



Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis includes forward-looking statements about AGF Management Limited, 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 performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important 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. Please see the 2005 Annual MD&A 'Factors that May Affect Future Results' section for a further discussion of factors that may affect actual results. We expressly disclaim such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law.

Dear fellow shareholders

During the second quarter of 2006, the momentum in each of our businesses continued. Our investment management business saw continued improvement in mutual fund sales and we reported positive net sales for the quarter. Private investment management assets increased as we looked for new ways to meet the needs of high-net-worth investors. AGF Trust, part of a unique value proposition for our clients, continued with its impressive rate of growth.

In the second quarter of fiscal 2006, consolidated revenue was \$174.2 million compared with \$147.1 million in the second quarter of the prior year. Consolidated net income from continuing operations for the three months ended May 31, 2006 was \$21.7 million compared with \$19.7 million for the same period last year. Earnings before interest, taxes, depreciation and amortization¹ (EBITDA) from continuing operations were \$65.6 million compared with \$63.6 million for the three months ended May 31, 2005.

For the three months ended May 31, 2006, AGF reported cash flow from continuing operations¹ (before net change in non-cash balances related to operations) of \$54.3 million, compared with \$57.7 million one year ago. Free cash flow¹ (cash flow from continuing operations less selling commissions paid) was \$24.4 million, compared with \$40.4 million one year ago. This reduction in free cash flow is directly related to our improved mutual fund net sales position, as we paid more deferred sales commissions and collected less in deferred sales charges during the three months ended May 31, 2006, compared to the same period last year.

We were delighted to announce that during the quarter, AGF Elements, which was launched in November 2005, surpassed \$0.5 billion in assets. We were also pleased with the continued success of the AGF Dividend Income Fund. We acquired the Fund from ING Investment Management Inc. on August 5, 2005, and at that time, it had AUM of \$154 million. As at May 31, 2006, the Fund has grown to \$595.8 million. AGF Harmony, which hit the \$1 billion AUM mark last year, has now \$1.7 billion in AUM.

During the quarter, we took steps to ensure that we sustain our strong operational performance. We dealt with key succession issues as the board announced that Warren Goldring, co-founder and chairman of the board, would step down and assume the role of honorary chairman effective June 30, 2006. On the same date, I will begin serving as chairman and CEO. We also realigned the management team by appointing Randy Ambrosie to the role of president, AGF Funds Inc. We will continue to focus on ensuring each of our businesses meet the needs of our clients. We believe that our superior investment management, quality products, determined sales and marketing efforts and AGF Trust's strategy and service give us a competitive advantage.



Blake C. Goldring, CFA
President and Chief Executive Officer
May 31, 2006

¹ Cash flow from continuing operations, free cash flow and EBITDA are non-GAAP measures. Please refer to page 4 of this report.

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

For the six months ended May 31, 2006

Management's Discussion and Analysis ('MD&A') presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at May 31, 2006 compared with November 30, 2005, and the results of operations for the three and six months ended May 31, 2006 compared with the corresponding periods of 2005. This discussion should be read in conjunction with our 2005 annual MD&A and 2005 annual audited Consolidated Financial Statements and Notes. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ('GAAP'). Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the 2005 annual MD&A: 'Factors that May Affect Future Results', 'Disclosure Controls', 'Off Balance Sheet Arrangements', 'Intercompany and Related Party Transactions' and 'Government Regulations'. Please see the 'Critical Accounting Policies' section of this MD&A for details regarding changes since the annual 2005 MD&A. There has been a change to the 'Contractual Obligations' section due to the agreement with Multifund Management Inc. ('MultiFund'), which is described below. 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 approximately \$38 billion in assets under management ('AUM'), is one of Canada's premier investment management companies, with operations in Canada, the United Kingdom, Ireland and Asia. Approaching 50 years in business, we commenced operations in 1957 with one of the first mutual funds available to Canadians wishing to invest internationally.

For purposes of this discussion, the operations of AGF Management Limited and our subsidiary companies are referred to as 'we', 'us', 'our' or the 'Company'. The financial results relating to the operations have been reported in three segments: Investment Management Operations, Trust Company Operations and Other. As a result of the sale of Unisen Holdings Inc. ('Unisen'), Unisen's operations have been reported as discontinued operations. The results of Investmaster Group Limited ('Investmaster') have been included in Other, as this entity does not meet the criteria for separate disclosure.

Strategy and Highlights

As stated in our 2005 annual MD&A, our overall business strategy is to help identify and facilitate opportunities for our business segments and ensure segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term.

During the second quarter of 2006, we achieved the following:

- Addressed succession at the most senior level of management. We announced that on June 30, 2006, C. Warren Goldring, co-founder and chairman of the board, will step down and assume the role of honorary chairman, and Blake Goldring, president and chief executive officer of AGF Management Limited, will become chairman and CEO. We also appointed Randy Ambrosie to the role of president, AGF Funds Inc.
- Agreed to repurchase debt owed to Multi-Fund Income Trust ("Multi-Fund"), which is a financing vehicle that we used to fund selling commissions paid. The \$3.4 million payment to Multi-Fund resulted in a \$13.3 million gain net of tax and the removal from our balance sheet of \$24.0 million in debt.
- Delivered value directly to our shareholders through dividend payments and our share buy back program.
 - Dividends paid on Class A Voting Common and Class B Non-Voting Shares increased 18.4% to \$16.1 million in Q2 2006, compared with \$13.6 million in 2005.
 - During the quarter, we repurchased 500,000 Class B Non-Voting Shares, compared with repurchases of 75,000 shares in the three months ended May 31, 2005.
- Including dividends and share repurchases, we returned 113.1% of our free cash flow to shareholders during the three months ended May 31, 2006 versus 78.2% in the comparable period last year. We define free cash flow as cash flow from operations before net change in non-cash balances related to operations less deferred selling commissions paid.

- We continued to support the growth of AGF Trust and invested \$16.0 million during the three months ended May 31, 2006, bringing our total investment in debt and equity capital to \$106.4 million. This compares to the investment of \$17.5 million for the three months ended May 31, 2005. AGF Trust mortgage loans have grown 84.1% over the prior year and consumer loans have grown 49.4%.

We remain focused on our strategy and are pleased with the results to date.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our strategies using a number of key performance indicators that are defined and described in our 2005 annual MD&A. The following key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of key performance indicators that are relevant to each segment. Key performance indicators include:

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

The non-GAAP measures that we use throughout this discussion and related calculations are defined as follows. These non-GAAP measures are discussed as part of the business segment discussions included herein:

EBITDA

We define EBITDA as income before interest expense, income taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts in understanding and comparing results. We believe this is an important measure as it allows us to assess our ongoing businesses without the impact of amortization and is an indicator of our ability to incur or service debt, invest in our business, finance sales commissions, pay dividends and execute share repurchase programs. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our consumer loan and mortgage 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 of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance. We believe EBITDA margin is a valuable measure as 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.

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

Consolidated

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006	2005	2006	2005
EBITDA (continuing operations)	\$ 65.6	\$ 63.6	\$ 134.3	\$ 128.7
Divided by revenue	174.2	147.1	343.4	292.7
EBITDA margin	37.7%	43.2%	39.1%	44.0%

Investment Management Operations

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006	2005	2006	2005
EBITDA	\$ 56.8	\$ 60.9	\$ 110.2	\$ 125.4
Divided by revenue	136.7	127.2	264.5	255.2
EBITDA margin	41.6%	47.9%	41.7%	49.1%

Cash Flow from Operations

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006	2005	2006	2005
Net cash provided by continuing operating activities	\$ 66.8	\$ 77.0	\$ 83.4	\$ 108.1
Less: net changes in non-cash balances related to operations	(12.5)	(19.3)	21.0	6.5
Cash flow from continuing operations	\$ 54.3	\$ 57.7	\$ 104.4	\$ 114.6

Free Cash Flow

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, as a substantial amount of cash is spent in upfront commission payments. Free cash flow represents cash available for distribution to our shareholders or for general corporate purposes.

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006	2005	2006	2005
Cash flow from continuing operations (defined above)	\$ 54.3	\$ 57.7	\$ 104.4	\$ 114.6
Less: selling commissions paid	(29.9)	(17.3)	(52.2)	(32.2)
Free cash flow	\$ 24.4	\$ 40.4	\$ 52.2	\$ 82.4

Net Interest Income

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006	2005	2006	2005
Interest income	\$ 30.1	\$ 15.1	\$ 56.3	\$ 27.2
Less: interest expense	(17.8)	(7.1)	(32.3)	(12.8)
Net interest income	\$ 12.3	\$ 8.0	\$ 24.0	\$ 14.4

Efficiency Ratio

The efficiency ratio is a key lending industry performance indicator. We utilize this ratio to ensure 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 May 31,		Six months ended May 31,	
	2006	2005	2006	2005
Non-interest expense	\$ 7.5	\$ 4.4	\$ 14.2	\$ 8.5
Net interest income	\$ 12.3	\$ 8.0	\$ 24.0	\$ 14.4
Add: non-interest income	1.9	0.9	12.5	1.5
Divided by: total of net interest and non-interest income	14.2	8.9	36.5	15.9
Efficiency ratio	52.8%	49.4%	38.9%	53.5%

Critical Accounting Policies

In the six months ended May 31, 2006, two additional significant accounting policies were adopted by the Company and are supplemental to the 'Critical Accounting Policies' section of the 2005 annual MD&A. These policies are as follows:

1) Accounting for Securitizations

Under AcG-12, in order for a securitization to be treated as a sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership, and the Company must receive consideration other than the beneficial interest in the transferred assets.

