and the credit quality of our loans remains solid.

Our continued focus and discipline during this quarter translated into strong financial performance. Consolidated revenue was \$194.3 million, compared with \$177.0 million in the first quarter of the prior year. Earnings before interest, taxes, depreciation and amortization\* (EBITDA) from continuing operations were \$89.5 million, compared with \$80.4 million for the three months ended February 28, 2007. EBITDA margins\* improved for the three months ended February 29, 2008, at 46.1% compared with 45.4% in the three-month period ended February 28, 2007.

For the three months ended February, 29, 2008, AGF reported cash flow from continuing operations\* (before net change in non-cash balances related to operations) of \$82.3 million, compared with \$68.7 million one year ago. Free cash flow\* (cash flow from continuing operations less selling commissions paid) was \$55.5 million, compared with \$25.0 million one year ago as a result of a decrease in deferred selling commissions paid.

It is a challenging time for the industry; however, our business fundamentals are strong and we remain focused on achieving our long-term objectives. We are well-positioned to both weather market downturns and participate strongly when markets stabilize.



**Blake C. Goldring, CFA**  
**Chairman and Chief Executive Officer**  
**March 26, 2008**

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

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

For the three months ended February 29, 2008

This Management's Discussion and Analysis (MD&A) presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at February 29, 2008, compared with November 30, 2007, and the results of operations for the three months ended February 29, 2008, compared with the corresponding period of 2007. This discussion should be read in conjunction with our 2007 annual MD&A and 2007 annual audited Consolidated Financial Statements and Notes. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles (GAAP). Percentage changes are calculated using numbers, rounded to the decimals, that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the 2007 annual MD&A: "Risk Factors and Management," "Controls and Procedures," "Contractual Obligations," "Intercompany and Related Party Transactions" and "Government Regulations." There has been additional disclosure regarding the adoption of new accounting policies, which are discussed in the "Significant Accounting Policies" section of this MD&A. The "Key Performance Indicators and Non-GAAP Measures" section contains a reconciliation of non-GAAP measures to GAAP measures.

## Overview

AGF Management Limited (AGF), with \$49.3 billion in assets under management (AUM), is one of Canada's largest independent mutual fund and investment management companies, with operations and investments in Canada, the United Kingdom, Ireland and Asia. We commenced operations in 1957 with one of the first mutual funds available to Canadians seeking to invest in the United States. As of February 29, 2008, we offered more than 50 domestic and international mutual funds, as well as managed-asset programs (sold under our Elements and Harmony brands). We also have a substantial institutional investment management business, high-net-worth business and a growing trust company.

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

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

Investmaster Holdings Limited (Investmaster) was divested on April 30, 2007, and, as such, Investmaster's results have been reported as discontinued operations for the periods disclosed prior to the sale.

## Strategy and Highlights

As stated in our 2007 annual MD&A, our overall business strategy is to foster the development of best-in-class operating segments to provide world-class financial services and to maximize shareholder value over the long term.

During the first quarter of 2008:

- Revenue increased 9.8% year over year and earnings before interest, taxes, depreciation and amortization (EBITDA) increased 11.3% during the same period. This trend resulted in improved margins.
- Market volatility continued, resulting in total assets under management declining 4.7% to \$49.3 billion as at February 29, 2008.
- We delivered value directly to our shareholders through dividend payments. Dividends paid on Class A voting common shares (Class A shares) and Class B non-voting shares (Class B shares) increased 10.6% to \$17.8 million in the first quarter of 2008, compared with \$16.1 million in the same period in 2007.

- We continued to support the growth of our Trust Company Operations (AGF Trust) and invested \$35.0 million during the three months ended February 29, 2008 (2007 - \$32.5 million), bringing our total investment in debt and equity capital to \$256.3 million. AGF Trust real estate secured loan assets grew 54.6% over the prior year and investment loans grew 41.6%.
- In January 2008, we launched three new quantitative funds: the AGF Canadian All Cap Equity Fund, the AGF Global High Income Fund, and the AGF Global Balanced High Income Fund, all managed by Highstreet Asset Management Inc. (Highstreet).
- We renewed our normal course issuer bid to allow us to repurchase shares during the period of February 26, 2008, to February 25, 2009. No shares were repurchased during the first quarter of 2008 and 2007.

## Key Performance Indicators and Non-GAAP Measures

We measure the success of our business strategies using a number of key performance indicators (KPIs), which are outlined below. With the exception of revenue, the following KPIs are not measurements in accordance with Canadian GAAP 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 KPIs that are relevant to each segment.

### (a) Consolidated Operations

#### Revenue

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

We derive our revenue principally from a combination of:

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

#### EBITDA

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

Please see the "Consolidated Operating Results" section on page 10 of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

#### Cash Flow from Operations

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

(\$ millions)	February 29, 2008	February 28, 2007
<b>Three months ended</b>		
Net cash provided by continuing operating activities	\$ 11.0	\$ 55.9
Less: net changes in non-cash balances related to operations	(71.3)	(12.8)
Cash flow from continuing operations	\$ 82.3	\$ 68.7

### Free Cash Flow from Operations

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
Cash flow from continuing operations (defined above)	\$ 82.3	\$ 68.7
Less: selling commissions paid	26.8	43.7
Free cash flow	\$ 55.5	\$ 25.0

### EBITDA Margin

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
EBITDA	\$ 89.5	\$ 80.4
Divided by revenue	194.3	177.0
EBITDA margin	46.1%	45.4%

### Pre-Tax Profit Margin

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
Income before taxes and non-segmented items	\$ 56.5	\$ 48.8
Divided by revenue	194.3	177.0
Pre-tax profit margin	29.1%	27.6%

### Return on Equity (ROE)

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

## (b) Investment Management Operations

### Assets Under Management (AUM)

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

### Investment Performance (Market Appreciation (Depreciation) of Investment Portfolios)

Investment performance, which is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders, and, in turn, we benefit from higher revenues. Alternatively, poor relative investment performance may result in redemptions, which reduce our AUM levels and management fee revenues. Strong relative investment performance may also contribute to gross sales growth or reduced levels of redemptions.

### Net Sales

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

We monitor inflows and outflows in our high-net-worth client and institutional business separately. Due to the reporting systems used in these businesses, we do not compute an average daily AUM figure for these businesses.

### EBITDA Margin

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
EBITDA	\$ 74.8	\$ 71.0
Divided by revenue	165.2	156.5
EBITDA margin	45.3%	45.4%

### Pre-Tax Profit Margin

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
Income before taxes and non-segmented items	\$ 45.4	\$ 41.0
Divided by revenue	165.2	156.5
Pre-tax profit margin	27.5%	26.2%

### (c) Trust Company Operations

#### Loan Asset Growth

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

#### Net Interest Income

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

#### Net Interest Margin

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

#### Efficiency Ratio

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
Selling, general and administrative expense	\$ 11.3	\$ 8.5
Add: amortization expense	0.5	0.3
Non-interest expense	\$ 11.8	\$ 8.8
Other income	\$ 3.7	\$ 1.2
Gain from securitization and related items	0.8	0.6
Non-interest income	\$ 4.5	\$ 1.8
Net interest income	\$ 22.8	\$ 17.5
Add: non-interest income	4.5	1.8
Total of net interest income and non-interest income	\$ 27.3	\$ 19.3
Efficiency ratio	43.2%	45.6%

#### EBITDA Margin

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
EBITDA	\$ 12.9	\$ 8.1
Divided by revenue	27.3	19.3
EBITDA margin	47.3%	42.0%

### Pre-Tax Profit Margin

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

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
Income before taxes and non-segmented items	\$ 12.4	\$ 7.8
Divided by revenue	27.3	19.3
Pre-tax profit margin	45.4%	40.4%

## Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2007 audited Consolidated Financial Statements.

### Changes in Significant Accounting Policies

#### Capital Disclosures

Effective December 1, 2007, AGF adopted CICA's new accounting standard "Handbook Section 1535, Capital Disclosures," which requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new guidance did not have an effect on the financial position or earnings of AGF. Refer to Note 13 in the Q1 2008 unaudited Consolidated Financial Statements.

#### Financial Instruments Disclosures and Presentation

Effective December 1, 2007, AGF adopted the accounting and disclosure requirements of CICA's two new accounting standards: "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation." The new guidance did not have an effect on the financial position or earnings of AGF. Refer to Note 14 in the Q1 2008 unaudited Consolidated Financial Statements.

## Changes in Internal Controls over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the three-month period ended February 29, 2008, there was no significant change to the systems of internal controls within AGF.

## Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 29, 2008, and February 28, 2007:

(\$ millions, except per share amounts) Three months ended	February 29, 2008	February 28, 2007	% change
Revenue			
Investment Management Operations	\$ 165.2	\$ 156.5	5.6%
Trust Company Operations	27.3	19.3	41.5%
Other	1.8	1.2	50.0%
	194.3	177.0	9.8%
Expenses			
Investment Management Operations	90.4	85.5	5.7%
Trust Company Operations	14.4	11.1	29.7%
	104.8	96.6	8.5%
EBITDA <sup>1</sup> (continuing operations)	89.5	80.4	11.3%
Amortization	29.9	30.4	(1.6%)
Interest expense	3.0	1.0	200.0%
Non-controlling interest	0.1	0.2	n/m
Income taxes	(6.2)	10.7	(157.9%)
Net income from continuing operations	\$ 62.7	\$ 38.1	64.6%
Loss on dissolution of limited partnerships, net of tax	-	(2.2)	
Net earnings from discontinued operations, net of tax <sup>2</sup>	-	0.4	
Net income	\$ 62.7	\$ 36.3	72.7%
Earnings per share from continuing operations – diluted	\$ 0.70	\$ 0.42	66.7%

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

<sup>2</sup> On April 30, 2007, AGF sold 100% of Investmaster. Accordingly, Investmaster's results have been reported as discontinued operations.

Revenue for the three months ended February 29, 2008, increased by 9.8% from the corresponding period in 2007, and all of our operations experienced growth. Revenue in the Investment Management Operations segment was up 5.6% for the three months ended February 29, 2008, corresponding to higher average levels of AUM combined with higher deferred sales charge revenue. The Trust Company Operations segment reported increases in revenue of 41.5% for the three months ended February 29, 2008, as a result of loan assets being up 47.3% year over year. Revenues from Other, which represents the results of our 31.4% equity interest in S&WHL, were higher for the three months ended February 29, 2008, compared with the corresponding period in 2007, with the growth attributable to the growth in S&WHL operations.

