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AGF MANAGEMENT LIMITED

Second Quarter Report to Shareholders for the three and six months ended May 31, 2008

AGF MANAGEMENT LIMITED REPORTS SECOND QUARTER FINANCIAL RESULTS

AGF produces solid financial results despite volatile global stock markets

Toronto | June 25, 2008

AGF Management Limited (AGF) today announced financial results for the second quarter ended May 31, 2008. Global stock market volatility continued into the second quarter, resulting in a modest 1.3% decline in revenue and a 1.6% decline in earnings before interest, taxes, depreciation and amortization (EBITDA) over the corresponding period in 2007, excluding the \$8.0 million securitization gain recognized in the second quarter of 2007. In addition, AGF announced plans to repurchase up to \$60 million of AGF Class B non-voting shares over the next several months. To facilitate the repurchase, AGF has secured an additional bank credit facility with a three-year repayment term.

“Although investors remained cautious within the current market environment, at AGF we believe that our strong long-term business strategy positions us well for future success. Our business fundamentals remain solid and we will continue to focus on enhancing relationships to realize our key growth initiatives,” said AGF Chairman and CEO Blake C. Goldring. “Despite the challenging markets faced by the industry, our assets have held up relatively well and our trust operations have continued to experience significant growth with total loan assets rising 44.2% year-over-year at the end of May.”

Mr. Goldring also stated, “In light of the current valuation of our stock and industry comparables, we believe that AGF remains a superior investment that provides value for our shareholders and we plan on repurchasing up to \$60 million in AGF stock through our share repurchase program.”

In the second quarter of fiscal 2008, total consolidated revenue from continuing operations decreased to \$194.3 million compared with \$204.9 million in the second quarter of the prior year. EBITDA from continuing operations totalled \$88.6 million for the three months ended May 31, 2008, compared with \$98.0 million for the three months ended May 31, 2007. Excluding the \$8.0 million securitization gain recorded in the second quarter of 2007, revenue declined \$2.6 million and EBITDA decreased \$1.4 million while EBITDA margins remained relatively stable. Continued market volatility in the quarter resulted in \$241 million of net redemptions of long-term mutual funds.

Excluding the \$8.0 million securitization gain, net income from continuing operations for the three months ended May 31, 2008 increased 7.1% and earnings per share diluted increased \$0.04 or 8.9%, compared with the three months ended May 31, 2007. Including the 2007 securitization gain, net income from continuing operations for the quarter was down 10.4% to \$44.0 million or \$0.49 per share diluted, compared with \$49.1 million or \$0.54 per share diluted for the same period last year.

Total assets under management (AUM) decreased 7.2% to \$51.8 billion at May 31, 2008 from \$55.8 billion as at May 31, 2007. Over the same period, mutual fund assets declined by 6.5% as a result of market depreciation and lower levels of gross sales. Average mutual fund assets for the quarter decreased 5.6% over the second quarter of 2007 and 1.9% year-over-year. Institutional and high-net-worth client assets declined 8.0% year-over-year primarily as a result of client rebalancing and redemptions, which were non-performance related. Month-to-date net redemptions of long-term mutual funds as of the close of business on June 23, 2008 totalled \$294.3 million, of which approximately 68% was related to a client rebalancing.

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, performance and opportunities. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable law, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Managing Risk – Overview' section of this MD&A and to the 'Risk Factors and Management' section of our 2007 annual MD&A.

Dear fellow shareholders

The markets continued to be challenging during the second quarter of 2008. Global stock markets were volatile and investors remained cautious, as evidenced by the continued substantial flows into money market funds throughout the industry. Yet, AGF remained focused on executing its long-term strategic plan for future growth, continuing to enhance client relationships and recognizing that market volatility is part of our industry and a short-term obstacle.

Consistent with the overall industry, gross sales of mutual funds were down in the second quarter of 2008 compared to 2007, while net redemptions of long-term funds remained relatively stable year-over-year. The fact that mutual fund redemptions did not increase significantly year-over-year is a strong indicator that our clients are taking a long-term approach to investing. We continue to work in close partnership with advisors to help them guide their clients through this market downturn by providing strong investment expertise that focuses on long-term financial success.

Institutional and strategic accounts assets under management (AUM) at the end of May 2008 were down 8.8% from the level reported at May 31, 2007. However, in the second quarter, institutional and strategic accounts AUM increased by 7.3% from the levels reported at February 29, 2008. This is the result of new mandates and market appreciation.

Our Trust Company continued to experience substantial growth in the quarter, with loan assets increasing 44.2% year-over-year by the end of the second quarter of 2008. The Trust Company's funding sources remain robust since our loans are primarily funded by selling Guaranteed Investment Certificates (GICs) with Canada Deposit Insurance Corporation (CDIC) insurance, and the credit quality of our loans remains consistent.

Excluding the \$8.0 million securitization gain in the second quarter of 2007, consolidated revenue was \$194.3 million, compared with \$196.9 million in the second quarter of the prior year. Earnings before interest, taxes, depreciation and amortization* (EBITDA) from continuing operations were \$88.6 million, compared with \$90.0 million for the three months ended May 31, 2007. EBITDA margins*, excluding the securitization gain, remained stable for the three months ended May 31, 2008, at 45.6% compared with 45.7% in the three-month period ended May 31, 2007.

For the three months ended May 31, 2008, AGF reported cash flow from continuing operations* (before net change in non-cash balances related to operations) of \$71.5 million, compared with \$84.4 million one year ago. Free cash flow* (cash flow from continuing operations less selling commissions paid) for the same period was \$43.6 million, compared with \$34.8 million one year ago as a result of a decrease in deferred selling commissions paid.

Finally, we announced a share repurchase program that will take place over the next several months and we will buy back up to \$60 million of AGF Class B non-voting shares through an additional three-year term bank facility. When looking at opportunities to enhance shareholder value, we believe the best investment opportunity for our shareholders is in AGF shares. The fundamentals of our investment management business are strong in spite of the global stock market volatility. Our international operations add great strength to our investment platform and the value of our investments in AGF Trust and in Smith and Williamson do not appear to be reflected in our share price. As a result, we plan on increasing our share repurchases.

We remain committed to achieving our long-term objectives and are well-positioned to weather market downturns and participate strongly when markets stabilize.