In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows then the gains or losses on the securitization recognized in income will be adjusted. Note 2 to the financial statements provides additional disclosure regarding the securitizations and related balance sheet and income statement impacts.

2) AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund of fund portfolios. If an AGF Elements portfolio does not match or outperform its customized benchmark over a three-year period, each individual investor will receive up to 90 basis points in additional units, calculated based on the value of such investment at the end of the three-year period.

The Company will include in other liabilities up to 30 basis points per year of each investors assets under management, adjusted for redemptions (forfeitures), until the end of the three-year measurement period of each investment made by such investor. At that time if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of individual units.

Consolidated Operating Results

Our consolidated operating results for the three and six months ended May 31, 2006 and May 31, 2005 are as follows:

(\$ millions, except per share amounts)	Three Months Ended May 31,			Six Months Ended May 31,		
	2006	2005	% change	2006	2005	% change
Revenue						
Investment management operations	\$ 136.7	\$ 127.3	7.4%	\$ 264.5	\$ 255.2	3.6%
Trust company operations	32.0	16.0	100.0%	68.8	28.7	139.7%
Other	6.0	3.8	57.9%	11.1	8.8	26.1%
Intersegment eliminations	(0.5)	0.0	n/m	(1.0)	0.0	n/m
	174.2	147.1	18.4%	343.4	292.7	17.3%
Expenses						
Investment management operations	79.9	66.3	20.5%	154.3	129.8	18.9%
Trust company operations ¹	26.8	12.6	112.7%	50.2	23.5	113.6%
Other	2.4	4.6	(47.8%)	5.6	10.7	(47.7%)
Intersegment eliminations	(0.5)	0.0	n/m	(1.0)	0.0	n/m
	108.6	83.5	30.1%	209.1	164.0	27.5%
EBITDA² (continuing operations)	65.6	63.6	3.1%	134.3	128.7	4.4%
Amortization	33.8	34.8	(2.9%)	67.6	69.8	(3.2%)
Interest Expense	0.8	1.4	(42.9%)	1.3	2.8	(53.6%)
Income Taxes	9.3	7.7	20.8%	19.6	16.2	21.0%
Net income from continuing operations	\$ 21.7	\$ 19.7	10.2%	\$ 45.8	\$ 39.9	14.8%
Gain on repayment of debt, net of tax	13.3	0.0	n/m	13.3	0.0	n/m
Loss on sale of discontinued operations, net of tax	(2.0)	0.0	n/m	(2.0)	0.0	n/m
Net earnings of discontinued operations, net of tax	0.0	2.7	n/m	0.0	3.6	n/m
Net income	\$ 33.0	\$ 22.4	47.3%	\$ 57.1	\$ 43.5	31.3%
Earnings per share from continuing operations - diluted	\$ 0.24	\$ 0.22	9.1%	\$ 0.51	\$ 0.44	15.9%

¹ Includes interest expense related to deposits, the funds of which are used in our consumer loan and mortgage programs. See the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

² As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue for the three and six months ended May 31, 2006 increased by 18.4% and 17.3%, respectively, as compared with the corresponding period in 2005. For the three months ended May 31, 2006, the increase is attributable to an increase of 7.4% in Investment Management Operations and revenue growth of 100% in Trust Company Operations. For the six months ended May 31, 2006, revenue from Investment Management was up from the prior year by 3.6% while revenue from Trust Company Operations was up by 139.7%. Other, which includes revenue of Investmaster and our 30.9% equity interest in Smith & Williamson Holdings Limited ('S&WHL'), was higher for the three and six months ended May 31, 2006 as compared with the corresponding periods in 2005, due to strong performance at S&WHL.

Expenses for the three and six months ended May 31, 2006 increased by 30.1% and 27.5%, respectively, as compared with the corresponding periods in 2005. Investment Management Operations expenses increased by 20.5% and 18.9%, respectively, for the three and six months ended May 31, 2006 as compared with the corresponding periods in 2005. Expenses are higher due to sales and marketing efforts, fund absorption related to the capping of management expense ratios in all of our funds, and increased expenses in the private investment management business. Trust Company Operations expenses increased by 112.7% and 113.6%, respectively, for the three and six months ended May 31, 2006 as compared with the corresponding periods in 2005. These increases were consistent with increases in funding of mortgage and consumer loans. The declining expenses in the Other segment relates solely to Investmaster's operations, which have been significantly restructured to reduce costs.

The revenue and expense impact contributed to the increase in EBITDA of 3.1% and 4.4% for the three and six months ended May 31, 2006, respectively, from the corresponding periods of 2005. The overall EBITDA growth is a result of strong performance in our Trust and UK operations, offset by declining EBITDA for the Investment Management Operations segment. The three months ended May 31, 2006 marked a quarter of net positive mutual fund sales and continued growth in the Institutional and Private Investment Management AUM. To this end, we continue to invest in and support initiatives that will facilitate future growth in the Investment Management Operations segment. These results reflect the strength of our group of operating companies, which have contributed to our success for both the three and six months ended May 31, 2006.

Amortization expenses decreased by 2.9% and 3.2% in the three and six months ended May 31, 2006, respectively, compared with the corresponding periods in 2005. For the three and six months ended May 31, 2006, amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$27.2 million and \$54.4 million (2005 – \$28.5 million and \$57.0 million), respectively, of the total amortization expense and was the primary driver of the period-over-period decreases.

Interest expense decreased by 42.9% and 53.6%, respectively, for the three and six months ended May 31, 2006 as compared with the corresponding periods in 2005. Interest expense is dependent upon the average outstanding loan balances and interest rates.

Income tax expense for the three months ended May 31, 2006 was \$9.3 million as compared with \$7.7 million in the second fiscal quarter of 2005. For the six months ended May 31, 2006, income tax expense was \$19.6 million as compared with \$16.2 million in the corresponding period in 2005. The effective tax rate for the first six months of 2006 was 30.0% as compared with 28.9% in the corresponding period of the prior year. Our tax rate and corresponding tax expense were higher in 2006 than in 2005 because we acquired and utilized tax benefits during 2005.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$21.7 million in the quarter ended May 31, 2006 as compared with \$19.7 million in the comparable period of 2005. For the six months ended May 31, 2006, net income from continuing operations was \$45.8 million compared with \$39.9 million in the prior-year period. Basic and fully diluted earnings per share from continuing operations were \$0.24 in the second quarter of 2006 as compared with \$0.22 per share in the second quarter of 2005.

Net income was \$33.0 million in the quarter ended May 31, 2006 as compared with \$22.4 million in the comparable period of 2005. For the six months ended May 31, 2006, net income was \$57.1 million compared with \$43.5 million in the prior-year period. The three- and six-month periods ended May 31, 2006 included a \$13.3 million gain on repayment of debt and a \$2.0 million loss related to subsequent adjustments to the final purchase price on the sale of a Unisen. During the second quarter of 2006, we reached an agreement with Multi-Fund to terminate our obligations for a cash payment of \$3.3 million. The gain resulted because the liability recorded on our balance sheet was higher than the cash buy out price. As a result of the Multi-Fund transaction, the Company will no longer be required to make ongoing payments, which totalled \$345,000 for the three months ended May 31, 2006. The estimated loss relates to the sale of Unisen and is derived from a clause in the agreement of purchase and sale, which granted the purchaser certain revenue guarantees up to, and including, June 30, 2006.

A further discussion of the results of each business segment for the three and six months ended May 31, 2006 as compared with May 31, 2005 follows.

Business Segment Performance

We report on three business segments. Investment Management Operations and Trust Company Operations are discussed below. The Other segment includes the results of S&WHL, which is accounted for by the equity method, and the results of our wholly owned subsidiary Investmaster. These entities do not meet the criteria for separate segment disclosure. The Other segment also includes interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Investment Management Operations

Business and Industry Profile

Our Investment Management Operations segment provides products and services across the wealth continuum, including fund of funds products, mutual funds, wrap products 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 & Highlights

The strategic priorities for our investment management operations, which are detailed in the 2005 annual MD&A, include enhancing our client-centric model by focusing on investment excellence and service excellence, as well as promoting AGF's international investment management competency.

Consistent with our stated strategy during the second quarter of fiscal 2006, we achieved the following:

- Sustained the trend of improving sales figures and reported positive net sales of long-term funds for the three months ended May 31, 2006.
- Continued the successful promotion of AGF Elements, a proprietary fund of funds product that brings state-of-the-art portfolio construction and monitoring, along with an unprecedented commitment to quality of money management. AGF Elements was launched on November 28, 2005 and as of May 31, 2006 had reached AUM of \$554.7 million.
- Continued the sales momentum of the AGF Dividend Income Fund. This Fund was formerly the ING Canadian Dividend Income Fund and was acquired on August 5, 2005. At the time, the Fund had AUM of \$154.0 million. At the beginning of the second quarter of 2006, the Fund had grown to \$469.9 million and by the end of the quarter the Fund had \$595.8 million.
- Harmony, AGF's wrap program, reached \$1.7 billion in assets under management. Launched in 1997, Harmony has become one of the industry's fastest growing high-end wrap services.