Expenses for the three months ended February 29, 2008, increased by 8.5% compared with the corresponding period in 2007, with increases in the Investment Management Operations and Trust Company Operations segments. The increases for both segments are primarily due to higher average assets and loan levels. For more detail, see the segment discussions.

The revenue and expense impact contributed to the increase in EBITDA of 11.3% for the three months ended February 29, 2008, from the corresponding period of 2007.

Amortization expense was relatively flat for the three months ended February 29, 2008, compared to the corresponding period in 2007. For the three months ended February 29, 2008, amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$26.1 million (2007 – \$26.5 million) of the total amortization expense.

Interest expense increased to \$3.0 million for the three months ended February 29, 2008, from \$1.0 million in the corresponding period of 2007. The increase is mainly the result of higher average outstanding loan balances.

For the three months ended February 29, 2008, the Company had an income tax reduction of \$6.2 million compared with income tax expense of \$10.7 million in the corresponding period in 2007. The February 29, 2008, results include an income reduction of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012. Excluding the impact of this tax reduction, the effective tax rate for the first three months of 2008 was 23% compared with 22% in the corresponding period in 2007.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$62.7 million in the quarter ended February 29, 2008, compared with \$38.1 million in the comparable period of 2007. Basic earnings per share from continuing operations were \$0.70 in the first quarter of 2008 compared with \$0.43 per share in the first quarter of 2007. Excluding the impact of the tax reduction of \$19.5 million, income from continuing operations was \$43.2 million or \$0.48 per share diluted compared to \$0.42 for the three months ended February 28, 2007.

Net income was \$62.7 million in the quarter ended February 29, 2008, compared with \$36.3 million in the comparable period of 2007. Excluding the impact of income tax as previously discussed, net income for the quarter was \$43.2 million. The three-month period ended February 28, 2007, included a loss of \$2.2 million net of tax related to the dissolution of limited partnerships and \$0.4 million net of tax related to net earnings of operations held for sale.

A further discussion follows of the results of each business segment for the three months ended February 29, 2008, compared with February 28, 2007.

## Business Segment Performance

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

## Investment Management Operations

### Business and Industry Profile

Our Investment Management Operations segment provides products and services, including mutual funds, managed-asset programs and private investment management. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies, brokers and consultants.

Investment management remains a highly competitive business, with numerous domestic and 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.

### Segment Strategy and Highlights

The strategic priorities for our Investment Management Operations, detailed in the 2007 annual MD&A, are to continue to build predictable excellence in three core areas: investment management, relationship management and product management.

Consistent with our stated strategy, during the first quarter of fiscal 2008 we achieved the following:

- EBITDA margins remained relatively constant in 2008 over 2007, with an EBITDA margin of 45.3% for the three months ended February 29, 2008, compared with 45.4% in the three months ended February 28, 2007.
- We continued to build our diversified and strong product shelf by introducing three new quantitative funds, all managed by Highstreet.
- During this time of market volatility, we continued to focus on relationship management. During the quarter we worked to solidify our relationships with financial advisors in the domestic market. On the strategic accounts side, we furthered our plans to expand our reach both in Canada and abroad. In December, we closed a \$26 million Canadian resources sub-advisory mandate with a client in Japan.

## Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees 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, strategic accounts, and high-net-worth client AUM. As a result, the level of AUM has a significant influence on financial results. The following table illustrates the composition of the changes in total AUM during the three months ended February 29, 2008, and February 28, 2007:

(\$ millions) Three months ended	February 29, 2008	February 28, 2007	% change
Mutual fund AUM, beginning of period	\$ 30,052	\$ 26,857	11.9%
Gross sales of mutual funds	1,128	2,171	(48.0%)
Redemptions of mutual funds	(1,353)	(1,129)	19.8%
Net mutual fund sales	(225)	1,042	n/m
Market appreciation (depreciation) of fund portfolios	(2,124)	899	(336.3%)
Mutual fund AUM, end of period	\$ 27,703	\$ 28,798	(3.8%)
Institutional and strategic accounts AUM*	17,910	19,043	(6.0%)
High-net-worth AUM*	3,672	3,886	(5.5%)
Total AUM, end of period	\$ 49,285	\$ 51,727	(4.7%)
Average daily mutual fund AUM for the period	\$ 28,621	\$ 28,053	2.0%

\* Institutional assets previously categorized as high-net-worth are now classified as institutional.

Continued market volatility and net redemptions over the three months resulted in a decrease in mutual fund AUM to \$27.7 billion at February 29, 2008, from \$28.8 billion as at February 28, 2007. The average daily mutual fund AUM for the three months ended February 29, 2008, increased by 2.0% to \$28.6 billion. Average assets remained higher year over year, as most of the market decline occurred in February 2008. During the past 12 months, institutional AUM decreased by \$1.1 billion to \$17.9 billion as a result of market volatility and client rebalancing and redemptions, which were non-performance related, and high-net-worth AUM decreased by \$0.2 billion to \$3.7 billion due to market volatility. These decreases resulted in total AUM decreasing by 4.7% to \$49.3 billion.

Stock market performance influences the level of AUM. During the three months ended February 29, 2008, the Canadian-dollar-adjusted S&P 500 Index declined 11.2%, the Canadian-dollar-adjusted NASDAQ Index declined 16.0%, and the S&P/TSX Composite Index declined 0.1%. The aggregate market depreciation of our mutual fund portfolios for the three months ended February 29, 2008, divided by the average daily mutual fund AUM for the period was 7.4% after management fees and expenses paid by the funds.

The impact of the U.S. dollar decrease relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2007, has been a decrease in AUM of \$0.1 billion.

## Financial and Operational Results

The Investment Management Operations segment results for the three months ended February 29, 2008, and February 28, 2007, are as follows:

(\$ millions) Three months ended	February 29, 2008	February 28, 2007	% change
Revenue			
Management and advisory fees	\$ 156.4	\$ 150.8	3.7%
Deferred sales charges	6.1	4.9	24.5%
Investment income and other revenue	2.7	0.8	n/m
	165.2	156.5	5.6%
Expenses			
Selling, general and administrative	44.6	43.1	3.5%
Trailing commissions	41.8	38.4	8.9%
Investment advisory fees	4.0	4.0	0.0%
	90.4	85.5	5.7%
EBITDA*	74.8	71.0	5.4%
Amortization	29.4	30.0	(2.0%)
Income before taxes and non-segmented items	\$ 45.4	\$ 41.0	10.7%

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

### Revenue

For the three-month period ended February 29, 2008, revenue for the Investment Management Operations segment increased by 5.6% from the previous-year period, with changes in the categories as follows:

#### Management and Advisory Fees

The higher average daily mutual fund AUM in the first quarter of fiscal 2008 contributed to a 3.7% increase in management and advisory fee revenue from the corresponding period in 2007. Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities. These distribution fees totalled \$1.8 million (2007 – \$2.1 million) for the three months ended February 29, 2008.

#### Deferred Sales Charges

We receive deferred sales charges (DSC) upon redemption of securities sold on the contingent DSC or back-end commission basis for which we finance the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets.

DSC revenues for the three months ended February 29, 2008, increased by 24.5% from the corresponding period in 2007, reflecting higher retail mutual fund redemptions of DSC AUM that are subject to a charge.

## Expenses

For the three-month period ended February 29, 2008, expenses increased by 5.7% from the previous-year period. Changes in specific categories are described in the discussion that follows.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three-month period ended February 29, 2008, were \$44.6 million, representing a 3.5% increase over the comparable period in 2007. The increase is made up of the following amounts:

(\$ millions)	February 29, 2008
Increase in fund absorption expenses	\$ 1.1
Increase in compensation-related expenses	1.9
Decrease in other expenses	(1.5)
	\$ 1.5

The following are explanations for expense changes in the three-month period ended February 29, 2008, compared with the prior-year period:

- Our current estimate for 2008 absorption expense is generally consistent with 2007. The increase reflects higher programming-related costs
- Compensation-related expenses increased due to severance payments and increases in the number of share-based compensation units outstanding
- Other expenses decreased primarily as a result of decreased spending on sales and marketing initiatives

### 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 0.584% for the three months ended February 29, 2008, from 0.548% in the comparable 2007 period. The trend in increasing trailers expressed as a percentage of AUM is attributable to an increased proportion of mutual fund AUM sold on a front-end basis and a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailers.

### Investment Advisory Fees

External investment advisory fees remained flat for the three-month period ended February 29, 2008, compared with the prior-year period since average AUM managed by sub-advisors remained relatively constant compared with the same period in 2007.

## EBITDA

EBITDA for the Investment Management Operations segment was \$74.8 million for the three months ended February 29, 2008, an increase of 5.4% from \$71.0 million for the same period of fiscal 2007. The increase is primarily due to higher average assets under management and higher deferred sales charge revenue.

## 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.

We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$26.1 million in the three months ended February 29, 2008, compared with \$26.5 million in the comparable period in 2007.

During the first quarter of fiscal 2008, we paid \$26.8 million in selling commissions, compared with \$43.7 million in 2007. As at February 29, 2008, the unamortized balance of deferred selling commissions stood at \$316.0 million, an increase of \$0.7 million from the balance of \$315.3 million as at November 30, 2007. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at February 29, 2008, were estimated to be approximately \$418.9 million (Q1 2007 – \$381.3 million).

## Trust Company Operations

### Business and Industry Profile

Through AGF Trust, we offer financial solutions, including GICs, real estate secured and investment loans, and Home Equity Lines of Credit (HELOC).

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors. The market for these products is healthy and growing due to the efforts of financial advisors who continue to broaden their suite of products as they service the needs of their customers. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. AGF mutual fund wholesalers have operated successfully in the advisor channel for over 50 years.

We offer real estate secured loans to Canadians who have sound credit, but who may not have met the requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed primarily through 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 real estate secured loans in this channel to reduce distribution costs. HELOC loans are distributed through financial advisors to clients who generally have superior credit profiles.

### Segment Strategy and Highlights

We strive to earn a high financial return as well as maximize synergies with the Investment Management Operations segment.