Blake C. Goldring, CFA
Chairman and Chief Executive Officer
May 31, 2008

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

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

For the three and six months ended May 31, 2008

This Management's Discussion and Analysis (MD&A) presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (AGF) as at May 31, 2008, compared with November 30, 2007, and the results of operations for the three and six months ended May 31, 2008, compared with the corresponding period of 2007. This discussion should be read in conjunction with our 2007 annual MD&A and 2007 annual audited Consolidated Financial Statements and Notes. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. The financial information presented herein has been prepared on the basis of Canadian Generally Accepted Accounting Principles (GAAP). Percentage changes are calculated using numbers, rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

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

Overview

With \$51.8 billion in assets under management (AUM), AGF is one of Canada's largest independent investment management companies, with operations and investments in Canada, the United Kingdom, Ireland and Asia. We commenced operations in 1957 with one of the first mutual funds available to Canadians seeking to invest in the United States. As of May 31, 2008, we offered more than 50 domestic and international mutual funds, as well as managed-asset programs, sold under our Elements and Harmony brands. We also have a substantial institutional investment management business, high-net-worth business and a growing trust company.

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

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

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

Strategy and Quarterly Overview

As stated in our 2007 annual MD&A, our overall business strategy is to foster the development of best-in-class operating segments to provide premier financial services and to maximize shareholder value over the long term. During the second quarter of 2008:

- Revenue decreased 5.2% in the quarter as compared with the same period in 2007. Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 9.6% during the same period. The second quarter of 2007 included an \$8.0 million securitization gain. Excluding the securitization gain, revenues declined by a modest 1.3% and EBITDA declined by 1.6%.
- Market volatility continued, resulting in total AUM declining 7.2% from \$55.8 billion at May 31, 2007 to \$51.8 billion as at May 31, 2008. However, total AUM increased 5.1% over the \$49.3 billion reported as at February 29, 2008.
- Revenue at AGF Trust increased 21.4% quarter-over-quarter, excluding the securitization gain.
- AGF Trust real estate secured loan assets grew 38.7% over the previous year and investment loans grew 49.1% with total loan assets rising 44.2% year-over-year.
- Credit quality of the AGF Trust portfolio remains consistent, with impaired loans expressed as a percentage of total loans outstanding representing 0.7% at May 31, 2008 and November 30, 2007.

- We delivered value directly to our shareholders through dividend payments. Dividends paid, including dividends reinvested, on Class A voting common shares (Class A shares) and Class B non-voting shares (Class B shares) increased 24.6% to \$22.3 million in the second quarter of 2008. This compared with \$17.9 million in the same period in 2007.
- We announced a program, in our second quarter earnings release, to buy back up to \$60 million AGF Class B shares.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our business strategies using a number of key performance indicators (KPIs), which are outlined below. With the exception of revenue, the following KPIs are not measurements in accordance with Canadian GAAP. They should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of KPIs that are relevant to each segment.

(a) Consolidated Operations

Revenue

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

We derive our revenue principally from a combination of:

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

EBITDA

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

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

Cash Flow from Operations

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Net cash provided by continuing operating activities	\$ 174.9	\$ 102.6	\$ 185.9	\$ 158.4
Less: net changes in non-cash balances related to operations	103.4	18.2	32.1	5.3
Cash flow from continuing operations	\$ 71.5	\$ 84.4	\$ 153.8	\$ 153.1

Free Cash Flow from Operations

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Cash flow from continuing operations (defined above)	\$ 71.5	\$ 84.4	\$ 153.8	\$ 153.1
Less: selling commissions paid	27.9	49.6	54.7	93.3
Free cash flow	\$ 43.6	\$ 34.8	\$ 99.1	\$ 59.8

EBITDA Margin

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
EBITDA	\$ 88.6	\$ 98.0	\$ 178.2	\$ 178.4
Divided by revenue	194.3	204.9	388.7	382.0
EBITDA margin	45.6%	47.8%	45.8%	46.7%

Pre-Tax Profit Margin

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Income before taxes and non-segmented items	\$ 57.9	\$ 63.3	\$ 114.5	\$ 112.3
Divided by revenue	194.3	204.9	388.7	382.0
Pre-tax profit margin	29.8%	30.9%	29.5%	29.4%

Return on Equity (ROE)

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

(b) Investment Management Operations

Assets Under Management (AUM)

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

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

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

Net Sales

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

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

EBITDA Margin

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
EBITDA	\$ 71.5	\$ 76.7	\$ 146.3	\$ 147.6
Divided by revenue	162.9	171.8	328.1	328.2
EBITDA margin	43.9%	44.6%	44.6%	45.0%

Pre-Tax Profit Margin

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Income before taxes and non-segmented items	\$ 43.6	\$ 45.5	\$ 89.0	\$ 86.5
Divided by revenue	162.9	171.8	328.1	328.2
Pre-tax profit margin	26.8%	26.5%	27.1%	26.4%

(c) Trust Company Operations

Loan Asset Growth

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

Net Interest Income

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

Net Interest Margin

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

Efficiency Ratio

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Selling, general and administrative expenses	\$ 10.9	\$ 9.3	\$ 22.2	\$ 17.8
Add: amortization expense	0.6	0.4	1.0	0.7
Non-interest expense	\$ 11.5	\$ 9.7	\$ 23.2	\$ 18.5
Other revenue	\$ 2.3	\$ 1.7	\$ 6.0	\$ 2.8
Gain on RSP loan securitization and related income (loss), net of impairment	(0.7)	9.2	0.1	10.0
Non-interest income	\$ 1.6	\$ 10.9	\$ 6.1	\$ 12.8
Net interest income	\$ 25.1	\$ 19.1	\$ 47.9	\$ 36.5
Add: non-interest income	1.6	10.9	6.1	12.8
Total of net interest income and non-interest income	\$ 26.7	\$ 30.0	\$ 54.0	\$ 49.3
Efficiency ratio	43.1%	32.3%	43.0%	37.5%

EBITDA Margin

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
EBITDA	\$ 12.4	\$ 18.2	\$ 25.3	\$ 26.3
Divided by revenue	26.7	30.0	54.0	49.3
EBITDA margin	46.4%	60.7%	46.9%	53.3%

Pre-Tax Profit Margin

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

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Income before taxes and non-segmented items	\$ 11.8	\$ 17.8	\$ 24.3	\$ 25.6
Divided by revenue	26.7	30.0	54.0	49.3
Pre-tax profit margin	44.2%	59.3%	45.0%	51.9%

Assets-to-Capital Multiple

Federally regulated deposit-taking institutions (DTI) are expected to meet an assets-to-capital multiple test. The assets-to-capital multiple is determined by dividing the DTI's total assets by its total regulatory capital.