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 and private investment management AUM. As a result, the level of AUM has a significant influence on financial results. The following table illustrates the composition of the changes in total AUM during the three and six months ended May 31, 2006 and May 31, 2005:

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2006	2005	% change	2006	2005	% change
Mutual fund AUM, beginning of period	\$ 23,505	\$ 22,657	3.7%	\$ 22,209	\$ 22,747	(2.4%)
Gross sales of mutual funds	1,196	676	76.9%	2,342	1,367	71.3%
Redemptions of mutual funds	(1,142)	(1,279)	(10.7%)	(2,387)	(3,597)	(33.6%)
Net mutual fund sales (redemptions)	54	(603)	(109.0%)	(45)	(2,230)	(98.0%)
Market appreciation of fund portfolios	122	(404)	(130.2%)	1,517	1,133	33.9%
Mutual fund AUM, end of period	\$ 23,681	\$ 21,650	9.4%	\$ 23,681	\$ 21,650	9.4%
Institutional AUM	8,029	5,067	58.5%	8,029	5,067	58.5%
PIM AUM	6,001	5,287	13.5%	6,001	5,287	13.5%
Total AUM, end of period	\$ 37,711	\$ 32,004	17.8%	\$ 37,711	\$ 32,004	17.8%
Average daily mutual fund AUM for the period	\$ 24,358	\$ 21,929	11.1%	\$ 23,783	\$ 22,311	6.6%

Investment performance, as well as net sales of \$54 million, resulted in an increase in mutual fund AUM to \$23.7 billion at May 31, 2006 from \$23.5 billion at February 28, 2006. The average daily mutual fund AUM for the first three and six months increased by 11.1% and 6.6%, respectively, to \$24.4 billion and \$23.8 billion. Since May 31, 2005, institutional and private investment management AUM increased by 58.5% and 13.5%, respectively. These increases resulted in total AUM increasing by 17.8% to \$37.7 billion.

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

Stock market performance influences the level of AUM. During the three and six months ended May 31, 2006, the Canadian-dollar-adjusted S&P 500 Index declined 3.4% and 3.1%, the Canadian-dollar-adjusted NASDAQ Index declined 7.4% and 7.8%, and the S&P/TSX Composite Index rose 1.1% and 9.7%. The aggregate market appreciation of our mutual fund portfolios for the three and six months ended May 31, 2006 divided by the average daily mutual fund AUM for the period was 0.1% and 6.4%, 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, 2005 has been a decrease in AUM of \$0.3 billion. Since February 28, 2006, the impact of the U.S. dollar decrease has been a decrease in AUM of \$0.2 billion.

For the five-year period ended May 31, 2006, 58.9% of ranked mutual fund AUM performed above median. Over the 10-year period ended May 31, 2006, 65.2% of ranked AUM performed above median.

Financial and Operational Results

The Investment Management Operations segment results for the three and six months ended May 31, 2006 and May 31, 2005 are as follows:

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2006	2005	% change	2006	2005	% change
Revenue						
Net management and advisory fees	\$ 109.2	\$ 101.7	7.4%	\$ 211.3	\$ 205.3	2.9%
Administration fees and other revenue	19.6	15.6	25.6%	36.7	29.1	26.1%
Deferred sales charges	7.1	9.8	(27.6%)	14.4	20.4	(29.4%)
Investment income	0.8	0.1	700.0%	2.1	0.4	425.0%
	136.7	127.2	7.5%	264.5	255.2	3.6%
Expenses						
Selling, general and administrative	41.4	31.3	32.3%	80.0	61.4	30.3%
Trailing commissions	31.4	28.4	10.6%	60.3	54.7	10.2%
Investment advisory fees	7.1	6.6	7.6%	14.0	13.7	2.2%
	79.9	66.3	20.5%	154.3	129.8	18.9%
EBITDA¹	56.8	60.9	(6.7%)	110.2	125.4	(12.1%)
Amortization	32.7	33.8	(3.3%)	65.5	67.7	(3.2%)
Income before taxes and non-segmented items	\$ 24.1	\$ 27.1	(11.1%)	\$ 44.7	\$ 57.7	(22.5%)

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

Revenue

For the three- and six-month periods ended May 31, 2006, revenue for the Investment Management Operations segment increased by 7.5% and 3.6%, respectively, from the previous-year periods, with changes in the categories being:

Net Management and Advisory Fees

The 11.1% higher average daily mutual fund AUM in the second quarter of fiscal 2006 contributed to a 7.4% increase in net management and advisory fee revenue from the corresponding period in 2005. For the six months ended May 31, 2006, average daily mutual fund AUM was up by 6.6%, contributing to a 2.9% increase in net management and advisory fee revenue as compared with the corresponding period in 2005. Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$2.8 million (2005 – \$3.4 million) for the three months ended May 31, 2006 and \$5.7 million (2005 – \$6.9 million) for the six months ended May 31, 2006. Average mutual fund AUM includes Harmony, our fast-growing tailored investment product. However, Harmony revenues are recorded in the administration fees and other revenue line, which is discussed below.

Harmony made up 6.3% of the average daily AUM in the three months ended May 31, 2006 and 6.8% of the average daily AUM in the six months ended May 31, 2006. Excluding the Harmony AUM, the period-over-period percentage change in net management and advisory fees is comparable to the remaining average daily mutual fund AUM.

Administration Fees and Other Revenue

Strong growth in AUM resulted in administration fees and other revenue, which includes fees earned on Harmony, institutional and private investment management AUM, increasing by 25.6% for the three months ended May 31, 2006 as compared with the corresponding period in 2005. Administration fees and other revenue increased by 26.1% for the six months ended May 31, 2006 as compared with the corresponding period in 2005.

Deferred Sales Charges

We receive Deferred Sales Charges upon redemption of securities sold on the contingent DSC or 'back-end' commission basis for which we financed the selling commissions paid to the dealer. The DSC revenue 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 and six months ended May 31, 2006 decreased by 27.6% and 29.4%, respectively, from the corresponding periods in 2005, reflecting lower retail mutual fund redemptions of DSC AUM that are less than seven years in age.

Expenses

Total expenses increased by \$5.5 million in the three-month period ended May 31, 2006 as compared to the three-month period ended February 28, 2006. The following items explain the increase:

- Higher average AUM resulted in higher trailer fees of \$2.5 million and higher investment advisory fees of \$0.2 million.
- Selling, general and administrative expenses increased by \$2.8 million. The increase was made up of:
 - \$1.2 million in sales and marketing expenses incurred with the aim of retaining positive net sales momentum.
 - \$1.2 million of increased fund absorption related to the cap on management expense ratios on all of our funds to the lower of the amount incurred in 2004 and 2005. We have also soft capped certain funds at the management expense ratio levels below the 2004 and 2005 levels.
 - The remaining increase is a result of increases in expenses in our private investment management operation.

For the three- and six-month periods ended May 31, 2006, expenses increased by 20.5% and 18.9%, respectively, from the previous-year periods. 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- and six-month periods ending May 31, 2006 were \$41.4 million and \$80.0 million, respectively, representing a 32.3% and 30.3% increase over the comparable periods of 2005. The increase is made up of the following amounts:

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006		2006	
Increase in fund absorption accrual	\$	2.0	\$	3.2
Increase in stock option expense		0.3		0.9
Increase in salaries, wages and bonuses		3.3		6.4
IT costs related to transition of services from Citifinancial		0.5		1.0
Additional facilities and other staff related cost		1.4		2.4
System enhancements for sales & marketing initiatives		1.5		3.3
Increase in PIM salaries and bonuses		0.9		1.3

The increase in fund absorption accrual is a result of the management expense ratio cap discussed above. For the remainder of 2006, the amount of absorption incurred will depend on the level of mutual fund AUM and expenses incurred by each of the funds at their September 30, 2006 year-end. Additional facilities and other staff-related costs related to increased staffing levels and the repatriation of our Information Technology Services Group from Unisen. Systems enhancements with respect to sales and marketing initiatives have been designed to make AGF easier to do business with and more responsive to our clients' needs.

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 decreased to 0.516% for the three months ended May 31, 2006 from 0.518% in the comparable 2005 period. For the six months ended May 31, 2006, annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.507% from 0.490% in the 2005 period. The changes are due 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, which generally have higher trailers.

Investment Advisory Fees

External investment advisory fees increased by 7.6% and 2.2%, respectively, for the three- and six-month periods ended May 31, 2006 compared with the prior-year periods. This is primarily due to investment performance increasing the mutual fund AUM managed by sub advisors compared with the prior year.

EBITDA

EBITDA for the Investment Management Operations segment were \$56.8 million for the three months ended May 31, 2006, a decrease of 6.7% from \$60.9 million for the same period of fiscal 2005. For the six months ended May 31, 2006, EBITDA was \$110.2 million compared with \$125.4 million in the prior-year period, representing a decrease of 12.1%.

EBITDA Margin

For the three and six months ended May 31, 2006, the EBITDA margin for the Investment Management Operations segment was 41.6% and 41.7%, respectively, compared with 47.9% and 49.1% for the same periods in 2005. The EBITDA margin in the Investment Management segment declined because expenses increased at a greater rate than revenue. In addition, lower redemptions resulted in DSC revenue declining compared to prior periods.

Amortization

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

We internally finance all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions were \$27.2 million and \$54.4 million, respectively, in the three and six months ended May 31, 2006, compared to \$28.5 million and \$57.0 million in the comparable periods in 2005.

During the second quarter of fiscal 2006, we paid \$29.9 million in selling commissions, compared with \$17.3 million in 2005. As at May 31, 2006, the unamortized balance of deferred selling commissions stood at \$272.8 million, a decrease of \$2.2 million from the November 30, 2005 balance of \$275.0 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at May 31, 2006 were estimated to be approximately \$359.6 million (2005 – \$402.2 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust we offer financial solutions including mortgages and consumer loans. We offer mortgages to Canadians who have sound credit but in some cases have not met the requirements of Canada's large banks to qualify for their lowest rate mortgage products. This alternative mortgage space is underdeveloped and fragmented, which makes it a very attractive market. In addition to the strong secular demand created by an underserved market, demand has recently been underpinned by low interest rates and healthy housing prices. Mortgage products are distributed primarily through mortgage brokers. The mortgage broker channel also has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided mortgages in this channel to reduce distribution costs.