Specific strategies include:

- continuing to focus on organic growth in our real estate secured and investment loan portfolios
- introducing new products that directly serve the needs of advisors' clients
- developing effective sales strategies and targeted marketing
- using disciplined loan-underwriting standards and enterprise risk-management measures

In the first quarter of 2008, we continued to expand our dedicated sales staff to promote investment lending and mortgage products, resulting in loan originations of \$525 million for the three-month period ended February 29, 2008.

With the continued capital market volatility being experienced around the world, particularly in the United States, and the related effects of the ABCP markets, AGF Trust is prepared to continue to adapt to changing business conditions. As previously reported, AGF Trust holds only bank-sponsored ABCP and has relied on the ABCP markets for only a small portion of funding in the current and prior fiscal year. The majority of the funding for the operations comes from the ability to sell GICs.

The credit quality of our loan portfolio remains strong. Actual loan write-offs net of recoveries for the three months ended February 29, 2008, were \$3.1 million compared to \$2.7 million for the three months ended February 28, 2007. Impaired loans expressed as a percentage of loans outstanding were 0.7% as at February 29, 2008, which is consistent with the rate at November 30, 2007.

## Financial and Operational Results

The Trust Company Operations segment results for the three months ended February 29, 2008, and February 28, 2007, are as follows:

(\$ millions) Three months ended	February 29, 2008	February 28, 2007	% change
Interest income			
Loan interest	\$ 66.5	\$ 43.1	54.3%
Investment interest	10.3	4.1	151.2%
	76.8	47.2	62.7%
Interest expense			
Deposit interest	47.1	26.4	78.4%
Other interest expense	6.9	3.3	109.1%
	54.0	29.7	81.8%
Net interest income	22.8	17.5	30.3%
Other revenue	3.7	1.2	208.3%
Securitization gains and related items	0.8	0.6	33.3%
Total revenue	27.3	19.3	41.5%
Expenses			
Selling, general and administrative	11.3	8.5	32.9%
Provision for loan losses	3.1	2.7	14.8%
	14.4	11.2	28.6%
EBITDA*	12.9	8.1	59.3%
Amortization	0.5	0.3	66.7%
Income before taxes and non-segmented items	\$ 12.4	7.8	59.0%

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

### Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 30.3% in the three-month period ended February 29, 2008, over the respective period in 2007, as the average loan balances were approximately 47.6% higher than average balances during the respective period in 2007. Other revenue increased \$2.5 million in the three-month period ended February 29, 2008, over the corresponding period in the prior year due to higher loan balances and a gain from hedge ineffectiveness. Securitization gains and related items increased by \$0.2 million in the first quarter of 2008 versus the same quarter last year. These factors resulted in an increase in revenue of 41.5% for the three months ended February 29, 2008.

The average net interest margin on lending products in the first quarter of 2008 was 2.38% (Q1 2007 – 2.73%). This spread decrease resulted from compression in the Prime-CDOR spread, an increase in the cost of GIC funding experienced over the past six months, a slight decrease in spreads on the investment loan portfolio and a change in the business mix to include a greater proportion of high credit-quality HELOCs, which are risk-priced and therefore earn lower spreads than the Trust Company's other lending products. The net interest margin declined four basis points relative to the fourth quarter of 2007.

### Selling, General and Administrative Expenses

The increases in SG&A expenses of 32.9% in the three-month period ended February 29, 2008, over the respective period in 2007 was as a result of increased staffing levels to support the significant loan growth during the past 12 months.

### Provision for Loan Losses

The total provision for loan losses increased by 14.8% in the first quarter of 2008 compared with the prior-year period. The increase is attributable to the increase in our loan portfolios and the mix of loans. This increase in the loan loss provision was moderated due to a higher proportion of newly originated loans that are lower-risk investment loans and HELOCs.

## EBITDA

Strong asset growth contributed to EBITDA of \$12.9 million in the three-month period ended February 29, 2008. This represented a 59.3% increase compared with the three months ended February 28, 2007.

## Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three months ended February 29, 2008, and February 28, 2007.

(\$ millions) Three months ended	February 29, 2008	February 28, 2007	% change
Real estate secured loans <sup>1</sup>			
Insured mortgage loans	\$ 574.6	\$ 404.3	42.1%
Conventional mortgage loans	798.6	605.6	31.9%
HELOCs	508.1	207.0	145.5%
	1,881.3	1,216.9	54.6%
Investment loans <sup>1</sup>			
Secured investment loans	1,606.2	1,005.6	59.7%
RSP loans	554.0	515.4	7.5%
Other loans	15.0	15.5	(3.2%)
	2,175.2	1,536.5	41.6%
Other assets	857.4	356.8	140.3%
<b>Total Assets</b>	<b>\$ 4,913.9</b>	<b>\$ 3,110.2</b>	<b>58.0%</b>
Net interest income	\$ 22.8	\$ 17.5	30.3%
Gain from securitization and related items	0.8	0.6	33.3%
Other revenue	3.7	1.2	208.3%
Non-interest expenses <sup>2</sup>	11.8	8.8	34.1%
Provision for loan losses	3.1	2.7	14.8%
<b>Income before taxes and non-segmented items</b>	<b>\$ 12.4</b>	<b>\$ 7.8</b>	<b>59.0%</b>
Efficiency ratio <sup>3</sup>	43.2%	45.6%	
Assets-to-capital multiple	14.7	14.4	

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

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

<sup>3</sup> The efficiency ratio is calculated by dividing non-interest expenses by the total of net interest income and non-interest income.

## Loan Asset Growth

Loan assets experienced continued growth during the first quarter of 2008. Real estate secured loan assets grew 54.6% year over year, as sales efforts in the mortgage broker channel continued to be successful and were supplemented by steady originations of a HELOC product in the advisor channel.

Strong equity markets in the first half of 2007 and improved collaboration with AGF mutual fund wholesalers contributed to overall growth in loan advances. Secured investment loans increased 59.7% to \$1.6 billion as at February 29, 2008, over the respective period in 2007. RSP loan balances increased by \$38.6 million (\$140.1 million excluding the impact of the securitization) at February 29, 2008, as a result of the RSP season and financial advisors' continued use of AGF Trust's Internet-based loan application system.

## Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and non-interest income) is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. The efficiency ratio decreased to 43.2% in the first fiscal quarter of 2008 from 45.6% during the comparable quarter in 2007.

### Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 58.0% to \$4.9 billion at February 29, 2008, compared with the prior year. At February 29, 2008, our asset-to-capital multiple stood at 14.7 times, compared with 14.4 times at the same time last year, which is below our authorized multiple of 17.5 times. Our risk-based capital ratio was 15.7% at February 29, 2008. AGF Trust received \$35.0 million in debt and equity capital from AGF Management Limited during the three-month period ended February 29, 2008, to support increased asset levels. Liquid assets were high, with \$622.3 million in cash and cash equivalents at February 29, 2008 (2007 – \$305.6 million), excluding cash currently pledged to counterparties.

### Loan Portfolio Credit

Portfolio credit quality remains consistent at February 29, 2008, compared with February 28, 2007. The general allowance for real estate secured loan losses was increased during the year to \$7.4 million from \$5.5 million a year ago. The general allowance for investment loan losses was increased to \$8.2 million from \$6.2 million a year ago. Approximately 41.8% of real estate secured loan assets, excluding HELOC, are insured. We have strong security for non-RSP investment loans, and loan losses during the history of the program have been minimal. For RSP loans, the expense for impaired loans, which consists of the increase in specific allowances plus write-offs net of recoveries (excluding securitized RSP loans) was \$0.7 million for the three months ended February 29, 2008 (2007 – \$0.4 million). For the balance of our loan products, the expense for impaired loans was \$0.8 million (2007 – \$0.3 million).

## Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was \$82.3 million for the three months ended February 29, 2008, compared with \$68.7 in the comparable period of 2007.

Consolidated free cash flow (defined as cash flow from operations less selling commissions paid) was \$55.5 million for the three months ended February 29, 2008, compared with \$25.0 in the comparable period of 2007. We paid \$26.8 million in selling commissions during the three months ended February 29, 2008, which were deferred for accounting purposes, compared with \$43.7 paid and deferred in the respective period in 2007. Our free cash flow was used primarily to fund the following:

(\$ millions) Three months ended	February 29, 2008	February 28, 2007
Payment of dividends	\$ 17.8	\$ 16.1
Acquisitions of subsidiaries	20.8	19.9
Purchase of property, equipment and other intangible assets	1.5	0.8
Investment in Trust Operations (eliminated on consolidation)	35.0	32.5
	\$ 75.1	\$ 69.3

During the three months ended February 29, 2008, our revolving term loan balance increased \$99.1 million to \$259.1 million to fund the items listed above and to pay previously accrued amounts such as bonuses. The first quarter of each fiscal period represents a quarter in which the Company draws on its credit facility and, barring any unusual transactions, the remaining quarters result in bank debt being reduced.

Cash and cash equivalents decreased by \$137.5 million (2007 – increased by \$61.3 million) from November 30, 2007, primarily due to Trust investing \$115.0 million of cash into investments available for sale. Consolidated cash and cash equivalents amounted to \$690.4 million as at February 29, 2008, compared with \$827.9 million as at November 30, 2007.

We have a six-year prime-rate-based revolving term loan facility to a maximum of \$300 million, of which \$40.5 million was available to be drawn as at February 29, 2008. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had \$68.1 million of cash at February 29, 2008, some of which will be used to repay bank debt in the remainder of 2008. The loan facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

## Capital Management Activities

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

Capital is primarily derived from ongoing earnings and from our publicly traded AGF Class B shares. On an annual basis, AGF Management Limited (AGF) prepares a five-year plan detailing projected operating budgets and capital requirements. Each of AGF's operating companies is required to prepare and submit a five-year operating plan and budget to the Finance Committee of AGF for approval prior to seeking Board approval. The membership of the Finance Committee consists of the Chairman and Chief Executive Officer (CEO), the Vice-Chairman, the Senior Vice-President and Chief Financial Officer, and the Senior Vice-President and General Counsel of AGF Management Limited. Once approved by the Finance Committee, the five-year plans are reviewed and approved by the Board of Directors of AGF. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B shares and, combined with the reasonable use of leverage, the source of funds for acquisitions.