Significant Accounting Policies

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

Changes in Significant Accounting Policies

Capital Disclosures

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

Financial Instruments Disclosures and Presentation

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

Future Accounting Changes

The Canadian Accounting Standards Board (AcSB) confirmed a plan to adopt the International Financial Reporting Standards (IFRS) in 2011, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS. The impact of the adoption of IFRS is not known at this time.

On December 1, 2008, the Company will adopt "CICA 3064, Goodwill and Intangible Assets". This standard contains revised rules on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operation.

Changes in Internal Controls over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the six-month period ended May 31, 2008, there was no significant change to the systems of internal controls within AGF.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three and six months ended May 31, 2008, and May 31, 2007.

(\$ millions, except per share amounts)	Three months ended May 31,			Six months ended May 31,		
	2008	2007	% change	2008	2007	% change
Revenue						
Investment Management Operations	\$ 162.9	\$ 171.8	(5.2%)	\$ 328.1	\$ 328.2	(0.0%)
Trust Company Operations ¹	26.7	30.0	(11.0%)	54.0	49.3	9.5%
Other	4.7	3.1	51.6%	6.6	4.5	46.7%
	194.3	204.9	(5.2%)	388.7	382.0	1.8%
Expenses						
Investment Management Operations	91.4	95.1	(3.9%)	181.8	180.6	0.7%
Trust Company Operations	14.3	11.8	21.2%	28.7	23.0	24.8%
	105.7	106.9	(1.1%)	210.5	203.6	3.4%
EBITDA ² (continuing operations)	88.6	98.0	(9.6%)	178.2	178.4	(0.1%)
Amortization	28.3	31.6	(10.4%)	58.3	61.8	(5.7%)
Interest expense	2.4	3.2	(25.0%)	5.4	4.3	25.6%
Non-controlling interest	0.2	0.2	0.0%	0.3	0.5	(40.0%)
Income taxes	13.7	13.9	(1.4%)	7.5	24.7	(69.6%)
Net income from continuing operations	\$ 44.0	\$ 49.1	(10.4%)	\$ 106.7	\$ 87.1	22.5%
Loss on dissolution of limited partnerships, net of tax	—	—		—	(2.1)	
Gain on sale of discontinued operations, net of tax	—	4.7		—	4.7	
Net earnings (loss) from discontinued operations, net of tax ³	—	(0.2)		—	0.3	
Net income	\$ 44.0	\$ 53.6	(17.9%)	\$ 106.7	\$ 90.0	18.6%
Earnings per share from continuing operations – diluted	\$ 0.49	\$ 0.54	(9.3%)	\$ 1.19	\$ 0.96	24.0%

¹ The three and six months ended May 31, 2007 include an \$8.0 million securitization gain.

² For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

³ On April 30, 2007, AGF sold 100% of Investmaster. Accordingly, Investmaster's results have been reported as discontinued operations.

Revenue for the three and six months ended May 31, 2008, declined by 5.2% and increased 1.8% from the corresponding periods in 2007. Revenue in the Investment Management Operations segment decreased 5.2% and was unchanged for the three and six months ended May 31, 2008. This corresponds to lower average levels of AUM offset by higher DSC and other revenue. The Trust Company Operations segment, excluding a \$8.0 million securitization gain in the second quarter of 2007, reported increases in revenue of 21.4% and 30.8% for the three and six months ended May 31, 2008, resulting from loan assets being up 44.2% year-over-year. Revenues from Other, which represents the results of our 31.6% equity interest in S&WHL, were higher for the three and six months ended May 31, 2008. This compares with the corresponding periods in 2007, with the increase attributable to the growth in S&WHL operations.

Expenses for the three and six months ended May 31, 2008, decreased by 1.1% and increased 3.4% compared with the same periods in 2007. This includes decreases in the Investment Management Operations and increases in the Trust Company Operations segments. For more detail, refer to the segment discussions.

The revenue and expense impact contributed to a decrease in EBITDA of 9.6% and 0.1% for the three and six months ended May 31, 2008, from the corresponding periods of 2007. Excluding the \$8.0 million securitization gain, EBITDA declined 1.6% for the three months ended May 31, 2008 and increased 4.6% for the six months ended May 31, 2008.

Amortization expense decreased 10.4% and 5.7% for the three and six months ended May 31, 2008, compared to the same periods in 2007. The decline was due to lower amortization of deferred selling commissions in the Investment

Management Operations segment. Amortization of deferred selling commissions accounted for \$24.8 million and \$50.9 million (2007 – \$27.2 million and \$53.7 million) of the total amortization expense.

Interest expense was \$2.4 million and \$5.4 million for the three and six months ended May 31, 2008, as compared with \$3.2 million and \$4.3 million in the same periods of 2007.

For the three and six months ended May 31, 2008, income tax expense was \$13.7 million and \$7.5 million compared with income tax expense of \$13.9 million and \$24.7 million in the same periods in 2007. Results from the six months ended May 31, 2008 include an income reduction of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012. Excluding the impact of this tax reduction, the effective tax rate for the first six months of 2008 was 23.6% compared with 22.1% in the same period in 2007.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$44.0 million and \$106.7 million for the three and six months ended May 31, 2008. This compares with \$49.1 million and \$87.1 million in the same periods of 2007. Basic earnings per share from continuing operations were \$0.49 and \$1.20 for the three and six months ending May 31, 2008 compared with \$0.55 and \$0.97 per share in the same periods of 2007. For the six months ending May 31, 2008, excluding the impact of the tax reduction of \$19.5 million, income from continuing operations was \$87.2 million or \$0.97 per share diluted. This compares to \$0.96 for the six months ended May 31, 2007.

Net income was \$44.0 million and \$106.7 million for the three and six-month period ended May 31, 2008. This compares with \$53.6 million and \$90.0 million in the same periods of 2007. Excluding the impact of income tax as previously discussed, net income for the six-month period ended May 31, 2008 was \$87.2 million. The six-month period ended May 31, 2007 included a gain of \$4.7 million net of tax related to the gain on sale of discontinued operations, and a loss of \$2.1 million net of tax related to the dissolution of limited partnerships.

A further discussion follows of the results of each business segment for the three and six months ended May 31, 2008, compared with May 31, 2007.