AGF Trust consumer loans consist of investment loans and RSP loans distributed through financial advisors. The market for these products is also 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.

Segment Strategy & Highlights

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

- expanding geographically within Canada (currently, the majority of our mortgage business is in Ontario)
- introducing new products that directly serve advisor needs
- effective, targeted marketing
- disciplined loan-underwriting standards and cost control

In the second quarter of 2006, we continued to expand our dedicated sales staff to promote investment lending and mortgage products. A Home Equity Line of Credit (HELOC) program is now being piloted, and lending specialists have been hired to support the growth of the HELOC program. HELOC loans are secured by a mortgage registered against the borrower's home. AGF Trust also continued to support AGF investment management wholesalers with the aim to make it easier for AGF wholesalers to serve their clients and promote trust products to advisors.

A targeted investment loan offering was introduced during May 2006 and has been successful at driving business volumes for both AGF Trust and Investment Management Operations.

AGF Trust will continue to maximize operational synergies with our investment management business through trust products that assist financial advisors in broadening and deepening their relationship with their clients. In addition, we will focus on expanding returns by increasing our consumer and mortgage loan portfolios.

We anticipate that execution of AGF Trust's stated strategy will result in continued growth. Our growth plans require investing in product development initiatives and expanding our sales and administrative teams. As a result, non-interest expenses may rise more than the corresponding increase in total interest margin over the remaining quarters of the 2006 fiscal year.

Securitization Transaction

On February 28, 2006, AGF Trust Company securitized \$218.4 million of RSP loans through the sale of these loans to a securitization trust. As at May 31, 2006, the balance outstanding of securitized loans was equal to \$191.5 million.

When RSP loan receivables are securitized, the transaction is recognized as a sale. Based on assumptions such as prepayments and expected credit losses, a gain or loss on sale of the loan receivables is recognized immediately in income. The related loan assets are removed from the consolidated balance sheet. As part of the securitization, certain financial assets are retained and a servicing liability is incurred. Each quarter, an amount will be included in the financial results of AGF Trust Company, which relates to the amortization of retained interest and servicing liability as well as any change in assumptions.

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

Financial and Operational Results

Trust Company Operations segment results for the three and six months ended May 31, 2006 and May 31, 2005 are as follows:

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2006	2005	% change	2006	2005	% change
Interest, administration fees and other revenue	\$ 31.2	\$ 16.0	95.0%	\$ 58.2	\$ 28.7	102.8%
Securitization gains and related items	0.8	0.0	n/m	10.6	0.0	n/m
	32.0	16.0	100.0%	68.8	28.7	139.7%
Expenses						
Selling, general and administrative	7.2	4.2	71.4%	13.6	8.0	70.0%
Interest expense	17.8	7.1	150.7%	32.3	12.8	152.3%
Provision for loan losses	1.8	1.3	38.5%	4.3	2.7	59.3%
	26.8	12.6	112.7%	50.2	23.5	113.6%
EBITDA ¹	5.2	3.4	52.9%	18.6	5.2	257.7%
Amortization	0.3	0.2	50.0%	0.6	0.5	20.0%
Income before taxes and non-segmented items	\$ 4.9	\$ 3.2	53.1%	\$ 18.0	\$ 4.7	283.0%
Interest, administration fees and other revenue	31.2	16.0	95.0%	58.2	28.7	102.8%
Administration fees and other revenue	(1.1)	(0.9)	22.2%	(1.9)	(1.5)	26.7%
Total interest income	30.1	15.1	99.3%	56.3	27.2	107.0%
Total interest expense	17.8	7.1	150.7%	32.3	12.8	152.3%
Total interest margin	12.3	8.0	53.8%	24.0	14.4	66.7%

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

Revenue

Total interest, administration fees and other revenue increased by 95.0% during the second quarter of 2006 relative to the second quarter of 2005. Increased revenue is a result of higher loan balances and a higher average prime rate of interest. The mortgage loan portfolio increased 84.1% year-over-year and the consumer loan portfolio was up 49.4%. The average prime rate increased during the quarter to 5.60% (4.25% in 2005). At May 31, 2006, the average interest rate on mortgages excluding HELOCs was 6.13% (5.88% in 2005), with consumer loans at an average rate of 7.58% (5.94% in 2005). The average interest rate for deposits was 3.85% (3.73% in 2005). Overall, margins have been relatively consistent with 2005. RSP loan margins are slightly lower because the portfolio is comprised of a higher percentage of short-term loans, which typically have lower margins. We have also had some promotional rate offerings in the investment loan segment. This has been offset by mortgage margins, which have improved slightly, primarily due to a shift in the mix of business towards higher margin conventional mortgage lending.

Selling, General and Administrative Expenses

The increases in SG&A expenses of 71.4% and 70.0%, respectively, in the three- and six-month periods ending May 31, 2006 over the respective periods in 2005, resulted from the significant increase in lending volumes, including hiring of additional employees. The Trust Company has also spent money to implement growth strategies aimed at increasing the future level of business.

Provision for Loan Losses

The total provision for loan losses increased by 38.5% in the second quarter of 2006, as compared with the second quarter of 2005 and increased by 59.3% for the six-month period ending May 31, 2006 compared to the same period in 2005. The increase is attributable to the increase in our loan portfolios. The rate of growth in the provision has been muted by the shift in the business mix towards a higher percentage of lower-risk investment loans in the consumer loan portfolio, partly offset by a higher percentage of conventional mortgages in the mortgage book.

EBITDA

Strong asset growth resulted in EBITDA growing 52.9% in Q2 2006 over the same period last year. The securitization of the RSP loan portfolio in Q1 2006 influenced the increase in EBITDA of 257.7% for the six-month period ending May 31, 2006.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three and six months ended May 31, 2006 and May 31, 2005.

(\$ millions)	Three months ended May 31, ¹			Six months ended May 31,		
	2006	2005	% change	2006	2005	% change
Mortgage loan assets	\$ 705.4	\$ 383.1	84.1%	\$ 705.4	\$ 383.1	84.1%
Consumer loan assets	994.2	665.6	49.4%	994.2	665.6	49.4%
Other assets (includes cash)	356.7	77.7	359.1%	356.7	77.7	359.1%
Total assets	\$ 2,056.3	\$ 1,126.4	82.6%	\$ 2,056.3	\$ 1,126.4	82.6%
Net interest income	\$ 12.3	\$ 8.0	53.8%	\$ 24.0	\$ 14.4	66.7%
Securitization gains and related items	0.8	0.0	n/m	10.6	0.0	n/m
Other income	1.1	0.9	22.2%	1.9	1.5	26.7%
Non-interest expenses	7.5	4.4	70.5%	14.2	8.5	67.1%
Provision for loan losses	1.8	1.3	38.5%	4.3	2.7	59.3%
Income before taxes and non-segmented items	\$ 4.9	\$ 3.2	53.1%	\$ 18.0	\$ 4.7	283.0%
Efficiency ratio ²	52.8%	49.4%		38.9%	53.5%	
Assets-to-capital multiple	15.4	13.0		15.4	13.0	

¹ Loan balances are as at May 31, 2006 and income and expense amounts are for the period ended May 31, 2006.

² 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 substantial growth during the second quarter of 2006. Mortgages, RSP loans and investment loan advances were higher during the second quarter of 2006, compared with the prior-year period.

As at May 31, 2006, mortgage loans consisted of \$345 million of insured loans (2005 – \$228 million) and \$360 million in conventional loans (2005 – \$155 million). Consumer loans consist of \$651 million of investment loans (2005 – \$291 million) and \$331 million of RSP loans (2005 – \$368 million). RSP loan balances were reduced by \$218.4 million during the six months ended May 31, 2006 as a result of the securitization transaction. Other loans make up the balance of consumer loans.

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 utilized to ensure expenses are contained as the Trust business grows. The efficiency ratio increased to 52.8% in the second fiscal quarter of 2006 from 49.4% during the comparable quarter in 2005. The efficiency ratio for the six-month period ending May 31, 2006 declined to 38.9% from 53.5% during the comparable period in 2005 primarily due to the impact of the RSP loan securitization.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 82.5% from May 31, 2005 to \$2.1 billion at May 31, 2006. Cash balances were substantial at quarter-end and are anticipated to decline to lower levels during the balance of the year, and are down by approximately \$100 million since February 28, 2006. Our assets-to-capital multiple stood at 15.4 times, up from 14.4 times at November 30, 2005, and below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.5% at May 31, 2006 (2005 – 10.9%). Liquid assets, included in Other assets above, were equal to \$295.1 million in cash and cash equivalents at May 31, 2006 (2005 – \$53.9 million).

Loan Portfolio Credit

Portfolio credit quality remains consistent as at May 31, 2006, compared to May 31, 2005. Due to higher loan balances, the general allowance for mortgage loan losses was increased to \$3.2 million from \$1.6 million at May 31, 2005. The general allowance for consumer loan losses was increased to \$4.3 million from \$4.1 million a year ago. The February 28, 2006 securitization reduced the general allowance by \$1.8 million.

Approximately one-half of mortgage loan assets are insured. We have strong security for non-RSP investment loans and loan losses during the history of the program have been minimal. The losses to date on the RSP loan program have been consistent with management's expectations.