### **Investment Management Operations – Regulatory Capital**

A significant objective of the Capital Management program is to ensure that regulatory requirements are met regarding regulatory capital requirements. Our Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate. The cumulative amount of minimum regulatory capital across all of our investment management operations is in the range of \$10 to \$15 million.

### **AGF Trust – Regulatory Capital**

AGF Trust's regulatory capital consists primarily of common shareholders' equity, preferred shares and subordinated debentures. Regulatory capital is a factor that allows the Board of Directors of AGF Trust to assess the stability and security in relation to the overall risks inherent in AGF Trust's activities. AGF Trust's policy is to maintain its regulatory capital ratios consistent with regulatory requirements as defined by the Office of the Superintendent of Financial Institutions Canada (OSFI). As of January 1, 2008, AGF Trust is now monitoring its regulatory capital based on the Bank for International Settlements (BIS) regulatory risk-based capital framework (Basel II). AGF Trust has decided to use the Standard Approach for credit risk and the Basic Indicator Approach for operational risk. During the first quarter of 2008, AGF Trust has complied with these Basel II requirements.

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

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

Regulatory capital is detailed as follows:

(\$ thousands)	As at February 29, 2008	As at November 30, 2007 <sup>1</sup>
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,019	910
Retained earnings	88,641	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(20,684)	–
	215,744	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	16,860	15,277
Less: securitization and other	(9,048)	(26,669)
	117,312	78,108
<b>Total capital</b>	<b>\$ 333,056</b>	<b>\$ 290,649</b>

<sup>1</sup> Information based on capital adequacy requirements in force at that date.

## Dividends

For the three months ended February 29, 2008, we declared a 25-cents-per-share dividend on Class A and Class B shares. This dividend will be payable on April 21, 2008, to shareholders of record on April 10, 2008.

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

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

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

Years Ended November 30	2008*	2007	2006	2005	2004
Per share	0.950	\$ 0.780	\$ 0.690	\$ 0.560	\$ 0.410
Percentage increase	22%	13%	23%	37%	39%

\* Subject to quarterly review and approval by AGF's Board of Directors.

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

### Normal Course Issuer Bid

In February 2008, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,253,822 Class B non-voting shares or 10% of the public float for such shares. The Company received approval from the TSX on February 22, 2008, for the renewal of its normal course issuer bid, which allows AGF to purchase up to 7,253,822 Class B non-voting shares through the facilities of the TSX (or as otherwise permitted by the TSX) between February 26, 2008, and February 25, 2009. The Class B non-voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX.

As at February 29, 2008, under this current normal course issuer bid, no Class B non-voting shares have been repurchased. AGF's previous normal course issuer bid, initiated on February 26, 2007, allowed for the repurchase of up to 7,303,844 Class B non-voting shares between February 26, 2007, and February 25, 2008, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased an aggregate of 1,437,800 Class B non-voting shares, for a total consideration of \$45,535,126 at an average price of \$31.67 per share.

## Outstanding Share Data

Set out below is our outstanding share data as at February 29, 2008. For additional details, see Note 9 of the Q1 2008 Consolidated Financial Statements.

	February 29, 2008	February 28, 2007
<b>Shares</b>		
Class A voting common shares	57,600	57,600
Class B non-voting shares	89,230,096	89,559,274
<b>Stock Options</b>		
Outstanding options	4,183,698	4,173,434
Exercisable options	2,110,092	2,122,517

During the quarter, 92,056 Class B shares were issued through the exercise of options and the dividend reinvestment plan. In addition, 215,883 Class B shares were issued related to subsequent payments for the 2006 acquisition of Highstreet. During the quarter, we did not repurchase any Class B shares.

## Managing Risk – Overview

### Risk Overview

Our approach to and the management of risk is described below. During the quarter we adopted CICA "Handbook Section 3862, Financial Instruments – Disclosures." This section establishes standards for the comprehensive disclosure requirements for financial instruments.

In the normal course of business, each of our operating segments is exposed to a variety of financial risks: credit risk, liquidity risk and market risk, including interest rate risk, other price risk and foreign currency risk.

Risk is the responsibility of the Executive Committee of AGF. The committee is comprised of the CEO of AGF, the Senior Vice-President and the Chief Financial Officer of AGF, the Senior Vice-President and General Counsel of AGF, as well as the presidents of each of AGF Funds Inc., AGF Asset Management Group Limited and AGF Trust. Oversight of reputational, regulatory, legal and financial risk is within the mandate of the Executive Committee.

The Chairman and CEO is directly accountable to the Board of Directors for all of AGF's risk-taking activities. The Executive Committee reviews and discusses significant risk action plans that arise in executing the enterprise-wide strategy and ensures that risk oversight and governance occur at the most senior levels of management. Each of the business units owns and assumes responsibility for managing its risk. They do this by ensuring that policies, processes and internal controls are in place and by reporting any significant risk identified in the business units to the Executive Committee.

AGF also has a strong commitment to governance, as outlined in the AGF Corporate Governance summary on page 18 of our 2007 Annual Report. The Board of Directors of AGF has responsibility for the stewardship of the Company, including oversight of its business and affairs.

AGF also oversees or operates key functions for each of the business units on a shared services basis. These functions include Finance, Internal Audit, Human Resources, Compensation, Information Technology, Fund Oversight, Legal and Compliance. These functions also play a significant role in ensuring the consistency of risk management practices and standards across the company in areas that are common to the business units. In addition, AGF facilitates a disciplined approach to risk-taking through policy formation, reporting and oversight of the operational units.

AGF's risk governance structure is designed to balance risk and reward and promote business activities consistent with our standards and risk-tolerance levels, with the objective of maximizing long-term shareholder value.

### Risk Factors that May Affect Future Results

There are many factors that may affect our ability to execute against our strategy. Some of these factors are within our control and others, because of their nature, are beyond our control. These factors apply to our corporate strategy as well as to the business-specific strategies, which are included in the segment discussions that follow.

### Managing Risk – Investment Management Operations

Demand for our products depends on the ability of our investment management team to deliver value in the form of strong investment returns, as well as the demand for specific investment products. A specific fund manager's style may fall out of favour with the market, resulting in lower sales and/or higher redemptions.

Our future financial performance will be influenced by our ability to successfully execute our client-centric strategy and maintain our net sales. If sales do not materialize as planned or key personnel cannot be retained, margins may erode.

Our strategy includes strategic acquisitions. There is no assurance that we will be able to complete acquisitions on the terms and conditions that satisfy our investment criteria. After transactions are completed, meeting target return objectives is contingent upon many factors, including retaining key employees and growth in AUM of the acquired companies.

Most of our AUM are from financial advisors or strategic partners that offer our products along with competing products. AGF's brand and investment performance have contributed to our success in the past; however, our future success is dependent on access to distribution channels that are independent of our company.

The level of competition in the industry is high. Sales and redemptions of mutual funds may be influenced by relative service levels, management fees, attributes of specific products in the marketplace and actions taken by competitors.

We take all reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies. A failure to comply with statutes, regulations or regulatory policies could result in sanctions or fines that could adversely affect earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could affect us by changing certain economic factors in our industry. See the "Government Regulations" section of our 2007 Annual MD&A for further details.

Revenues are generally not subject to significant seasonal swings. We experience somewhat higher sales during the Retirement Savings Plan (RSP) season; however, the immediate impact of the level of sales on total revenue is not significant. The Selected Quarterly Information table of this MD&A shows key performance statistics for the past eight quarters.

Our management fee revenue is highly correlated to the value of AUM. As a result, we are exposed to general stock market fluctuations and other factors such as credit risk, liquidity risk, interest rate risk, other price risk and currency risk. A prolonged stock market decline would reduce revenue and therefore earnings in our Investment Management Operations segment.

It is difficult to quantify these risks in isolation; however, in general, for every \$1 billion reduction of AUM of mutual funds, annual revenues would decline by approximately \$20 million.

### Currency Risk

Our main foreign exchange risk derives from the U.S. and international portfolio securities held in the mutual fund AUM. Change in the value of the Canadian dollar relative to foreign currencies will cause fluctuations in the Canadian-dollar value of non-Canadian AUM upon which our management fees are calculated. We monitor this risk since currency fluctuation may influence the financial results of AGF. However, it is at the discretion of the fund manager to decide whether to enter into foreign exchange contracts to hedge foreign exposure on U.S. and international securities held in funds. For example, the impact of the U.S. dollar decrease relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2007, has been a decrease in AUM of \$0.1 billion.

## Interest Rate Risk

Our Investment Management segment has limited exposure to the risk related to changes in interest rates on floating rate debt at November 30, 2007. Using average loan balances outstanding, the effect of a 1% change in variable interest rates on this debt in fiscal 2007 would have resulted in a change of approximately \$1.6 million in interest expense for the year ended November 30, 2007. As the amount of interest paid is small relative to our operating cash flow, such a change in interest rates would not have a material impact on the results of operations or the fair value of the related debt.

## Managing Risk – Trust Company Operations

AGF Trust has experienced a substantial amount of growth in recent reporting periods. The success of this fast-growing business is dependent on systems and processes being adequate to process increasing volumes of business. System or process failures could result in financial losses or an inability to sustain high growth rates.

A general economic downturn and an increased unemployment rate could lead to reduced credit-worthiness of the Trust segment borrowers. This could lead to increased default rates and an adverse impact on financial results. There is a risk that an increase in interest rates could slow the pace of housing sales and adversely affect growth in the residential mortgage market, which could adversely affect the ability to sustain present growth rates.

The Trust Operations' lending depends on a network of independent financial advisors, mortgage brokers and referral institutions. If service levels were to decline or if AGF Trust's products no longer meet the needs of clients, it may become difficult to attract new lending business.

## Basel II Capital Accord

AGF Trust is subject to the Basel II framework, which was developed by the Basel Committee on Banking Supervision, with the objectives of improving the consistency of capital requirements internationally and making required regulatory capital more risk sensitive. Basel II sets out several options, which represent increasingly risk-sensitive approaches to calculating credit-, market- and operational-risk-based regulatory capital. AGF Trust will use the Standard Approach for credit risk under the Basel II capital adequacy regime. It is the simplest approach, which uses supervisory determined risk weights to measure risk-weighted assets. The Standard Approach under Basel II is principally distinguished from the prior capital adequacy regime for AGF Trust; Basel II allows some recognition of the credit risk mitigation provided by mutual funds as collateral for secured investment loans and imposes a somewhat lower risk weight for retail credit exposures.