Business Segment Performance

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

Investment Management Operations

Business and Industry Profile

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

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

Segment Strategy and Highlights

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

Consistent with our stated strategy, during the three and six months ended May 31, 2008, we achieved the following:

- Revenue for the six months ended May 31, 2008 remained stable compared to 2007, while average mutual fund AUM declined 1.9%.
- EBITDA margins remained relatively constant in 2008 over 2007, with an EBITDA margin of 43.9% for the three months ended May 31, 2008, compared with 44.6% in the three months ended May 31, 2007.
- We began offering clients more choice and access to potential tax benefits by adding three corporate class funds to our All World Tax Advantage Group.

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

- We added a dedicated emerging markets equities component and manager to the Harmony Overseas Equity Pool to give investors broader exposure and better diversification in emerging markets.
- We achieved recognition at the 2008 Canadian Lipper Awards getting top honours for two of our funds for their consistent long-term performance (AGF Precious Metals Fund and AGF China Focus Class).

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 depends on the level and composition of AUM. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees. These fees are based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional, strategic accounts, and high-net-worth client AUM. As a result, the level of AUM has a significant influence on financial results.

The following table illustrates the composition of the changes in total AUM during the three and six months ended May 31, 2008, and May 31, 2007.

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2008	2007	% change	2008	2007	% change
Mutual fund AUM, beginning of period	\$ 27,703	\$ 28,798	(3.8%)	\$ 30,052	\$ 26,857	11.9%
Gross sales of mutual funds	945	2,013	(53.1%)	2,073	4,184	(50.5%)
Redemptions of mutual funds	(1,204)	(1,110)	8.5%	(2,557)	(2,239)	14.2%
Net mutual fund sales	(259)	903	(128.7%)	(484)	1,945	(124.9%)
Market appreciation (depreciation) of fund portfolios	1,183	905	30.7%	(941)	1,804	(152.2%)
Mutual fund AUM, end of period	\$ 28,627	\$ 30,606	(6.5%)	\$ 28,627	\$ 30,606	(6.5%)
Institutional and strategic accounts AUM	19,226	21,092	(8.8%)	19,226	21,092	(8.9%)
High-net-worth AUM	3,927	4,071	(3.5%)	3,927	4,071	(3.5%)
Total AUM, end of period	\$ 51,780	\$ 55,769	(7.2%)	\$ 51,780	\$ 55,769	(7.2%)
Average daily mutual fund AUM for the period	\$ 28,357	\$ 30,045	(5.6%)	\$ 28,489	\$ 29,049	(1.9%)

Continued global market volatility and an industry trend of reduced gross sales of long-term funds resulted in a decrease in mutual fund AUM to \$28.6 billion at May 31, 2008, from \$30.6 billion as at May 31, 2007. The average daily mutual fund AUM for the three months ended May 31, 2008, decreased 5.6% to \$28.4 billion, compared with the same period in 2007. The average daily mutual fund AUM for the six months ended May 31, 2008, decreased 1.9% to \$28.5 billion, compared with the same period in 2007. During the past 12 months, institutional and strategic accounts AUM decreased by \$1.9 billion to \$19.2 billion. This was as a result of market volatility and client rebalancing as well as redemptions, which were non-performance related. High-net-worth AUM decreased by \$0.1 billion to \$3.9 billion due to market volatility. These decreases resulted in total AUM decreasing by 7.2% to \$51.8 billion.

Market performance influences the level of AUM. During the three and six months ended May 31, 2008, the Canadian-dollar-adjusted S&P 500 Index increased 6.8% and decreased 5.1%, the Canadian-dollar-adjusted NASDAQ Index increased 12.2% and decreased 5.8%, and the S&P/TSX Composite Index increased 9.1% and 8.9%. The aggregate market appreciation of our mutual fund portfolios for the three months ended May 31, 2008, divided by the average daily mutual fund AUM for the period was 4.2%, after management fees and expenses paid by the funds. For the six months ended May 31, 2008, this represented a market depreciation of 3.3%.

The impact of the U.S. dollar increase relative to the Canadian dollar on the market value of AGF mutual funds for the three months ended May 31, 2008, has been an increase in AUM of \$0.1 billion. For the six months ended May 31, 2008, the impact of the U.S. dollar decrease has been a decrease in AUM of \$0.1 billion.

Financial and Operational Results

The Investment Management Operations segment results for the three and six months ended May 31, 2008, and May 31, 2007, are as follows:

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2008	2007	% change	2008	2007	% change
Revenue						
Management and advisory fees	\$ 153.9	\$ 165.4	(7.0%)	\$ 310.3	\$ 316.3	(1.9%)
Deferred sales charges	6.0	5.2	15.4%	12.2	10.1	20.8%
Investment income and other revenue	3.0	1.2	150.0%	5.6	1.8	211.1%
	162.9	171.8	(5.2%)	328.1	328.2	(0.0%)
Expenses						
Selling, general and administrative	46.0	49.5	(7.1%)	90.6	92.5	(2.1%)
Trailing commissions	41.6	42.4	(1.9%)	83.4	80.9	3.1%
Investment advisory fees	3.8	3.2	18.8%	7.8	7.2	8.3%
	91.4	95.1	(3.9%)	181.8	180.6	0.7%
EBITDA*	71.5	76.7	(6.8%)	146.3	147.6	(0.9%)
Amortization	27.9	31.2	(10.6%)	57.3	61.1	(6.2%)
Income before taxes and non-segmented items	\$ 43.6	\$ 45.5	(4.2%)	\$ 89.0	\$ 86.5	2.9%

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

Revenue

For the three and six-month period ended May 31, 2008, revenue for the Investment Management Operations segment decreased by 5.2% and remained stable compared with the previous-year period, with changes in the following categories:

Management and Advisory Fees

The lower average daily mutual fund AUM in the second quarter of fiscal 2008 contributed to a 7.0% decrease in management and advisory fee revenue from the same period in 2007. Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities. These distribution fees totalled \$1.7 million (2007 – \$2.2 million) for the three months ended May 31, 2008 and \$3.4 million (2007 – \$4.5 million) for the six months ended May 31, 2008.

Deferred Sales Charges (DSC)

We receive DSC upon redemption of securities sold on the contingent DSC or back-end commission basis for which we finance the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenues for the three and six months ended May 31, 2008, increased by 15.4% and 20.8% from the same periods in 2007, reflecting higher retail mutual fund redemptions of DSC AUM that are subject to a charge.