Liquidity and Capital Resources

Cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was \$54.3 million and \$104.4 million, respectively, for the three and six months ended May 31, 2006 compared with \$57.7 million and \$114.6 million in the comparable periods of 2005.

Our free cash flow (defined as cash flow from operations less selling commissions paid) was \$24.4 million and \$52.2 million, respectively, for the three and six months ended May 31, 2006, compared with \$40.4 million and \$82.4 million in the comparable periods of 2005. Cash flow and our bank facility were used primarily to fund the following:

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2006	2005	2006	2005
Payment of dividends	\$ 16.1	\$ 13.6	\$ 29.4	\$ 23.6
Repurchase of AGF Class B non-voting shares for cancellation	11.5	18.0	15.9	19.4
Acquisitions	0.0	0.0	0.2	1.5
Purchase of property, equipment and other intangible assets	2.2	0.8	5.8	1.3
Investments	3.5	0.4	4.3	2.9
Debt repayment	0.1	17.0	1.3	1.7
Investment in Trust Operations (eliminated on consolidation)	16.0	17.5	34.0	28.0
	\$ 49.4	\$ 67.3	\$ 90.9	\$ 78.4

Cash and cash equivalents increased by \$141.6 million (2005 – decrease of \$54.7 million) from November 30, 2005 primarily due to an increase in cash in the Trust Company Operations segment. The investment in Trust Company Operations is eliminated on consolidation; however, it represents a transfer of cash from our cash and cash equivalents balance shown as supplemental information on the Consolidated Statements of Cash Flow to the Trust Company Operations' cash and cash equivalents balance. In periods in which the Company has a free cash flow deficiency, these amounts will be financed by increasing our bank indebtedness.

During the quarter, we used \$11.5 million (2005 – \$18.0 million) of free cash flow to repurchase 500,000 Class B Non-Voting Shares of AGF at an average price of \$23.09 per share.

Consolidated cash and cash equivalents amounted to \$301.6 million as at May 31, 2006, compared with \$64.1 million at May 31, 2005 and \$412.4 million at February 28, 2005 primarily as a result of cash held by the Trust Company Operations.

We have a six-year prime-rate-based revolving term loan facility to a maximum of \$200.0 million, of which \$161.0 million was available to be drawn as of May 31, 2006. To date, we have utilized short-term borrowings under our credit facility. With the trend in gross sales improving and the Trust Company operations requiring substantial investments, we will look to finance any free cash flow deficiency with longer-term banker's acceptances and categorize any amount with repayment terms in excess of 12 months as long term. This facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Subsequent Event

The 2006 federal budget announced on May 2, 2006 proposed to reduce the federal corporate income tax rate to 19% from 21% by 2010 and to eliminate the federal corporate surtax rate of 1.12% by 2008. On June 6, 2006, these tax rate changes are considered to be substantively enacted. Consequently, the amount of reduction in future income tax liabilities and the increase in future income tax benefit of \$16.2 million will be recognized in Q3 2006.

Dividends

For the three months ended May 31, 2006, we declared an 18-cents-per-share dividend on Class A Voting Common and Class B Non-Voting Shares. This dividend will be payable on July 20, 2006 to shareholders of record on July 10, 2006.

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

Our Board of Directors may determine that the Class B Non-Voting shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. In determining whether a dividend in Class B Non-Voting 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 Non-Voting Shares traded on the Toronto Stock Exchange during the 10 trading days immediately preceding the record date applicable to such dividend.

The following table sets forth the dividends paid by AGF on the Class B Non-Voting Shares and the Class A Voting Common Shares for the periods indicated:

Years Ended November 30	2005	2004	2003	2002	2001
Per share	\$ 0.560	\$ 0.410	\$ 0.295	\$ 0.255	\$ 0.220
Percentage increase	37%	39%	16%	16%	22%

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.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2006 and May 31, 2005. For additional details, see Note 10 of the Consolidated Financial Statements.

	2006	2005
Shares		
Class A Voting Common Shares	57,600	57,600
Class B Non-Voting Shares	88,763,659	89,719,044
Stock Options		
Outstanding options	4,202,583	4,383,271
Exercisable options	1,808,584	1,689,785

Selected Quarterly Information

(\$ millions, except per share amounts) For the three month period ended	May 31, 2006	Feb. 28, 2006	Nov. 30, 2005	Aug. 31, 2005
Revenue (continuing operations)	\$ 174.2	\$ 169.2	\$ 148.6	\$ 153.0
Cash flow from continuing operations ¹	54.3	50.1	47.8	53.9
EBITDA (continuing operations) ²	65.6	68.7	50.9	65.2
Pretax income (continuing operations)	31.0	34.4	16.1	29.6
Net income	33.0	24.1	28.0	20.3
Earnings per share				
Basic	\$ 0.37	\$ 0.27	\$ 0.31	\$ 0.23
Diluted	\$ 0.37	\$ 0.27	\$ 0.31	\$ 0.23
Weighted average basic shares	89,006,146	89,190,007	89,203,949	89,615,145
Weighted average fully diluted shares	89,973,999	90,031,001	89,868,786	89,915,618

(\$ millions, except per share amounts) For the three month period ended	May 31, 2005	Feb. 28, 2005	Nov. 30, 2004	Aug. 31, 2004
Revenue (continuing operations)	\$ 147.1	\$ 145.7	\$ 143.4	\$ 144.9
Cash flow from operations ¹	57.6	56.9	13.6	59.0
EBITDA (continuing operations) ²	63.7	65.0	19.8	71.6
Pretax income (continuing operations)	27.4	28.7	(17.6)	31.7
Net income (loss)	22.4	21.2	(8.1)	27.6
Earnings (loss) per share				
Basic	\$ 0.25	\$ 0.23	\$ (0.08)	\$ 0.30
Diluted	\$ 0.25	\$ 0.23	\$ (0.09)	\$ 0.30
Weighted average basic shares	90,553,323	90,739,413	90,737,430	91,116,928
Weighted average fully diluted shares	90,886,073	91,085,474	91,798,233	91,559,294

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

² As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the three and six months ended May 31, 2006, our 2005 annual MD&A and Consolidated Financial Statements, our 2005 AIF and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

(**AGF Management Ltd.**)
Consolidated Balance Sheets

(in thousands of dollars)	May 31, 2006 (unaudited)	November 30, 2005 (audited, note 3)
Assets		
Current Assets		
Cash and term deposits	\$ 301,576	\$ 159,974
Short-term investments	26,266	23,105
Accounts receivable and prepaid expenses	77,913	50,086
Mortgages and consumer loans due within one year (note 8)	399,823	315,987
	805,578	549,152
Mortgages and consumer loans (note 8(a))	1,299,770	1,079,280
Retained interest from securitization (note 2)	31,931	–
Investment in associated company (note 5)	100,379	96,000
Other investments	5,530	7,142
Management contracts	478,749	478,749
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	67,640	75,281
Deferred selling commissions, net of accumulated amortization	272,800	275,015
Property, equipment and other intangible assets, net of accumulated amortization	21,021	21,639
Goodwill (note 6)	126,399	126,183
Other assets	1,749	1,226
	\$ 3,211,546	\$ 2,709,667
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 126,433	\$ 95,197
Long-term debt due within one year (note 9)	45,500	8,277
Income taxes payable	14,502	14,252
Deposits due within one year (note 8(c))	625,027	467,317
	811,462	585,043
Deposits (note 8(c))	1,219,489	940,435
Long-term debt (note 9)	–	17,364
Participation units (note 9(c))	–	6,157
Future income taxes	240,922	242,188
Leasehold inducements	140	154
	2,272,013	1,791,341
Shareholders' Equity		
Capital stock (note 10)	396,499	394,154
Contributed surplus (note 10(d))	8,168	5,900
Retained earnings	542,076	527,197
Foreign currency translation adjustment	(7,210)	(8,925)
	939,533	918,326
	\$ 3,211,546	\$ 2,709,667

(See accompanying notes to consolidated financial statements.)

(**AGF Management Ltd.**)
Consolidated Statements of Income

(in thousands of dollars) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2006	2005 (note 3)	2006	2005 (note 3)
Revenue				
Net management and advisory fees	\$ 109,189	\$ 101,739	\$ 211,295	\$ 205,332
Administration fees, interest and other revenue	56,886	35,517	106,009	66,621
Deferred sales charges	7,065	9,815	14,374	20,403
Gain on sale of RSP loan securitization and related income (note 2)	815	–	10,665	–
Investment income	269	62	1,056	365
	174,224	147,133	343,399	292,721
Expenses				
Selling, general and administrative	51,018	40,046	99,202	80,176
Trailing commissions	31,318	28,392	60,257	54,682
Investment advisory fees	7,089	6,604	14,019	13,721
Amortization of deferred selling commissions	27,244	28,492	54,394	57,005
Amortization of customer contracts, relationships and investment advisory contracts	3,820	3,676	7,641	7,353
Amortization of property, equipment and other intangible assets	2,772	2,681	5,554	5,417
Interest on Trust Company deposits	17,276	7,141	31,234	12,773
Interest expense	821	1,417	1,337	2,837
Provision for Trust Company loan losses	1,835	1,303	4,322	2,681
	143,193	119,752	277,960	236,645
Income from continuing operations before income taxes	31,031	27,381	65,439	56,076
Income taxes				
Current	11,792	8,035	24,867	17,447
Future	(2,482)	(345)	(5,235)	(1,278)
	9,310	7,690	19,632	16,169
Net income from continuing operations for the period	21,721	19,691	45,807	39,907
Gain on repayment of debt, net of taxes (note 9(c))	13,309	–	13,309	–
Loss on sale of discontinued operations, net of income taxes (note 3)	(2,050)	–	(2,050)	–
Net earnings from discontinued operations for the period (note 3)	–	2,668	–	3,629
Net income for the period	\$ 32,980	\$ 22,359	\$ 57,066	\$ 43,536
Earnings Per Share (note 10(e))				
Basic from continuing operations	\$ 0.24	\$ 0.22	\$ 0.51	\$ 0.44
Diluted from continuing operations	\$ 0.24	\$ 0.22	\$ 0.51	\$ 0.44
Basic	\$ 0.37	\$ 0.25	\$ 0.64	\$ 0.48
Diluted	\$ 0.37	\$ 0.25	\$ 0.63	\$ 0.48

(See accompanying notes to consolidated financial statements.)