AGF Trust uses the Basic Indicators Approach under the Basel II capital adequacy regime for determining the capital required for operational risk. The Basic Indicators Approach uses gross income as a proxy for the institution's overall operation risk. The capital required for operational risk is determined by multiplying the average of the trailing three years' gross income by a fixed percentage. Details of the capital requirements can be found in the "Capital Management Activities" section of this MD&A.

## Credit risk

The use of financial instruments, including financial derivative instruments, can result in exposure to credit risk, which is the risk of financial loss arising from a counterparty's inability or refusal to honour its contractual obligations to AGF Trust.

Extensive reviews of credit policies and lending practices are undertaken by management. The Board of Directors of AGF Trust (Trust Board) periodically reviews and approves AGF Trust's policies. These policies ensure that the authority to approve credit applications is appropriately delegated by senior management or the Investment Committee of AGF Trust, depending on the risk and amount of the credit application. The credit policies also provide guidelines for pricing based on risk, for reviewing any collateral pledged for a credit application, for monitoring of impaired loans, and for establishing and reviewing loss provisions.

The policies establish risk limits for credit concentration by counterparty, geographic location, and other risk factors that would impact AGF Trust's credit risk profile. The Company's internal audit department reviews AGF Trust's adherence to policies and procedures for credit risk management.

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is past due 90 days, except where the loan is both well-secured and in the process of collection. In any event, a loan that is insured by the federal government, an agency thereof or another third-party insurer is classified as impaired when interest or principal is past due 365 days, or in the case of other loans, when they are contractually in arrears for 180 days.

When a loan is identified as impaired, the carrying amount of the loan is reduced to its estimated realizable value using a specific allowance. When management has no further basis to expect recovery from any sources, including underlying collateral or borrower covenants, the specific allowance is removed and the carrying amount of the impaired loan is reduced directly. This determination is made based on any proceeds from the disposition of collateral, an evaluation of all borrowers' and guarantors' financial capacities, and any other potential sources of loss mitigation or credit enhancement.

AGF Trust's credit risk is mitigated through the use of collateral, primarily in the form of residential real estate and mutual fund investments. Credit risk is also mitigated through residential mortgage insurance through the Canada Mortgage and Housing Corporation (CMHC) or another insurer. At February 29, 2008, \$583 million of AGF Trust's residential mortgage portfolio was insured through CMHC or another insurer.

Investing activities also expose AGF Trust to credit risk through its securities portfolio. AGF Trust has established the securities and portfolio management policies that identify the types and ratings of debt and equity investments that AGF Trust can invest in. These policies also restrict AGF Trust's transaction dealings primarily to major chartered banks and recognized investment dealers who are members of the Investment Dealers Association. The Operations Committee (OPCO) of AGF Trust maintains a list of the approved securities and counterparties, which are reviewed at least annually by the Trust Board. The investment portfolio is regularly reviewed by OPCO and the Trust Board to ensure the portfolio conforms to AGF Trust's policies.

Cash and short-term investments primarily consist of highly liquid temporary deposits with Canadian chartered banks as well as commercial paper, bank-sponsored asset-backed commercial paper (ABCP), bank deposit notes, reverse re-purchase agreements, bankers' acceptances, and floating rate notes. Long-term investments consist primarily of floating rate notes and senior debt instruments that qualify under AGF Trust's securities and portfolio management policies. AGF Trust mitigates credit risk by regularly reviewing the market value of short- and long-term investments through the use of market quotations and adjusts the carrying amount of long-term investments per the Company's accounting policies.

Derivative financial instruments expose AGF Trust to credit risk to the extent that if a counterparty default occurs, market conditions are such that AGF Trust would incur a loss in replacing the defaulted transaction. AGF Trust negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure if a default occurs by providing for the simultaneous netting of all transactions with a given counterparty. Credit risk related to derivative financial instruments is also managed through an approved counterparty list that includes only major Canadian chartered banks.

As at February 29, 2008, the amount that best represents AGF Trust's maximum exposure to credit risk, without taking into account collateral held or other credit enhancements, is \$5.1 billion, which corresponds to the sum of financial assets in the Operational Performance table on page 17 of this MD&A, to which are added undrawn mortgage commitments amounting to \$156.7 million and \$88.4 million of undrawn HELOC commitments.

## Market risk

Market risk measures the vulnerability of AGF Trust to financial loss from fluctuations in the value of financial instruments due to adverse movements in interest rates or quoted market prices. AGF Trust actively manages interest rate risk by employing a number of techniques. These include the matching of asset and liability terms that measure changes in the portfolios and the impact this will have on AGF Trust's earning capacity. AGF Trust also uses interest rate swaps to manage any residual mismatches. Management meets regularly to discuss the matching of assets and liabilities, emphasizing the importance of managing all material mismatched positions in order to reduce AGF Trust's exposure to interest rate fluctuations.

The Company's internal audit department reviews the compliance of AGF Trust's interest rate risk management policies and procedures. Internal audit reports are presented to the Audit Committee of the Trust Board for review.

For the AGF Trust Operations, the impact of a 1% change in interest rates either up or down would result in a change of annual net interest income of approximately \$2.2 million for the year ended November 30, 2007.

### Liquidity risk

Liquidity risk represents the possibility that AGF Trust may not be able to gather sufficient cash resources when required and under reasonable conditions to meet its financial obligations.

AGF Trust's overall liquidity risk is managed by its treasury department and is supervised by AGF Trust's Asset and Liability Management Committee and the CFO of AGF Management Limited in accordance with the policies for management of assets and liabilities, liquidity and loan financing activities. These policies are primarily to ensure that AGF Trust has sufficient cash resources to meet its current and future financial obligations in the regular course of business and under a variety of conditions.

Management monitors cash resources daily to ensure that AGF Trust's liquidity measurements are within the limits established by policies. In addition, management meets regularly to assess the timing of cash inflows and outflows related to loan and deposit maturities. These meetings also encompass AGF Trust's requirements to maintain cash resources to fund committed loans, raise deposits and invest excess funds. AGF Trust maintains a prudent reserve of unencumbered liquid assets that are readily available if required and strives to maintain a stable volume of base deposits that originate from its deposit brokerage clientele. AGF Trust also diversifies its financing sources through the securitization of loans.

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

### Managing Risk – Other Operations

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

We are subject to foreign exchange risk related to our 31.4% interest in S&WHL, which is denominated in U.K. pounds. On our balance sheet, the investment is presented in Canadian dollars using the exchange rate prevailing on the balance sheet date.

### Financial Instruments

#### Derivative financial instruments

Interest rate and total return equity swap transactions designated as hedging instruments are used by the Company for balance sheet matching purposes and to reduce exposure to interest rate and share-based compensation payout fluctuations. The changes in the fair value of derivative financial instruments held for fair value hedging purposes and the changes in fair value of the hedged items attributable to the hedged risk could result in significant changes in the Consolidated Statements of Income and Comprehensive Income. As at February 29, 2008, the aggregate notional amount of the swap transactions was \$3.0 billion and the aggregate fair value of the swap transactions, which represents the net amount that would be received by the Company if the transactions were terminated at February 29, 2008, was \$35.3 million.

## Fair value of financial instruments

The fair value of a financial instrument is defined as the amount of consideration for a financial instrument that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Quoted market prices are not available for a significant portion of the Company's financial instruments. For these instruments, the fair values presented are estimates derived using the present value or other valuation techniques and may not be indicative of the net realizable value.

## Methods and assumptions used to estimate the fair value of financial instruments

### Short-term investments

The carrying value of short-term investments represents their fair value because they are classified as available for sale. Short-term investments are valued based on quoted market values and include \$18.4 million invested in AGF mutual funds.

### Loans

The estimated fair value of mortgage loans and finance loans is determined by discounting the future cash flow at prevailing interest rates. Due to the variable pricing of investment loans, RRSP loans, and HELOC receivables, their carrying values are deemed to represent a reasonable approximation of their fair values.

### Derivative instruments

Derivative instruments used to manage the Company's exposure to interest risks and share-based compensation payout are based on quoted values from the related counterparties that represent the value that would be received or paid by the Company if the transactions were terminated.

### Retained interest from securitizations

The carrying value of retained interest from securitizations represents the fair value because they are classified as available-for-sale assets. The estimated fair value is determined by discounting future cash flow at prevailing interest rates for i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, ii) cash collateral, and iii) over-collateralization.

### Deposits

The carrying value of demand deposits and short-term deposits represents a reasonable approximation of their fair value due to their relatively short term to maturity. The estimated fair value of GICs is determined by discounting the future cash flow at prevailing interest rates.

### Other financial assets and liabilities

Other financial assets are comprised primarily of interest receivables and include accounts receivables. Other financial liabilities are comprised primarily of interest payable and include accounts payable. The carrying amounts of other financial assets and liabilities are a reasonable estimate of their fair value due to the relatively short collection or payment period.

## Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Feb. 29, 2008	Nov. 30, 2007	Aug. 31, 2007	May 31, 2007
Revenue (continuing operations)	\$ 194.3	\$ 199.1	\$ 199.2	\$ 204.9
Cash flow from continuing operations <sup>1</sup>	82.3	90.7	69.7	84.4
EBITDA (continuing operations) <sup>2</sup>	89.5	87.5	91.3	98.0
Pre-tax income (continuing operations)	56.6	53.9	57.3	63.3
Net income	62.7	49.4	39.4	53.6
Earnings per share				
Basic	\$ 0.70	\$ 0.55	\$ 0.44	\$ 0.60
Diluted	\$ 0.70	\$ 0.54	\$ 0.43	\$ 0.59
Weighted average basic shares	89,039,394	90,200,924	90,299,033	89,740,819
Weighted average fully diluted shares	89,807,506	91,566,659	91,847,103	91,012,708

  

(\$ millions, except per share amounts) For the three-month period ended	Feb. 28, 2007	Nov. 30, 2006	Aug. 31, 2006	May 31, 2006
Revenue (continuing operations)	\$ 177.0	\$ 158.5	\$ 146.9	\$ 152.2
Cash flow from operations <sup>1</sup>	68.7	53.1	60.2	52.5
EBITDA (continuing operations) <sup>2</sup>	80.4	60.3	56.2	64.6
Pre-tax income (continuing operations)	49.1	26.2	22.8	30.9
Net income	36.3	21.0	34.6	33.0
Earnings per share				
Basic	\$ 0.41	\$ 0.24	\$ 0.39	\$ 0.37
Diluted	\$ 0.40	\$ 0.23	\$ 0.39	\$ 0.37
Weighted average basic shares	89,474,827	89,174,064	89,055,124	89,006,146
Weighted average fully diluted shares	90,640,734	89,890,105	89,457,921	89,973,999

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

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

## Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying Notes for the three months ended February 29, 2008, our 2007 annual MD&A and Consolidated Financial Statements, our 2007 AIF and other documents filed with applicable securities regulators in Canada, which may be accessed at [www.sedar.com](http://www.sedar.com).