Expenses

For the three and six-month periods ended May 31, 2008, expenses decreased by 3.9% and increased 0.7% from the previous-year period. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three and six-month periods ended May 31, 2008, were \$46.0 million and \$90.6 million. This represents a 7.1% and 2.1% decrease over the same periods in 2007. The decrease is made up of the following amounts:

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008		2008	
Increase in fund absorption expenses	\$	0.1	\$	1.2
Increase (decrease) in compensation-related expenses		(1.7)		0.2
Decrease in other expenses		(1.9)		(3.3)
	\$	(3.5)	\$	(1.9)

The following are explanations for expense changes in the three and six-month periods ended May 31, 2008, compared with the previous-year periods:

- Our current estimate for 2008 absorption expense is generally consistent with 2007.
- Compensation-related expenses decreased due to lower estimates for bonus payouts and lower severance payments.
- Other expenses decreased primarily as a result of reduced spending across a number of expense categories.

Trailing Commissions

Trailing commissions paid to investment dealers depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.587% and 0.586% for the three and six months ended May 31, 2008, from 0.564% and 0.557% in the same 2007 periods. The trend in increasing trailers expressed as a percentage of AUM is attributable to an increased proportion of mutual fund AUM sold on a front-end basis. It is also attributable to a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailer commissions.

Investment Advisory Fees

External investment advisory fees increased 18.8% and 8.3% for the three and six-month periods ended May 31, 2008, compared with the previous-year period. The year-over-year increase primarily relates to the AGF Dividend Income Fund, which was managed internally for a portion of 2007.

EBITDA

EBITDA for the Investment Management Operations segment were \$71.5 million and \$146.3 million for the three and six months ended May 31, 2008. This represents a decrease of 6.8% and 0.9% from \$76.7 million and \$147.6 million for the same periods of fiscal 2007. The decrease is primarily due to lower revenue levels resulting from lower average AUM.

Amortization

The largest item in this category is amortization of deferred selling commissions. The category also represents amortization of property, equipment, customer contracts and other intangible assets. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$24.8 million and \$50.9 million in the three and six months ended May 31, 2008, compared with \$27.2 million and \$53.7 million in the same periods in 2007.

During the second quarter of fiscal 2008, we paid \$27.9 million in selling commissions, compared with \$49.6 million in 2007. As at May 31, 2008, the unamortized balance of deferred selling commissions stood at \$319.1 million. This is an increase of \$3.1 million from the balance of \$316.0 million as at February 29, 2008. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at May 31, 2008, were estimated to be approximately \$418.7 million (May 31, 2007 – \$400.2 million).

Trust Company Operations

Business and Industry Profile

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

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

We offer real estate secured loans to Canadians who have sound credit, but who may not have met the requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed primarily through the mortgage broker channel, which has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates. Lenders have provided real estate secured loans in this channel to reduce distribution costs. HELOC loans are distributed through financial advisors to clients who generally have superior credit profiles.

Segment Strategy and Highlights

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

Specific strategies include:

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

For the three and six months ended May 31, 2008, loan originations were \$452.0 million and \$977.0 million. With the continued capital market volatility being experienced around the world, particularly in the U.S., and the related effects of the Asset-Backed Commercial Paper (ABCP) markets, AGF Trust is continuing to adapt to changing business conditions as funding costs have increased across the industry. The majority of the funding for the operations comes from the ability to sell GICs. As previously reported, AGF Trust holds only bank-sponsored ABCP and has relied on these markets for only a small portion of funding in the current and prior fiscal year.

The credit quality of our loan portfolio remains consistent. Net loan write-offs were \$2.0 million and \$3.5 million for the three and six months ended May 31, 2008, compared to \$0.9 million and \$2.0 million in the same periods in the previous year. Impaired loans expressed as a percentage of loans outstanding were 0.7% as at May 31, 2008 and as at November 30, 2007.

Securitization Transaction

In the second quarter of 2007, AGF Trust securitized \$263.6 million of RSP loans, recognizing a gain of \$8.0 million. There have been no securitization transactions in 2008.

Financial and Operational Results

The Trust Company Operations segment results for the three and six months ended May 31, 2008, and May 31, 2007, are as follows:

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2008	2007	% change	2008	2007	% change
Interest income						
Loan interest	\$ 68.7	\$ 50.9	35.0%	\$ 135.2	\$ 94.1	43.7%
Investment interest	7.3	4.1	78.1%	17.6	8.1	117.3%
	76.0	55.0	38.2%	152.8	102.2	49.5%
Interest expense						
Deposit interest	50.2	30.8	63.0%	97.4	57.3	70.0%
Other interest expense	0.7	5.1	(86.3%)	7.5	8.4	(10.7%)
	50.9	35.9	41.8%	104.9	65.7	59.7%
Net interest income	25.1	19.1	31.4%	47.9	36.5	31.2%
Other revenue	2.3	1.7	35.3%	6.0	2.8	114.3%
Gain on RSP loan securitization and related income (loss), net of impairment ¹	(0.7)	9.2	(107.6%)	0.1	10.0	(99.0%)
Total revenue	26.7	30.0	(11.0%)	54.0	49.3	9.5%
Expenses						
Selling, general and administrative	10.9	9.3	17.2%	22.2	17.8	24.7%
Provision for loan losses	3.4	2.5	36.0%	6.5	5.2	25.0%
	14.3	11.8	21.2%	28.7	23.0	24.8%
EBITDA ²	12.4	18.2	(31.9%)	25.3	26.3	(3.8%)
Amortization	0.6	0.4	50.0%	1.0	0.7	42.9%
Income before taxes and non-segmented items	\$ 11.8	\$ 17.8	(33.7%)	\$ 24.3	\$ 25.6	(5.1%)

¹ The three and six months ended May 31, 2007 includes an \$8.0 million securitization gain.

² For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 31.4% and 31.2% in the three and six months ended May 31, 2008, over the same periods in 2007. Loan balances were approximately 44.2% higher as at May 31, 2008, compared to 2007. Other revenue increased \$0.6 million and \$3.2 million in the three and six-month periods ended May 31, 2008, over the same periods in the previous year. This is due to higher loan balances and a gain from hedge ineffectiveness. Securitization gains and related items decreased \$9.9 million in the second quarter of 2008 versus the same quarter last year. The second quarter of 2007 included an \$8.0 million gain related to a securitization transaction. These factors resulted in a decrease in revenue of 11.0% for the three months ended May 31, 2008 and an increase of 9.5% for the six months ended May 31, 2008.