(**AGF Management Ltd.**)
Consolidated Statements of Retained Earnings)

(in thousands of dollars) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2006	2005 (note 3)	2006	2005 (note 3)
Retained earnings, beginning of period	\$ 534,475	\$ 527,876	\$ 527,197	\$ 517,681
Net income for the period	32,980	22,359	57,066	43,536
	567,455	550,235	584,263	561,217
Deduct:				
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	16,059	13,614	29,430	23,602
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation (note 10)	9,320	13,330	12,757	14,324
	25,379	26,944	42,187	37,926
Retained earnings, end of period	\$ 542,076	\$ 523,291	\$ 542,076	\$ 523,291

(See accompanying notes to consolidated financial statements.)

AGF Management Ltd.
Consolidated Statements of Cash Flow

(in thousands of dollars) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2006	2005 (note 3)	2006	2005 (note 3)
Operating Activities				
Net income for the period	\$ 32,980	\$ 22,359	\$ 57,066	\$ 43,536
Loss on sale of discontinued operation, net of income taxes	2,050	–	2,050	–
Results of discontinued operations	–	(2,668)	–	(3,629)
	35,030	19,691	59,116	39,907
Items not affecting cash				
Amortization of deferred selling commissions	27,244	28,492	54,394	57,005
Amortization of customer contracts, relationships and investment advisory contracts	3,820	3,676	7,641	7,353
Amortization of property, equipment and other intangible assets	2,772	2,681	5,554	5,417
Future income taxes	(2,482)	(345)	(5,235)	(1,278)
Gain on sale of RSP loan securitization	–	–	(9,850)	–
Gain on early retirement of debt, net of income taxes	(13,309)	–	(13,309)	–
Mark-to-market on swap transactions	(117)	(169)	(233)	(270)
Provision for AGF Trust Loan Losses	1,835	1,303	4,322	2,681
Other	(489)	2,362	2,042	3,772
	54,304	57,691	104,442	114,587
Net increase in non-cash balances related to operations	12,264	19,323	(21,246)	(6,532)
Net cash provided by continuing operating activities	66,568	77,014	83,196	108,055
Net cash provided by discontinued operating activities	–	5,703	–	7,309
Net cash provided by operating activities	66,568	82,717	83,196	115,364
Financing Activities				
Purchase of Class B non-voting shares for cancellation	(11,542)	(18,048)	(15,865)	(19,368)
Issuance of Class B non-voting shares	4,778	1,164	5,453	1,487
Dividends	(16,059)	(13,614)	(29,430)	(23,602)
Increase (decrease) in bank loan	11,000	(16,850)	39,000	(700)
Decrease in other long-term debt	(122)	(198)	(1,324)	(986)
Increase in Trust Company deposits	141,448	158,165	436,764	258,100
Net cash provided by continuing financing activities	129,503	110,619	434,598	214,931
Net cash used in discontinued financing activities	–	(186)	–	(370)
Net cash provided by financing activities	129,503	110,433	434,598	214,561
Investing Activities				
Deferred selling commissions paid	(29,936)	(17,266)	(52,179)	(32,167)
Proceeds of RSP loan securitization	–	–	206,274	–
Acquisition of subsidiaries	–	–	(216)	(1,476)
Payments associated with sale of discontinued operation	4,207	–	2,178	–
Purchase of property, equipment and other intangible assets	(2,186)	(752)	(5,836)	(1,299)
Purchase of investments	(3,487)	(385)	(4,336)	(2,932)
Sale of investments	463	–	3,190	–
Increase in Trust Company mortgages and consumer loans	(275,968)	(180,732)	(525,267)	(344,154)
Net cash used in continuing investing activities	(306,907)	(199,135)	(376,192)	(382,028)
Net cash used in discontinued investing activities	–	(1,188)	–	(2,621)
Net cash used in investing activities	(306,907)	(200,323)	(376,192)	(384,649)
Increase (decrease) in cash and cash equivalents	(110,836)	(7,173)	141,602	(54,724)
Balance of cash and cash equivalents, beginning of period	412,412	71,254	159,974	118,805
Balance of cash and cash equivalents, end of period	\$ 301,576	\$ 64,081	\$ 301,576	\$ 64,081
Cash and cash equivalents related to:				
Continuing operations			\$ 301,576	\$ 63,404
Discontinued operations			–	677
			\$ 301,576	\$ 64,081
Represented by:				
Cash and cash equivalents			\$ 6,477	\$ 10,169
Trust Company cash and cash equivalents			295,099	53,912
			\$ 301,576	\$ 64,081

Notes to Consolidated Financial Statements

For the three and six months ended May 31, 2006 and May 31, 2005 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited interim consolidated financial statements of AGF Management Limited ('AGF' or the 'Company') have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2005. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2005, as set out in AGF's 2005 Annual Report.

As the Company concluded the sale of its wholly owned subsidiary Unisen Holdings Inc. ('Unisen') during the fourth quarter of 2005, Unisen's operations for the comparative 2005 periods presented have been reported as discontinued operations as outlined in Note 3.

Note 1: New Accounting Policies

(a) AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund of fund portfolios. If an AGF Elements portfolio does not match or outperform its customized benchmark over a three-year period, each individual investor will receive up to 90 basis points in additional units, calculated based on the value of such investment at the end of the three-year period.

The Company will include in other liabilities up to 30 basis points per year of each investor's assets under management, adjusted for redemptions (forfeitures), until the end of the three-year measurement period of each investment made by such investor. At that time if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of individual units.

(b) Accounting for Securitizations

Under AcG-12, in order for a securitization to be treated as a sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership, and the Company must receive consideration other than the beneficial interest in the transferred assets.

In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows then the gains or losses on the securitization recognized in income will be adjusted. Note 2 provides additional disclosure regarding the securitizations and related balance sheet and income statement impacts.

(c) Adoption of AcG-15 'Consolidation of Variable Interest Entities'

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

The Company has reviewed its relationships and determined that there are no entities whose financial results would be required to be included or disclosed in the consolidated results for the three and six months ended May 31, 2006 and 2005.

Note 2: Securitization of AGF Trust Loans

On February 28, 2006, the Company, through its wholly owned subsidiary AGF Trust Company, securitized \$218.4 million of RSP loans through the sale of these loans to a securitization trust. Cash flows of \$206.3 million were received on the securitization and a gain net of transaction fees and expenses of \$9.9 million was recorded in the three months ended February 28, 2006. As at May 31, 2006, the balance outstanding of securitized loans was equal to \$191.5 million.

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 cost. A gain or loss on sale of the 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 interest-only strip, expected credit losses, prepayment rates and expected weighted average life of RSP loans – which are commensurate with the risks involved. Subsequent to the securitization, any retained interest that cannot be contractually settled in such a way that the Company can recover substantially all of its recorded investment will be adjusted to fair value. 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 \$31.9 million (February 28, 2006 – \$34.0 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 \$16.3 million (February 28, 2006 – \$16.6 million), ii) cash collateral of \$5.4 million (February 28, 2006 – \$5.4 million) and iii) over-collateralization of \$10.2 million (February 28, 2006 – \$12.0 million).

The impaired loans included in the securitized balances were equal to \$0.4 million as of May 31, 2006 and during the quarter ended May 31, 2006 \$0.1 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 is limited to the retained interests. Cash flows of \$3.8 million were received on the securitized loans during the quarter ended May 31, 2006, of which \$1.9 million related to the over-collateralization, and \$1.9 million related to the interest-only strip. The total other income recognized from securitization during the quarter was equal to \$0.8 million.

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

Excess spread	3.8%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	14.0%
Expected weighted average life of RSP loans	30.6 months

The Company retained servicing responsibilities for the securitized loans. A servicing liability of \$1.5 million was recorded as at May 31, 2006 (February 28, 2006 – \$1.7 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the sale of the RSP loans. The amount amortized related to the servicing liability during the three months ended May 31, 2006, was \$0.2 million.

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at May 31, 2006. As the sensitivity is hypothetical, it should be used with caution. The impact of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

Fair value of retained interests	\$	33,300
Discount rate		7.5%
+10%	\$	(220)
+20%		(430)
Prepayment rate		14.0%
+10%	\$	(295)
+20%		(580)
Expected credit losses		0.8%
+10%	\$	(340)
+20%		(680)

Note 3: Discontinued Operations and Assets Held for Sale

On October 3, 2005 the Company sold 100% of wholly owned subsidiary Unisen Holdings Inc. ('Unisen') to Citifinancial Canada Inc. ('Citifinancial'), for cash consideration of US\$97.5 million (\$114.0 million). Expenses related to this transaction amounted to \$5.0 million. The consideration was subject to two adjustments for which the Company had accrued a net amount owing to Citifinancial of \$1.8 million. The two adjustments are a working capital adjustment that provides that any working capital above a threshold is payable to AGF, of which AGF received \$5.1 million in the quarter, and the purchase price is subject to a clawback should Unisen's revenue fall below a threshold during the 12-month period ending June 30, 2006. A provision of \$9.5 million is included in accounts payable related to this possible clawback. During the three months ended May 31, 2006, the aforementioned provision was increased by \$2.5 million with the increase being recorded as a loss on sale of discontinued operations net of tax of \$2.1 million. In addition, the Company has issued a put option in favour of Citifinancial relating to certain Unisen assets. The put option expires 18 months after the date of acquisition. No value has been attributed to this option, as management does not believe it will be exercised.