AGF Management Limited  
Consolidated Balance Sheets

(in thousands of dollars)	February 29, 2008 (unaudited)	November 30, 2007 (audited)
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 690,372	\$ 827,874
Short-term investments available for sale	144,191	26,149
Accounts receivable and prepaid expenses	82,107	93,141
Current portion of retained interest from securitization (note 2)	7,416	7,501
Real estate secured and investment loans due within one year (note 7)	588,945	492,756
	1,513,031	1,447,421
Retained interest from securitization (note 2)	42,471	43,424
Real estate secured and investment loans (note 7)	3,467,292	3,187,605
Investment in associated company	97,567	102,600
Management contracts	504,269	504,269
Customer contracts, net of accumulated amortization	63,653	65,805
Deferred selling commissions, net of accumulated amortization	315,987	315,275
Property, equipment and computer software, net of accumulated amortization	20,692	20,812
Goodwill	180,058	180,058
Trademarks	1,935	1,935
Other assets	36,862	7,608
<b>Total assets</b>	<b>\$ 6,243,817</b>	<b>\$ 5,876,812</b>
<b>Liabilities and shareholders' equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 228,154	\$ 261,115
Future income taxes (note 12)	41,648	48,304
Long-term debt due within one year (note 8)	24,762	25,611
Deposits due within one year (note 7)	2,088,419	1,847,494
	2,382,983	2,182,524
Deposits (note 7)	2,294,857	2,235,848
Long-term debt (note 8)	259,107	184,486
Future income taxes (note 12)	189,730	202,923
Other long-term liabilities	2,093	1,638
<b>Total liabilities</b>	<b>5,128,770</b>	<b>4,807,419</b>
Non-controlling interest	235	391
Shareholders' equity		
Capital stock (note 9)	431,393	421,923
Contributed surplus (note 9)	13,818	14,948
Retained earnings	680,222	635,369
Accumulated other comprehensive income	(10,621)	(3,238)
<b>Total shareholders' equity</b>	<b>1,114,812</b>	<b>1,069,002</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,243,817</b>	<b>\$ 5,876,812</b>

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

AGF Management Limited  
Consolidated Statements of Income

Three months ended (in thousands of dollars) (unaudited)	February 29, 2008	February 28, 2007 (note 3)
<b>Revenue</b>		
Management and advisory fees	\$ 156,417	\$ 150,883
Deferred sales charges	6,175	4,850
Gain on sale of RSP loan securitization and related income	759	661
Investment income and other revenue	8,199	3,145
	171,550	159,539
AGF Trust interest income (note 11)	76,752	47,215
AGF Trust interest expense (note 11)	(53,956)	(29,724)
AGF Trust net interest income	22,796	17,491
<b>Total Revenue</b>	<b>194,346</b>	<b>177,030</b>
<b>Expenses</b>		
Selling, general and administrative	55,959	51,496
Trailing commissions	41,836	38,434
Investment advisory fees	3,951	4,041
Amortization of deferred selling commissions	26,054	26,515
Amortization of customer contracts	2,152	1,479
Amortization of property, equipment, computer software and other intangible assets	1,661	2,305
Interest expense	3,022	1,047
Provision for AGF Trust loan losses	3,062	2,695
	137,697	128,012
Income from continuing operations before income taxes and non-controlling interest	56,649	49,018
Income tax expense (reduction) (note 12)		
Current	12,106	13,664
Future	(18,261)	(2,928)
	(6,155)	10,736
Non-controlling interest (note 4)	145	220
Net income from continuing operations for the period	62,659	38,062
Loss on dissolution of Limited Partnerships, net of tax (note 6)	-	(2,128)
Net earnings from discontinued operations, net of tax (note 3)	-	382
Net income for the period	\$ 62,659	\$ 36,316
<b>Earnings per share (note 9)</b>		
Basic from continuing operations	\$ 0.70	\$ 0.43
Diluted from continuing operations	\$ 0.70	\$ 0.42
Basic	\$ 0.70	\$ 0.41
Diluted	\$ 0.70	\$ 0.40

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

AGF Management Limited  
Consolidated Statements of Changes in Shareholders' Equity

(in thousands of dollars) (unaudited)	February 29, 2008	February 28, 2007
<b>Common shares</b>		
Balance, beginning of period	\$ 421,923	\$ 403,566
Issued through dividend reinvestment plan	533	662
Stock options exercised	3,821	2,605
Issued on acquisition of Highstreet Partners Ltd. (note 4)	5,116	5,672
Balance, end of period	431,393	412,505
<b>Contributed surplus</b>		
Balance, beginning of period	14,948	10,470
Stock options	(1,130)	1,151
Balance, end of period	13,818	11,621
<b>Retained earnings</b>		
Balance, beginning of period	635,369	565,576
Transitional adjustment on adoption of new accounting policies	-	(25)
Balance, beginning of period, as restated	635,369	565,551
Net income for the period	62,659	36,316
Dividends on AGF Class A voting common shares and AGF Class B non-voting shares	(17,806)	(16,094)
Balance, end of period	680,222	585,773
<b>Accumulated other comprehensive income (loss)</b>		
Balance, beginning of period	(3,238)	3,792
Other comprehensive income (loss)	(7,383)	2,057
Balance, end of period	(10,621)	5,849
<b>Total shareholders' equity</b>	<b>\$ 1,114,812</b>	<b>\$ 1,015,748</b>

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

AGF Management Limited  
Consolidated Statements of Comprehensive Income

<b>Three months ended</b> (in thousands of dollars) (unaudited, note 1)	<b>February 29, 2008</b>	<b>February 28, 2007</b>
<b>Net income</b>	\$ 62,659	\$ 36,316
<b>Other comprehensive income (loss), net of tax:</b>		
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations <sup>1</sup>	(4,851)	1,598
Net change in unrealized gain (loss) on available-for-sale securities <sup>2</sup>	(1,443)	459
Net change in unrealized gains (losses) on cash flow hedges <sup>3</sup>	(1,089)	-
<b>Total other comprehensive income (loss), net of tax</b>	<b>(7,383)</b>	<b>2,057</b>
<b>Comprehensive income</b>	<b>\$ 55,276</b>	<b>\$ 38,373</b>

<sup>1</sup> Net of income tax reduction of \$0.8 million for the three months ended February 29, 2008. Net of income tax expense of \$0.3 million for the three months ended February 28, 2007.

<sup>2</sup> Net of income tax reduction of \$0.2 million for the three months ended February 29, 2008. Net of income tax expense of \$0.1 million for the three months ended February 28, 2007.

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

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

AGF Management Limited  
Consolidated Statements of Cash Flow

Three months ended (in thousands of dollars) (unaudited)	February 29, 2008	February 28, 2007
<b>Operating Activities</b>		
Net income for the period	\$ 62,659	\$ 36,316
Loss on dissolution of limited partnerships, net of tax	–	2,128
Loss (earnings) from discontinued operations, net of tax	–	(382)
Net income from continuing operations	62,659	38,062
Items not affecting cash		
Amortization	29,867	30,299
Future income taxes	(18,261)	(2,928)
Gain on sale of RSP loan securitization and related income, net of impairment	(759)	(661)
Stock-based compensation	2,359	1,558
Provision for AGF Trust loan losses	3,062	2,695
Other	3,425	(344)
	82,352	68,681
Net increase in non-cash balances related to operations	(71,308)	(12,782)
Net cash provided by continuing operating activities	11,044	55,899
Net cash provided (used) in discontinued operating activities	–	(254)
Net cash provided by operating activities	11,044	55,645
<b>Financing Activities</b>		
Issue of Class B non-voting shares	1,943	3,267
Dividends	(17,803)	(16,094)
Increase in bank loan	99,215	99,000
Net increase in AGF Trust deposits	269,529	306,930
Net cash provided by continuing financing activities	352,884	393,103
<b>Investing Activities</b>		
Deferred selling commissions paid	(26,766)	(43,694)
Acquisition of Highstreet Partners Limited, net of cash acquired	(20,784)	(19,873)
Purchase of property, equipment and other intangible assets	(1,541)	(776)
Other investment activities	(118,569)	–
Net increase in AGF Trust mortgages and consumer loans	(333,770)	(445,370)
Net cash used in continuing investing activities	(501,430)	(509,713)
Net cash used in discontinued investing activities of operations held for sale	–	(326)
Net cash used in investing activities	(501,430)	(510,039)
<b>Decrease in cash and cash equivalents during the period</b>	<b>(137,502)</b>	<b>(61,291)</b>
<b>Balance of cash and cash equivalents, beginning of period</b>	<b>827,874</b>	<b>404,115</b>
<b>Balance of cash and cash equivalents, end of period</b>	<b>\$ 690,372</b>	<b>\$ 342,824</b>
<b>Cash and cash equivalents related to:</b>		
Continuing operations	\$ 690,372	\$ 342,129
Discontinued operations	–	695
	\$ 690,372	\$ 342,824
<b>Represented by:</b>		
Cash and cash equivalents	\$ 68,066	\$ 37,225
AGF Trust cash and cash equivalents	622,306	305,599
	\$ 690,372	\$ 342,824

Refer to note 10 for supplemental cash flow information.