The average net interest margin on lending products in the second quarter of 2008 was 2.37% (Q2 2007 – 2.70%). This spread decrease resulted from compression in the Prime-Canadian Dollar Offered Rate (CDOR) spread, an increase in the cost of GIC funding over the past six months, a slight decrease in spreads on the investment loan portfolio and a change in the business mix to include a greater proportion of high credit-quality HELOCs. Since HELOCs are risk-priced they earn lower spreads than the Trust Company's other lending products.

Selling, General and Administrative Expenses

The increases in SG&A expenses of 17.2% and 24.7% in the three and six-month period ended May 31, 2008, over the same periods in 2007, result from increased staffing levels to support the significant loan growth during the past 12 months.

Provision for Loan Losses

The total provision for loan losses increased 36.0% in the second quarter of 2008, compared with the previous-year period, and is consistent with the growth in the loan portfolio. This was attributable to the increase in our loan portfolios and the mix of

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

loans. This increase in the loan loss provision was moderated due to a higher proportion of newly originated loans that are lower-risk investment loans and HELOCs.

EBITDA

EBITDA of \$12.4 million and \$25.3 million in the three and six-month periods ended May 31, 2008 declined 31.9% and 3.8% compared with the same periods ended May 31, 2007. Excluding the securitization gain of \$8.0 million in the second quarter of 2007, EBITDA increased 21.6% and 38.3%, in the three and six-month periods ended May 31, 2008, compared to the same periods in 2007, consistent with the growth in loan assets.

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, 2008 and May 31, 2007.

(\$ millions)	Three months ended May 31,			Six months ended May 31,		
	2008	2007	% change	2008	2007	% change
Real estate secured loans ¹						
Insured mortgage loans	\$ 607.5	\$ 494.9	22.8%	\$ 607.5	\$ 494.9	22.8%
Conventional mortgage loans	808.2	627.3	28.8%	808.2	627.3	28.8%
HELOCs	559.3	301.3	85.6%	559.3	301.3	85.6%
	1,975.0	1,423.5	38.7%	1,975.0	1,423.5	38.7%
Investment loans ¹						
Secured investment loans	1,683.9	1,193.8	41.1%	1,683.9	1,193.8	41.1%
RSP loans	618.5	344.2	79.7%	618.5	344.2	79.7%
Other loans	14.8	15.7	(5.7%)	14.8	15.7	(5.7%)
	2,317.2	1,553.7	49.1%	2,317.2	1,553.7	49.1%
Other assets	964.8	567.4	70.0%	964.8	567.4	70.0%
Total Assets	\$ 5,257.0	\$ 3,544.6	48.3%	\$ 5,257.0	\$ 3,544.6	48.3%
Net interest income	\$ 25.1	\$ 19.1	31.4%	\$ 47.9	\$ 36.5	31.2%
Gain on RSP loan securitization and related income (loss), net of impairment ²	(0.7)	9.2	(107.6%)	0.1	10.0	(99.0%)
Other revenue	2.3	1.7	35.3%	6.0	2.8	114.3%
Non-interest expenses ³	(11.5)	(9.7)	18.6%	(23.2)	(18.5)	25.4%
Provision for loan losses	(3.4)	(2.5)	36.0%	(6.5)	(5.2)	25.0%
Income before taxes and non-segmented items	\$ 11.8	\$ 17.8	(33.7%)	\$ 24.3	\$ 25.6	(5.1%)
Efficiency ratio ⁴	43.1%	32.3%		43.0%	37.5%	
Assets-to-capital multiple ⁴	15.2	15.3		15.2	15.3	

¹ Includes loan provision and deferred sales commission.

² The three and six months ended May 31, 2007 includes an \$8.0 million securitization gain.

³ Includes SG&A and amortization expenses.

⁴ For the definition of efficiency ratio and assets-to-capital multiple, see the "Key Performance Indicators and Non-GAAP Measures" section.

Loan Asset Growth

Our continued sales efforts directed at the mortgage broker and advisor channels resulted in significant loan assets growth year-over-year. Real estate secured loan assets grew 38.7% year-over-year and were supplemented by steady originations of HELOCs.

Secured investment loans increased 41.1% to \$1.7 billion as at May 31, 2008, over the same period in 2007. RSP loan balances increased by \$274.3 million or \$116.6 million, excluding the impact of the securitization, as at May 31, 2008. This is a result of a strong RSP season despite volatile equity markets during the early part of 2008.

Efficiency Ratio

The efficiency ratio is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. Excluding the \$8.0 million securitization gain in the second quarter of 2007, the efficiency ratio decreased to 43.1% from 44.1% in the same period of 2007. The efficiency ratio for the six-month period ended May 31, 2008, decreased to 43.0% from 44.8% in the same period in 2007.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 48.3% to \$5.3 billion as at May 31, 2008, compared with the previous year. As at May 31, 2008, our asset-to-capital multiple stood at 15.2 times, compared with 15.3 times at the same time last year. This is below our authorized multiple of 17.5 times. Our risk-based capital ratio was 15.5% as at May 31, 2008. AGF Trust received \$35.0 million in debt and equity capital from AGF Management Limited during the six-month period ended May 31, 2008, to support increased asset levels. Liquid assets were high with \$707.8 million in cash and cash equivalents as at May 31, 2008 (2007 – \$474.9 million), excluding cash currently pledged to counterparties.

Loan Portfolio Credit

Portfolio credit quality remained consistent as at May 31, 2008, compared with May 31, 2007. The general allowance for real estate secured loan losses was increased during the year to \$7.6 million from \$5.8 million a year ago. The general allowance for investment loan losses was increased to \$9.1 million from \$6.1 million a year ago. Approximately 42.9% of real estate secured loan assets, excluding HELOCs, are insured. We have strong security for non-RSP investment loans, and loan losses during the history of the program have been minimal. For RSP loans, the expense for impaired loans, which consists of the increase in specific allowances plus write-offs net of recoveries (excluding securitized RSP loans) was \$1.8 million for the six months ended May 31, 2008 (2007 – \$1.7 million). For the balance of our loan products, the expense for impaired loans was \$1.7 million (2007 – \$0.2 million).

Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities, before net change in non-cash balances related to operations, was \$71.5 million and \$153.8 million for the three and six months ended May 31, 2008. This compares with \$84.4 million and \$153.1 million in the same periods of 2007.

Consolidated free cash flow is defined as cash flow from operations less selling commissions paid. It was \$43.6 million and \$99.1 million for the three and six months ended May 31, 2008, compared with \$34.8 million and \$59.8 million in the same period of 2007. We paid \$27.9 million and \$54.7 million in selling commissions during the three and six months ended May 31, 2008, which were deferred for accounting purposes. This compares with \$49.6 million and \$93.3 million paid and deferred in the same periods in 2007.