Concurrent with the sale of Unisen to Citifinancial, AGF has capped the management expense ratio on all of the AGF funds for three years at the lower of the actual levels reported in 2004 and 2005. In addition, the Company is committed for a 10-year period to reimburse Citifinancial should Citifinancial's annual revenues derived from AGF fund administration services fall below a pre-determined level.

Unisen's operations for 2005 have been reported as discontinued operations and previously reported financial statements have been reclassified to reflect the following:

Summary of discontinued operations

	Three months ended May 31, 2005	Six months ended May 31, 2005
Revenue	\$ 25,022	\$ 50,513
Net earnings from discontinued operations	2,668	3,629
Basic net earnings per share	\$ 0.03	\$ 0.04
Diluted net earnings per share	\$ 0.03	\$ 0.04
		May 31, 2005
Current assets held for sale		
Cash and term deposits		\$ 5,006
Accounts receivable and prepaid expenses		28,618
Income taxes receivable		611
		\$ 34,235
Long-term assets held for sale		
Customer contracts		\$ 34,692
Property, equipment and other intangible assets, net		25,132
Goodwill		34,755
		\$ 94,579
Current liabilities related to assets held for sale		
Accounts payable and accrued liabilities		\$ 29,989
Long-term debt due within one year		771
		\$ 30,760
Long-term liabilities related to assets held for sale		
Long-term debt		\$ 42,718
Future income taxes		9,577
Leasehold inducements		3,947
		\$ 56,242

Note 4: Acquisition of Mutual Fund Assets from ING Investment Management Inc.

On August 5, 2005, the Company acquired the management rights to \$276 million in mutual fund assets from ING Investment Management Inc. ('ING') for cash consideration of \$9.1 million. Thirteen ING funds have been merged into corresponding AGF funds. The agreement also includes the acquisition of the management contract for the ING Canadian Dividend Income Fund, which has been renamed the AGF Dividend Income Fund.

The purchase price for the assets acquired was allocated as follows:

Net assets acquired		
Management contracts	\$	5,081
Customer relationships		4,023
	\$	9,104

The portion allocated to customer relationships is being amortized over their estimated useful life of seven years. The purchase price is also subject to a future reduction based on the level of mutual fund redemptions during the first year subsequent to acquisition. This amount, if any, will be determinable on the anniversary date of the purchase of assets.

Note 5: Investment in Associated Company

On May 27, 2005, Smith & Williamson Holdings Limited ('S&WHL') completed the acquisition of 100% of the outstanding shares of Solomon Hare Personal Finance Limited ('SHPF') and the business of Solomon Hare LLP. The total consideration paid by S&WHL of \$20.6 million included cash of \$4.9 million and the issuance of 2.3 million shares valued at \$15.7 million. Prior to this transaction, the Company had a 31.8% interest in S&WHL. Subsequent to the aforementioned transaction, the Company holds a 30.9% interest in S&WHL. The dilution gain with respect to the completion of this transaction was \$0.1 million.

Note 6: Acquisition of P.J. Doherty & Associates Co. Ltd.

On January 15, 2004, the Company acquired 100% of the shares of P.J. Doherty & Associates Co. Ltd. ('P.J. Doherty') for consideration of \$12.2 million, including \$0.3 million of acquisition costs. The acquisition was accounted for by the purchase method of accounting, with the results of operations of P.J. Doherty included in the consolidated financial statements from the date of acquisition. Cash consideration paid amounted to \$9.4 million, with future payments of \$2.8 million due in the year following the acquisition.

There was additional consideration, which became payable based on revenue growth during the two-year period subsequent to completion of the acquisition. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

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

Net assets acquired		
Cash	\$	468
Other assets		318
Customer contracts		13,015
Goodwill		3,719
Current liabilities		(233)
Future income tax		(4,701)
	\$	12,586
Consideration paid (including acquisition costs)		
Cash	\$	9,451
Payments subsequent to acquisition date		3,135
	\$	12,586

All payments subsequent to the acquisition date have been made. The Company also paid out \$0.2 million on the first and second anniversaries of the acquisition date based on revenue growth during the years. The latter two payments were recorded as an increase in goodwill.

Note 7: Acquisition of Cypress Capital Management Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress Capital Management Ltd. ('Cypress') for consideration of \$26.1 million, including \$0.1 million of acquisition costs. The acquisition has been accounted for by the purchase method of accounting, with the results of operations of Cypress included in the consolidated financial statements from the date of the acquisition. In addition to the future payments detailed below, there is also potential additional consideration due three years after the completion of the acquisition, subject to Cypress achieving certain revenue levels. These amounts are not determinable at the present time. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

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

Net Assets Acquired	
Cash	\$ 351
Other assets	1,625
Customer contracts	28,480
Goodwill	7,269
Current liabilities	(1,351)
Future income tax	(10,287)
	\$ 26,087
Consideration Paid (including acquisition costs)	
Cash	\$ 7,887
285,553 AGF Class B shares issued	5,200
June 30, 2005 payment	6,500
Future payment due June 30, 2006 (non-interest bearing and unsecured)	6,500
	\$ 26,087

The June 30, 2005 payment consisted of \$3.9 million in cash and issuance of 159,696 AGF Class B Non-Voting Shares valued at \$2.6 million.

Note 8: Trust Company

(a) Mortgages and Consumer Loans

The Trust Company's principal business activities are mortgages and consumer loans and deposit taking. Details relating to these activities are as follows:

The following table represents the period to contractual repricing of the interest rates on amounts outstanding. Principal repayments on mortgages and consumer loans within one year are \$399.8 million.

	Term to Contractual Repricing			May 31, 2006	November 30 2005
	Variable Rate	1 Year or Less	1 to 5 Years		
Total mortgage loans	\$ 31,060	\$ 426,282	\$ 251,444	\$ 708,786	\$ 552,801
Consumer loans	989,138	-	11,663	1,000,801	850,666
	1,020,198	426,282	263,107	1,709,587	1,403,467
Less: allowance for loan losses				9,994	8,200
				\$ 1,699,593	\$ 1,395,267
Impaired loans included in above				12,445	5,199
Less: specific allowance for loan losses				2,475	1,488
				\$ 9,970	\$ 3,711
				May 31, 2006	February 28, 2006
The change in allowance for loan losses is as follows:					
Balance, beginning of period				\$ 8,651	\$ 8,200
Amounts written-off				(559)	(325)
Recoveries				67	59
Reduction due to RSP loan securitization				-	(1,770)
Provision for loan losses				1,835	2,487
Balance, end of period				\$ 9,994	\$ 8,651

As at May 31, 2006, the Company's mortgage portfolio was comprised of a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.3 years (2005 – 1.2 years) and a weighted average yield of 6.13% (May 31, 2005 – 5.88%). Of the total mortgage portfolio, \$345.4 million is insured (May 31, 2005 – \$228.0 million). Consumer loans have interest rates that are generally based on prime. At quarter-end, the average interest rate on consumer loans was 7.58% (May 31, 2005 – 5.94%).

(b) Interest Rate Swap Transactions

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between June 19, 2006 and May 31, 2011 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. As at May 31, 2006, the aggregate notional amount of the swap transactions was \$1,329.7 million (2005 – \$759.7 million). The aggregate fair value of the swap transactions, which represents the amount that would be paid by AGF Trust Company if the transactions were terminated at May 31, was \$15.6 million (2005 – AGF Trust would have received \$11.5 million).

	Notional Amount of Swap	Maturity Date	Fixed Interest Rate Received
\$	117,000	2006	3.26% - 4.57%
	353,700	2007	3.00% - 5.11%
	327,000	2008	3.17% - 4.43%
	232,000	2009	3.47% - 4.59%
	190,000	2010	3.62% - 4.52%
	110,000	2011	4.15% - 4.63%

(c) Trust Company Deposits

	Term to Maturity			May 31, 2006	November 30, 2005
	Demand	1 Year or Less	1 to 5 Years		
Deposits	\$ 8,424	\$ 616,603	\$ 1,219,489	\$ 1,844,516	\$ 1,407,752

On demand and deposits with maturity of one year or less have been classified as current liabilities. As at May 31, 2006, deposits were comprised substantially of guaranteed investment certificates with a weighted average term to maturity of 2.0 years (2005 – 2.1 years) and a weighted average interest rate of 3.85% (May 31, 2005 – 3.73%).

Note 9: Long-Term Debt

	May 31, 2006	November 30, 2005
Revolving term loan	\$ 39,000	\$ –
Payment re Consort Information Systems Limited due January 31, 2006	–	1,067
Notes payable due April 30, 2013	–	18,074
Cypress payment due June 30, 2006	6,500	6,500
	45,500	25,641
Less: amount included in current liabilities	45,500	8,277
	\$ –	\$ 17,364

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$200.0 million with a Canadian chartered bank. Under the loan agreement, the Company 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, 2007. However, the Company may request by April 15, 2007, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then-applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding.