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

# Notes to Consolidated Financial Statements

For the three months ended February 29, 2008, and February 28, 2007 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited Q1 2008 Consolidated Financial Statements of AGF Management Limited (AGF or the Company) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) using the same significant accounting policies as AGF's Consolidated Financial Statements for the year ended November 30, 2007. These financial statements do not contain all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements for the year ended November 30, 2007, published in AGF's 2007 Annual Report. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

## **Note 1: Change in Accounting Policy**

### **Capital Disclosures**

Effective December 1, 2007, the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures" was adopted, which requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new guidance did not have any impact on the financial position or earnings of the Company. Refer to Note 13.

### **Financial Instruments Disclosures and Presentation**

Effective December 1, 2007, the accounting and disclosure requirements of the CICA's two new accounting standards were adopted: "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation." The new guidance did not have any impact on the financial position or earnings of the Company. Refer to Note 14.

## **Note 2: Securitization of AGF Trust Loans**

In 2006 and 2007 the Company, through its wholly owned subsidiary AGF Trust Company (AGF Trust), has securitized RSP loans through the sale of these loans to a securitization trust. As at February 29, 2008, \$246.3 million (November 30, 2007 – \$291.1 million) of securitized loans were outstanding.

When RSP loan receivables are sold in securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained. The retained interests are carried at fair value and are determined using the present value of future expected cash flows. A gain or loss on the sale of loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions: excess spread, discount rate on the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

The Company has recorded retained interests of \$49.9 million (November 30, 2007 – \$50.9 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at \$18.9 million (November 30, 2007 – \$20.4 million), ii) cash collateral of \$11.5 million (2007 – \$11.3 million) and iii) over-collateralization of \$19.5 million (2007 – \$19.2 million).

As at February 29, 2008, the impaired loans included in the securitized balances were equal to \$0.6 million (November 30, 2007 – \$0.7 million), and during the three months ended February 29, 2008, \$0.7 million (2007 – \$0.4 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust are limited to the retained interests. For the three months ended February 29, 2008, cash flows of \$2.3 million were received on the securitized loans, all of which was related to the interest-only strip. The total other income recognized from securitization during the three months ended February 29, 2008, was \$1.0 million.

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

Excess spread	3.1% – 3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	16.3%
Expected weighted average life of RSP loans	24 – 26 months

The Trust Company retained servicing responsibilities for the securitized loans. A servicing liability of \$1.6 million was recorded as at February 29, 2008 (November 30, 2007 – \$1.8 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the three months ended February 29, 2008, was \$0.2 million (2007 - \$0.1 million).

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at February 29, 2008. Since the sensitivity is hypothetical, it should be used with caution. The effect of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

(in thousands of dollars)	
Discount rate	
+10%	\$ 198
+20%	391
Prepayment rate	
+10%	\$ 338
+20%	657
Expected credit losses	
+10%	\$ 363
+20%	727
Excess spread	
+10%	\$ 1,630
+20%	3,229

### Note 3: Discontinued Operations and Assets Held for Sale

On April 30, 2007, AGF sold 100% of Investmaster for \$6.8 million and the additional contingent consideration that is not determinable at this time, recognizing a gain on the sale of \$4.7 million. The purchase consideration included \$5.0 million in cash and two notes receivable from the buyer, totalling \$1.8 million, due on April 30, 2009, and April 30, 2010, respectively. The contingent consideration will be payable to AGF in 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster. Accordingly, Investmaster's operations for the 2007 period have been reported as discontinued operations.

Three months ended	February 28,
(in thousands of dollars, except per share amounts)	2007
Revenue	\$ 3,603
Net earnings (loss) from discontinued operations, net of tax	\$ 382
Basic net earnings per share	\$ –
Diluted net earnings per share	\$ –

**Note 4: Acquisition of Highstreet Partners Ltd.**

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Ltd. (Highstreet), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issue of Class B non-voting shares (Class B shares). As at February 29, 2008, AGF has made payments of \$41.0 million in cash and \$10.8 million through the issue of 439,191 AGF Class B shares, which approximates 66.6% of the purchase price. An additional payment of \$25.9 million (principal and imputed interest) is due on February 28, 2009, for total minimum consideration, including acquisition costs, of \$74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable.

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

(in thousands of dollars)	
<b>Net assets acquired</b>	
Cash	\$ 354
Other assets	3,011
Management contracts	26,010
Customer contracts	14,160
Goodwill	45,895
Trademarks	1,935
Current liabilities	(2,955)
Future income taxes	(14,014)
	<b>\$ 74,396</b>
<b>Consideration paid (including acquisition costs)</b>	
Cash	\$ 20,228
Issue of Class B shares (note 9)	5,672
Payments subsequent to acquisition date (note 8)	47,896
Acquisition costs	600
	<b>\$ 74,396</b>

**Note 5: Acquisition of Cypress Capital Management Ltd.**

On June 30, 2004, AGF acquired 100% of the shares of Cypress. At the time of purchase, contingent consideration of up to \$9.0 million was due to the vendors, subject to Cypress achieving certain revenue levels over the three-year period ended June 30, 2007. During 2007, AGF determined that these revenue levels were exceeded, and the consideration of \$9.0 million was paid. The payment consisted of \$7.8 million in cash and the issue of 33,367 Class B non-voting shares valued at \$1.2 million. The payment was recorded as an increase in goodwill on June 30, 2007.

**Note 6: Dissolution of Partnerships**

On February 28, 2007, the unitholders and the respective boards of directors of the following limited partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership, and 20/20 Group 1992 Limited Partnership – approved the dissolution of each LP. On March 1, 2007, as part of the LP dissolution process, AGF purchased the future distribution fees remaining payable by AGF to the LPs or purchased the outstanding units for total cash consideration of \$3.2 million (\$2.1 million net of taxes). As a result of the aforementioned transaction, no further distribution will be made to these LPs.

**Note 7: AGF Trust**

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

(in thousands of dollars)	Term to contractual repricing			February 29, 2008	November 30, 2007
	Variable rate	1 year or less	1 to 5 years		
Mortgage loans	\$ 1,567	\$ 559,137	\$ 817,537	\$ 1,378,241	\$ 1,326,327
Home equity lines of credit (HELOC)	504,591	–	–	504,591	449,151
Total real estate secured loans	506,158	559,137	817,537	1,882,832	1,775,478
Investment loans	2,168,673	5,355	9,668	2,183,696	1,914,686
	2,674,831	564,492	827,205	4,066,528	3,690,164
Less: allowance for loan losses				(18,696)	(17,137)
Add: net deferred sales commissions and commitment fees				8,405	7,334
				4,056,237	3,680,361
Less: current portion				(588,945)	(492,756)
				\$ 3,467,292	\$ 3,187,605
Impaired loans included in above				\$ 27,386	\$ 25,821
Less: specific allowance for loan losses				(1,836)	(1,860)
				\$ 25,550	\$ 23,961

**(a) Real Estate Secured and Investment Loans**

The table represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at February 29, 2008, were \$588.9 million (November 30, 2007 – \$492.8 million).

As at February 29, 2008, the AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages, of which \$582.7 million (November 30, 2007 – \$563.5 million) is insured, with a weighted average term to repricing of 2.0 years (November 30, 2007 – 2.0 years) and a weighted average yield of 7.28% (November 30, 2007 – 7.20%). Investment loans have interest rates based on prime. As at February 29, 2008, the average interest rate on HELOCs was 5.80% (November 30, 2007 – 6.30%) and on investment loans was 7.07% (November 30, 2007 – 7.60%). Mortgage and HELOC loans are secured primarily by residential real estate. Investment loans are secured by the investment made using the initial loan proceeds.

**(b) Past Due Loans but Not Impaired**

Loans are considered to be past due where repayment of principal or interest is contractually in arrears. The following table provides an aging analysis of loans that are past due but not impaired:

(in thousands of dollars)			
as at February 29, 2008	31 to 60 days	61 to 90 days	Total
Mortgage loans	\$ 19,021	\$ 8,683	\$ 27,704
Investment loans	2,897	943	3,840
RSP loans	1,889	1,000	2,889
HELOC receivable	1,176	1,211	2,387
	\$ 24,983	\$ 11,837	\$ 36,820

(in thousands of dollars)			
as at November 30, 2007	31 to 60 days	61 to 90 days	Total
Mortgage loans	\$ 15,840	\$ 12,297	\$ 28,137
Investment loans	1,882	580	2,462
RSP loans	2,796	1,260	4,056
HELOC receivable	970	294	1,264
	\$ 21,488	\$ 14,431	\$ 35,919

**(c) Allowance for Credit Losses**

(in thousands of dollars)	February 29, 2008			November 30, 2007		
	Specific allowances	General allowances	Total allowances	Specific allowances	General allowances	Total allowances
The change in the allowance for loan losses is as follows:						
Balance, beginning of period	\$ 1,860	\$ 15,277	\$ 17,137	\$ 1,545	\$ 14,101	\$ 15,646
Amounts written off	(1,638)	–	(1,638)	(2,073)	–	(2,073)
Recoveries	135	–	135	166	–	166
Reduction due to RSP loan securitization	–	–	–	–	–	–
Provision for loan losses less insurance premium	1,479	1,583	3,062	2,222	1,176	3,398
	\$ 1,836	\$ 16,860	\$ 18,696	\$ 1,860	\$ 15,277	\$ 17,137

**(d) AGF Trust Deposits**

(in thousands of dollars)	Term to maturity			February 29, 2008	November 30, 2007
	Demand	1 year or less	1 to 5 years		
Deposits	\$ 7,081	\$ 2,081,338	\$ 2,310,960	\$ 4,399,379	\$ 4,099,663
Less: deferred selling commissions				(16,103)	(16,321)
Less: current portion				(2,088,419)	(1,847,494)
Long-term deposits				\$ 2,294,857	\$ 2,235,848

As at February 29, 2008, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.7 years (November 30, 2007 – 1.8 years) and a weighted average interest rate of 4.41% (November 30, 2007 – 4.38%).

**(e) Interest Rate Swaps**

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between March 2008 and July 2012 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to mitigate net interest revenue volatility. As at February 29, 2008, the aggregate notional amount of the swap transactions was \$3.0 billion (November 30, 2007 – \$2.8 billion). The

aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at February 29, 2008, was \$38.4 million (November 30, 2007 – \$6.7 million).