Our free cash flow was used primarily to fund the following:

(\$ millions)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Payment of dividends	\$ 19.7	\$ 16.1	\$ 37.0	\$ 31.6
Acquisitions of subsidiaries	0.0	0.0	20.8	19.9
Purchase of property, equipment and other intangible assets	1.2	1.8	2.7	2.6
Bank credit facility repayment (borrowing)	87.1	15.0	(12.1)	(84.0)
Investment in Trust Operations (eliminated on consolidation)	0.0	16.0	35.0	48.5
	\$ 108.0	\$ 48.9	\$ 83.4	\$ 18.6

During the three months ended May 31, 2008, our revolving term loan balance decreased \$87.1 million to \$172.0 million.

Consolidated cash and cash equivalents of \$748.5 million decreased by \$79.4 million from November 30, 2007 levels of \$827.9 million (2007 – increased by \$104.2 million). This was primarily due to Trust investing \$140.0 million of cash into investments available for sale.

On May 26, 2008, the Company, under its current loan agreement, arranged an additional three-year prime-rate based reducing term loan to a maximum of \$60.0 million (Facility 2). Facility 2 will be used to finance share repurchases, permitting AGF to draw down the reducing term loan by direct advances or bankers' acceptances (BAs). The reducing term loan is available to the earlier of September 30, 2008, or the date that the facility is fully drawn. Following this date, Facility 2 is

payable in equal quarterly instalments over twelve quarters. Any undrawn portion of Facility 2 at the end of the availability date will be permanently cancelled.

We also have a six-year prime rate-based revolving term loan facility to a maximum of \$300.0 million, of which \$128.0 million was available, to be drawn as at May 31, 2008. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had \$40.7 million of cash as at May 31, 2008. Some of this cash will be used to repay bank debt in the remainder of 2008. The loan facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Capital Management Activities

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

AGF capital consists of shareholders' equity. On an annual basis, AGF prepares a five-year plan detailing projected operating budgets and capital requirements. Each of AGF's operating segments are required to prepare and submit a five-year operating plan and budget to AGF's Finance Committee for approval prior to seeking Board approval. AGF's Finance Committee consists of the Chairman and CEO, the Vice-Chairman, Senior Vice-President and CFO, and the Senior Vice-President and General Counsel. Once approved by the Finance Committee, the five-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B shares and, combined with the reasonable use of leverage, the source of funds for acquisitions.

Investment Management Operations – Regulatory Capital

A significant objective of the Capital Management program is to ensure regulatory requirements are met regarding regulatory capital requirements. Our Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate. The cumulative amount of minimum regulatory capital across all of our investment management operations is approximately \$6.0 million.

AGF Trust – Regulatory Capital

AGF Trust's regulatory capital consists primarily of common shareholders' equity, preferred shares and subordinated debentures. Regulatory capital is a factor that allows the AGF Trust Board of Directors (Trust Board) to assess the stability and security in relation to the overall risks inherent in AGF Trust's activities. AGF Trust's policy is to maintain its regulatory capital ratios consistent with requirements as laid out by the Company's principal regulator. As of January 1, 2008, AGF Trust is monitoring its regulatory capital based on the Bank for International Settlements (BIS) regulatory risk-based capital framework (commonly known as Basel II). AGF Trust uses the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. During the second quarter of 2008, AGF Trust has complied with these Basel II requirements. See page 23 for more information on Basel II.

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

Regulatory capital is detailed as follows:

(\$ thousands)	As at May 31, 2008	As at November 30, 2007 ¹
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,126	910
Retained earnings	96,563	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(19,581)	—
	224,876	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	18,061	15,277
Less: securitization and other	(7,944)	(26,669)
	119,617	78,108
Total capital	\$ 344,493	\$ 290,649

¹ Information based on capital adequacy requirements in force at that date.

Dividends

On June 24, 2008, we declared a 25-cents-per-share dividend on Class A and Class B shares, which approximates a 4.0% dividend yield. This dividend will be payable on July 21, 2008, to shareholders of record on July 10, 2008.

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

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

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

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

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

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

Normal Course Issuer Bid

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

As at May 31, 2008, under this current normal course issuer bid, no Class B shares have been repurchased. AGF's previous normal course issuer bid, initiated on February 26, 2007, allowed for the repurchase of up to 7,303,844 Class B shares between February 26, 2007 and February 25, 2008, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased an aggregate of 1,437,800 Class B shares, for a total consideration of \$45.5 million at an average price of \$31.67 per share.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2008. For additional details, see Note 9 of the Q2 2008 Consolidated Financial Statements.

As at May 31,	2008	2007
Shares		
Class A voting common shares	57,600	57,600
Class B non-voting shares	89,372,650	90,226,680
Stock Options		
Outstanding options	4,053,698	3,565,266
Exercisable options	2,095,942	1,547,034

Managing Risk – Overview

Risk Overview

Our approach to and the management of risk is described below. On December 1, 2007, we adopted the CICA "Handbook Section 3862, Financial Instruments – Disclosures". This section establishes standards for the comprehensive disclosure requirements for financial instruments.

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

Risk is the responsibility of AGF's Executive Committee. The Executive Committee is comprised of AGF's Chairman and CEO, the Senior Vice-President and CFO, the Senior Vice-President and General Counsel, the Presidents of AGF Funds Inc., AGF Asset Management Group Limited and AGF Trust and the Chief Investment Officer of AGF Funds Inc. Oversight of reputational, regulatory, legal and financial risk is within the mandate of the Executive Committee.

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

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

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

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

Risk Factors that May Affect Future Results

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

Managing Risk – Investment Management Operations

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

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

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

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

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

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

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

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

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

Currency Risk

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

Interest Rate Risk

Our Investment Management segment has limited exposure to the risk related to changes in interest rates on floating rate debt as at May 31, 2008. Using average loan balances outstanding, the effect of a 1% change in variable interest rates on this debt would have resulted in a change of approximately \$1.6 million in interest expense for the six months ended May 31, 2008. As the amount of interest paid is small relative to our operating cash flow, such a change in interest rates would not have a material impact on the results of operations or the fair value of the related debt.