As at May 31, 2006, the Company has drawn \$39.0 million against the available loan amount in the form of six- to 91-day BAs at an effective average interest rate of 4.58% per annum. As this loan functions as a working capital facility, it has been included in current liabilities.

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 the Company 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) Payment re CISL Due January 31, 2006

In 2003 the Company, through its wholly owned subsidiary Investmaster Group Limited, acquired all the outstanding shares of Consort Information Systems Limited ('CISL'). Cash consideration paid was \$8.3 million with an additional payment of \$1.1 million due, which was made on January 31, 2006.

(c) Notes Payable Due April 30, 2013 and Participation Units

During the three months ended, May 31, 2006, the Company reached an agreement with Multi-Fund Management Inc., the manager of Multi-Fund Income Trust ("Trust"), to terminate its obligations to the Trust for a cash payment of \$3.4 million. The termination of the Company's cash flow obligation was subject to a Trust Unitholder meeting, which was held on June 8, 2006. The Trust Unitholders approved the agreement and on June 12, 2006, the Company repurchased the debt related to the Trust.

Details of the gain on repayment of debt are as follows:

	May 31, 2006
Notes payable due April 30, 2013	\$ 17,817
Participation Units	6,157
	23,974
Amount due May 31, 2006	3,360
Gain on early repayment of debt	20,614
Income taxes	7,305
Gain on early repayment of debt, net of income taxes	\$ 13,309

Note 10: 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 six months ended May 31, 2006 and 2005 is summarized as follows:

	Number of shares		Amount
Class B shares			
Balance, November 30, 2005	89,123,205	\$	394,154
Issued through dividend reinvestment plan	31,704		769
Stock options exercised	328,750		4,684
Purchased for cancellation	(700,000)		(3,108)
Balance, May 31, 2006	88,783,659	\$	396,499
Class A shares			
Balance, November 30, 2005 and May 31, 2006	57,600		—
Total Capital Stock, May 31, 2006		\$	396,499
Class B shares			
Balance, November 30, 2004	90,739,463	\$	394,125
Issued through dividend reinvestment plan	7,098		119
Stock options exercised	132,583		1,368
Purchased for cancellation	(1,160,100)		(5,046)
Balance, May 31, 2005	89,719,044	\$	390,566
Class A shares			
Balance, November 30, 2004 and May 31, 2005	57,600		—
Total Capital Stock, May 31, 2005		\$	390,566

(c) Class B Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the Toronto Stock Exchange. Present approval for such purchases extends through to February 17, 2007. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,214,698 shares. During the six months ended May 31, 2006, 0.7 million (2005 – 1.2 million) Class B shares were purchased at a cost of \$15.9 million (2005 – \$19.4 million) and the excess paid of \$12.8 million (2005 – \$14.3 million) over the book value of the shares purchased for cancellation was charged to retained earnings.

(d) Stock Option Plans

Stock-based compensation

Under the CICA Handbook Section 3870, 'Stock-Based Compensation and Other Stock-Based Payments' for stock options granted on or after December 31, 2002, the fair value of stock options is determined on the grant date and recorded as compensation expense over the period that the stock options vest. During the six months ended May 31, 2006, the Company granted 90,000 options (2005 – 978,000) and recorded \$2.3 million (2005 – \$1.4 million) in compensation expense and contributed surplus in respect of the options granted since December 31, 2002.

The change in outstanding stock options during the six months ended May 31, 2006 and 2005 is summarized as follows:

	Number of options	Weighted average exercise price
Class B Share Options		
Balance outstanding, November 30, 2005	4,781,875	\$ 18.72
Options granted	90,000	\$ 22.98
Options cancelled	(340,542)	\$ 20.87
Options exercised	(328,750)	\$ 14.31
Balance outstanding, May 31, 2006	4,202,583	\$ 18.99
Balance outstanding, November 30, 2004	3,566,604	\$ 17.86
Options granted	978,000	\$ 17.09
Options cancelled	(28,750)	\$ 20.10
Options exercised	(132,583)	\$ 10.32
Balance outstanding, May 31, 2005	4,383,271	\$ 17.90

The Company currently has authorized under the plan a total of 11,661,498 Class B shares, of which 5,624,323 are available to be granted at May 31, 2006. Options granted under the plan are non-assignable and will expire seven years from their date of grant. The vesting period is generally four years, but may be adjusted by the Board of Directors.

(e) 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 May 31,		Six months ended May 31,	
	2006	2005	2006	2005
Numerator				
Net Income from continuing operations for the period	\$ 21,721	\$ 19,691	\$ 45,807	\$ 39,907
Gain on early retirement of debt, net of income taxes	13,309		13,309	
Net earnings from discontinued operations, net of income taxes	(2,050)	2,668	(2,050)	3,629
Net Income for the period	\$ 32,980	\$ 22,359	\$ 57,066	\$ 43,536
Denominator				
Weighted average number of shares – basic	89,006,364	90,533,323	89,097,176	90,688,014
Dilutive effect of employee stock options	967,853	332,750	903,350	338,117
Weighted average number of shares – diluted	89,974,217	90,866,073	90,000,526	91,026,131
Earnings per Share				
Basic from continuing operations	\$ 0.24	\$ 0.22	\$ 0.51	\$ 0.44
Diluted from continuing operations	\$ 0.24	\$ 0.22	\$ 0.51	\$ 0.44
Basic	\$ 0.37	\$ 0.25	\$ 0.64	\$ 0.48
Diluted	\$ 0.37	\$ 0.25	\$ 0.63	\$ 0.48

Note 11: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended May 31, 2006 were \$18.1 million (2005 – \$8.6 million). Interest payments for the six months ended May 31, 2006 were \$32.6 million (2005 – \$15.6 million).

Income tax payments for the three months ended May 31, 2006 were \$8.6 million (2005 – \$6.2 million). Income tax payments for the six months ended May 31, 2006 were \$27.4 million (2005 – \$13.9 million).

Note 12: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RSP loans. In prior periods the Company had reported a Fund Administration Operations segment, which consisted of Unisen Holdings Inc. ('Unisen') and Investmaster Group Limited ('Investmaster'). As a result of the sale of Unisen (see note 3) Unisen's operations have been reported as discontinued operations. The results of Investmaster and S&WHL have been included in Other as these entities do not meet the criteria for separate disclosure. AGF's reportable segments are strategic business units that offer different products and services.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in AGF's 2005 annual financial statements.

Three months ended May 31, 2006	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 136,468	\$ 31,740	\$ 6,016	\$ -	\$ 174,224
Intersegment revenue	249	297	-	(546)	-
Segment revenue	136,717	32,037	6,016	(546)	174,224
Operating expenses	79,877	26,800	3,226	(546)	109,357
Amortization	32,739	288	809	-	33,836
Segment income before taxes	\$ 24,101	\$ 4,949	\$ 1,981	\$ -	\$ 31,031
Included in External Revenue					
Interest revenue	\$ 207	\$ 30,960	\$ -	\$ -	\$ 31,167

Three months ended May 31, 2005	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 127,550	\$ 15,674	\$ 3,909	\$ -	\$ 147,133
Intersegment revenue	(297)	297	-	-	-
Segment revenue	127,253	15,971	3,909	-	147,133
Operating expenses	66,348	12,564	5,991	-	84,903
Amortization	33,825	239	785	-	34,849
Segment income (loss) before taxes	\$ 27,080	\$ 3,168	\$ (2,867)	\$ -	\$ 27,381
Included in External Revenue					
Interest revenue	\$ 211	\$ 11,107	\$ -	\$ -	\$ 11,318

(Notes to Consolidated Financial Statements)

Six months ended May 31, 2006	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 264,024	\$ 68,241	\$ 11,134	\$ –	\$ 343,399
Intersegment revenue	445	594	–	(1,039)	–
Segment revenue	264,469	68,835	11,134	(1,039)	343,399
Operating expenses	154,276	50,205	6,929	(1,039)	210,371
Amortization	65,459	560	1,570	–	67,589
Segment income before taxes	\$ 44,734	\$ 18,070	\$ 2,635	\$ –	\$ 65,439
Included in External Revenue					
Interest revenue	\$ 422	\$ 56,586	\$ –	\$ –	\$ 57,008
Total assets	\$ 1,043,120	\$ 2,056,251	\$ 112,175	\$ –	\$ 3,211,546

Six months ended May 31, 2005	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 255,784	\$ 28,091	\$ 8,846	\$ –	\$ 292,721
Intersegment revenue	(556)	556	–	–	–
Segment revenue	255,228	28,647	8,846	–	292,721
Operating expenses	129,779	23,481	13,610	–	166,870
Amortization	67,698	487	1,590	–	69,775
Segment income (loss) before taxes	\$ 57,751	\$ 4,679	\$ (6,354)	\$ –	\$ 56,076
Included in External Revenue					
Interest revenue	\$ 711	\$ 23,151	\$ –	\$ –	\$ 23,862
Total assets	\$ 1,052,146	\$ 1,126,452	\$ 122,849	\$ –	\$ 2,301,447

Note 13: Subsequent Event

The 2006 federal budget announced on May 2, 2006 proposed to reduce the federal corporate income tax rate to 19% from 21% by 2010 and to eliminate the federal corporate surtax rate of 1.12% by 2008. On June 6, 2006, these tax rate changes are considered to be substantively enacted. Consequently, the amount of reduction in future income tax liabilities and the increase in future income tax benefit of \$16.2 million will be recognized in Q3 2006.

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