Notional amount of swap	Fair Value	Maturity date	Fixed interest rate received
(in thousands of dollars)			
\$ 1,222,000	\$ 5,652	2008	3.17% - 4.83%
727,000	8,728	2009	3.30% - 4.97%
575,000	11,586	2010	3.45% - 5.05%
355,000	10,332	2011	3.94% - 5.08%
85,000	2,130	2012	4.06% - 5.01%

**(f) Interest Rate Sensitivity**

For AGF Trust, the impact of a 1% change in interest rates either up or down would be an increase or decrease of annual net interest income of approximately \$3.1 million. This sensitivity analysis is based on an immediate parallel shift of the yield curve and assumes no change in the repricing profile of the balance sheet after the balance sheet date.

**Note 8: Long-Term Debt**

(in thousands of dollars)	February 29, 2008	November 30, 2007
Revolving term loan	\$ 259,107	\$ 160,000
Payment related to acquisition of Highstreet Partners Ltd. (note 4)		
February 28, 2008	–	25,611
February 28, 2009	24,762	24,486
	283,869	210,097
Less: amount included in current liabilities	24,762	25,611
	\$ 259,107	\$ 184,486

**(a) Revolving Term Loan**

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$300.0 million (November 30, 2007 – \$300.0 million) with a Canadian chartered bank. Under the loan agreement, AGF is permitted to draw down the revolving term loan by direct advances and/or bankers' acceptances (BAs). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the Commitment Period). The expiration of the current commitment period is June 30, 2008. However, AGF may request by April 15, 2008, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of the principal outstanding.

As at February 29, 2008, AGF has drawn \$259.1 million (2007 – \$160.0 million) against the available loan amount in the form of 1- to 31-day BAs at an effective average interest rate of 4.58% per annum.

Security for the bank loans includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which AGF acts as manager and, depending upon the amount of the loan outstanding, an assignment of AGF's investments in 20/20 Financial Corporation and AGF International Company Limited.

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

On December 1, 2006, AGF acquired 79.9% of Highstreet (Note 4). On February 29, 2008, a payment of \$25.9 million was paid. The payment consisted of \$20.8 million in cash and the issuance of 215,883 Class B shares valued at \$5.1 million. A final payment of \$25.9 million, which includes principal and imputed interest at the rate of 4.5% per annum, is due to the vendors on February 28, 2009, and will be satisfied through a combination of cash and Class B shares.

**Note 9: 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, 2008, and 2007 is as follows:

(in thousands of dollars, except per share amounts)	Three months ended February 29, 2008		Three months ended February 28, 2007	
	Shares	Stated value	Shares	Stated value
<b>Class A shares</b>	57,600	\$ –	57,600	\$ –
<b>Class B shares</b>				
Balance, beginning of period	88,922,157	\$ 421,923	89,171,997	\$ 403,566
Issued through dividend reinvestment plan	19,156	533	25,711	662
Stock options exercised	72,900	3,821	136,450	2,605
Issued on acquisition of a subsidiary (note 4)	215,883	5,116	225,116	5,672
Balance, end of period	89,230,096	\$ 431,393	89,559,274	\$ 412,505

**(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 25, 2009. Under this normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,253,822 shares. No Class B shares were purchased during the three months ended February 29, 2008, and February 28, 2007.

**(d) Stock Option Plans**

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 6,544,502 Class B shares could have been granted as at February 29, 2008 (2007 – 7,310,066). The stock options are issued at a price not less than the market price of the Class B shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum or, in some instances, 100% vest at the end of the term of the option.

The change in stock options during the three months ended February 29, 2008, and 2007 is summarized as follows:

	Three months ended February 29, 2008		Three months ended February 28, 2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
<b>Class B share options</b>				
Balance, beginning of period	4,268,765	\$ 22.50	4,324,084	\$ 19.93
Options granted	–	n/m	–	n/m
Options cancelled	(12,167)	18.30	(14,200)	21.75
Options exercised	(72,900)	19.34	(136,450)	19.09
Balance, end of period	4,183,698	\$ 22.57	4,173,434	\$ 19.94

During the three months ended February 29, 2008, AGF did not grant any options (2007 – nil) and recorded \$1.3 million (2007 – \$1.2 million) in compensation expense and contributed surplus.

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

Under the Company's RSU and PSU plans, certain senior employees are issued either RSUs or PSUs. These units vest three years from the grant date provided the employee meets certain performance criteria. On the vesting dates, AGF will redeem all of the participants' share units in cash equal to the value of one Class B share for each RSU or PSU as applicable.

The changes in share units during the three months ended February 29, 2008, and February 28, 2007, are as follows.

Three months ended	February 29, 2008		February 28, 2007	
	Number of share units	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value
Outstanding, beginning of the year				
Non-vested	345,257	\$ 29.65	142,992	\$ 23.33
Vested	–		–	
Issued				
Initial allocation	–		–	
In lieu of dividends	2,758		1,000	
Vested	–		–	
Settled in cash	–		–	
Forfeited and cancelled	(4,798)		–	
Outstanding, end of the year	343,217		143,992	

Compensation expense for the three months ended February 29, 2008, related to these units was \$1.0 million (2007 – \$0.4 million). AGF has entered into swap agreements to fix the cost of compensation related to certain RSUs and PSUs. Compensation expense includes the effect resulting from the change in fair value of the swap held to economically hedge the RSU and PSU plans. As at February 29, 2008, AGF has hedged 303,045 share units at a fixed cost between \$31.28 and \$35.07.

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

The Company has established a DSU plan for non-employee directors. The plan enables AGF directors to elect to receive their remuneration in DSUs. On termination, AGF will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU. There is no unrecognized compensation related to directors' DSUs since these awards vest immediately when granted. As at February 29, 2008, 11,591 (2007 – nil) DSUs were outstanding. Compensation expense related to these DSUs for the three months ended February 29, 2008, was \$0.1 million (2007 – nil).

**(g) Earnings Per Share**

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

Three months ended (in thousands of dollars, except per share amounts)	February 29, 2008	February 28, 2007
<b>Numerator</b>		
Net income from continuing operations for the period	\$ 62,659	\$ 38,062
Loss on dissolution of partnerships, net of tax (note 6)	–	(2,128)
Net earnings from discontinued operations, net of tax (note 3)	–	382
Net income for the period	\$ 62,659	\$ 36,316
<b>Denominator</b>		
Weighted average number of shares – basic	89,039,394	89,474,827
Dilutive effect of employee stock options	768,112	1,165,907
Weighted average number of shares – diluted	89,807,506	90,640,734
<b>Earnings per share</b>		
Basic from continuing operations	\$ 0.70	\$ 0.43
Diluted from continuing operations	\$ 0.70	\$ 0.42
Basic	\$ 0.70	\$ 0.41
Diluted	\$ 0.70	\$ 0.40

**Note 10: Supplemental Disclosure of Cash Flow Information**

Interest payments for the three months ended February 29, 2008, were \$50.7 million (2007 – \$30.7 million).  
Income tax payments for the three months ended February 29, 2008, were \$14.0 million (2007 – \$8.5 million).

**Note 11: AGF Trust Net Interest Income**

The breakdown of net interest income is as follows:

Three months ended (in thousands of dollars)	February 29, 2008	February 28, 2007
AGF Trust interest income:		
Loan interest	\$ 66,497	\$ 43,155
Investment interest	10,255	4,060
	76,752	47,215
AGF Trust interest expense:		
Deposit interest	47,144	26,417
Other interest expense	6,812	3,307
	53,956	29,724
AGF Trust net interest income	\$ 22,796	\$ 17,491

**Note 12: Income Tax**

On October 30, 2007, the Department of Finance proposed to reduce the federal corporate income tax rate to 15% from 18.5% by January 1, 2012. The change was substantially enacted in December 2008. Consequently, the Company recognized a \$19.5 million reduction in future income tax liabilities.

**Note 13: Capital Management****Objective, policies and procedures**

The Company's objectives when managing capital are to:

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

Our capital is primarily derived from the common shareholders and retained earnings. The Executive Committee of AGF is responsible for the management of capital. The Board of Directors of AGF is responsible for overseeing the Company's capital policy and management. The Company reviews its five-year capital plan annually.

AGF Trust's regulatory capital requirements are determined in accordance with guidelines issued by the OSFI. The OSFI guidelines are based on a framework of risk-based capital standards developed by the Bank for International Settlements (BIS). Effective January 1, 2008, AGF Trust is monitoring its regulatory capital based on the BIS regulatory risk-based capital framework (Basel II). BIS standards require that AGF Trust maintain minimum Tier 1 and Total capital ratios of 4% and 8%, respectively. The OSFI has established that Canadian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of at least 7% and 10%, respectively. During the quarter, AGF Trust has complied with these regulatory capital requirements.

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

Regulatory capital is detailed as follows:

(\$ thousands)	As at February 29, 2008	As at November 30, 2007 <sup>1</sup>
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,019	910
Retained earnings	88,641	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(20,684)	–
	215,744	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	16,860	15,277
Less: securitization and other	(9,048)	(26,669)
	117,312	78,108
<b>Total capital</b>	<b>\$ 333,056</b>	<b>\$ 290,649</b>

<sup>1</sup> Information based on capital adequacy requirements in force at that date.

#### **Note 14: Risk management**

The risk management policies and procedures of the Company relating to credit, market and liquidity risks are provided in the "Managing Risk" section of the Management's Discussion & Analysis for the three months ended February 29, 2008, which are an integral part of the Q1 2008 Consolidated Financial Statements.

**Note 15: Segment Information**

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The reportable segments are strategic business units that offer different products and services. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products. AGF Trust Company offers a wide range of trust services, including GICs, term deposits, real estate secured loans, investment loans and HELOC loans. The results of S&WHL are included in Other.

The results of the reportable segments are based on AGF's internal financial reporting systems. The accounting policies used in these segments are generally consistent with those described in the "Summary of Significant Accounting Policies" detailed in AGF's 2007 Annual Report.

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

  

(in thousands of dollars) Three months ended February 28, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 156,482	\$ 19,268	\$ 1,280	\$ 177,030
Operating expenses	85,513	11,153	-	96,666
Amortization and other	29,994	305	1,047	31,346
Segment income from continuing operations before taxes	\$ 40,975	\$ 7,810	\$ 233	\$ 49,018
Total assets	\$ 1,268,450	\$ 3,110,226	\$ -	\$ 4,378,676