Managing Risk – Trust Company Operations

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

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

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

Basel II Capital Accord

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

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

Credit risk

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

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

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

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

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

AGF Trust's credit risk is mitigated through the use of collateral, primarily in the form of residential real estate and mutual fund investments. Credit risk is also mitigated through residential mortgage insurance through the Canada Mortgage and Housing Corporation (CMHC) or another insurer. As at May 31, 2008, \$607.5 million of AGF Trust's residential mortgage portfolio including deferred commission was insured through CMHC or another insurer.

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

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

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

As at May 31, 2008, the amount that best represents AGF Trust's maximum exposure to credit risk, without taking into account collateral held or other credit enhancements, is \$5.5 billion. This amount corresponds to the sum of financial assets in the Operational Performance table on page 17 of this MD&A, to which are added undrawn mortgage commitments amounting to \$150.7 million and \$99.4 million of undrawn HELOC commitments. Other than the RSP loans of \$618.5 million, all other loans are secured by investment or real estate assets. In addition, \$607.5 million of mortgage loans are insured.

Market risk

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

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

For the AGF Trust Operations, the impact of a 1% change in interest rates either up or down would be an increase or decrease of annual net interest income of approximately \$2.7 million. A 1% change in interest rates would result in an increase in the economic value of equity (EVE) of AGF Trust of approximately \$1.3 million. Conversely, a 1% decline in interest rates would result in a lower EVE by approximately \$0.9 million.

Liquidity risk

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

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

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

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

Managing Risk – Other Operations

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

We are subject to foreign exchange risk related to our 31.6% interest in S&WHL, which is denominated in U.K. pounds. On our balance sheet, the investment is presented in Canadian dollars using the exchange rate prevailing on the balance sheet date.

Financial Instruments

Derivative financial instruments

Interest rate and total return equity swap transactions, designated as hedging instruments, are used by the Company for balance sheet matching purposes and to reduce exposure to interest rate and share-based compensation payout fluctuations. The changes in the fair value of derivative financial instruments held for fair value hedging purposes and the changes in fair value of the hedged items attributable to the hedged risk could result in significant changes in the Consolidated Statements of Income and Comprehensive Income. As at May 31, 2008, the aggregate notional amount of the swap transactions was \$3.3 billion (May 31, 2007 – \$2.2 billion) and the aggregate fair value of the swap transactions, which represents the net amount that would be received by the Company if the transactions were terminated as at May 31, 2008, was \$34.1 million (May 31, 2007 – \$22.2 million).

Fair value of financial instruments

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

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

Investments

The carrying value of investments represents their fair value because they are classified as available for sale. Investments are valued based on quoted market values and include \$16.1 million invested in AGF mutual funds.

Loans

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

Derivative instruments

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

Retained interest from securitizations

The carrying value of retained interest from securitizations represents the fair value as they are classified as available-for-sale assets. The estimated fair value is determined by discounting future cash flows at prevailing interest rates for i) the rights to future excess interest on the securitized RSP loans after investors in the securitization trust have received the return for which they contracted, ii) cash collateral and iii) over-collateralization. The significant assumptions used to value the retained interests are excess spread, discount rate on interest-only strip, expected credit losses, prepayment rate and expected weighted average life of RSP loans.

Deposits

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

Other financial assets and liabilities

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

Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	May 31, 2008	Feb. 29, 2008	Nov. 30, 2007	Aug. 31, 2007
Revenue (continuing operations)	\$ 194.3	\$ 194.3	\$ 199.1	\$ 199.2
Cash flow from continuing operations ¹	71.5	82.3	90.7	69.7
EBITDA (continuing operations) ²	88.6	89.5	87.5	91.3
Pre-tax income (continuing operations)	57.9	56.6	53.9	57.3
Net income	44.0	62.7	49.4	39.4
Earnings per share				
Basic	\$ 0.49	\$ 0.70	\$ 0.55	\$ 0.44
Diluted	\$ 0.49	\$ 0.70	\$ 0.54	\$ 0.43
Weighted average basic shares	89,349,275	89,039,394	90,200,924	90,299,033
Weighted average fully diluted shares	89,785,796	89,807,506	91,566,659	91,847,103

(\$ millions, except per share amounts) For the three-month period ended	May 31, 2007	Feb. 28, 2007	Nov. 30 2006	Aug. 31, 2006
Revenue (continuing operations)	\$ 204.9	\$ 177.0	\$ 158.5	\$ 146.9
Cash flow from operations ¹	84.4	68.7	53.1	60.2
EBITDA (continuing operations) ²	98.0	80.4	60.3	56.2
Pre-tax income (continuing operations)	63.3	49.1	26.2	22.8
Net income	53.6	36.3	21.0	34.6
Earnings per share				
Basic	\$ 0.60	\$ 0.41	\$ 0.24	\$ 0.39
Diluted	\$ 0.59	\$ 0.40	\$ 0.23	\$ 0.39
Weighted average basic shares	89,798,419	89,474,827	89,174,064	89,055,124
Weighted average fully diluted shares	91,316,967	90,640,734	89,890,105	89,457,921

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

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

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying Notes for the three and six months ended May 31, 2008, our 2007 annual MD&A and Consolidated Financial Statements, our 2007 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada. They may be accessed at www.sedar.com.

AGF Management Limited
Consolidated Balance Sheets

(\$ thousands) (unaudited)	May 31, 2008	November 30, 2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 748,491	\$ 827,874
Investments available for sale	163,545	26,149
Accounts receivable and prepaid expenses	68,032	93,141
Current portion of retained interest from securitization (note 2)	6,786	7,501
Real estate secured and investment loans due within one year (note 7)	631,199	492,756
	1,618,053	1,447,421
Retained interest from securitization (note 2)	41,342	43,424
Real estate secured and investment loans (note 7)	3,660,699	3,187,605
Investment in associated company	103,388	102,600
Management contracts	504,269	504,269
Customer contracts, net of accumulated amortization	61,837	65,805
Deferred selling commissions, net of accumulated amortization	319,090	315,275
Property, equipment and computer software, net of accumulated amortization	20,062	20,812
Goodwill	180,058	180,058
Trademarks	1,935	1,935
Other assets (notes 3 and 7(e))	38,086	7,608
Total assets	\$ 6,548,819	\$ 5,876,812
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 265,038	\$ 261,115
Future income taxes (note 12)	41,829	48,304
Long-term debt due within one year (note 8)	25,042	25,611
Deposits due within one year (note 7)	2,373,914	1,847,494
	2,705,823	2,182,524
Deposits (note 7)	2,333,087	2,235,848
Long-term debt (note 8)	171,968	184,486
Future income taxes (note 12)	190,825	202,923
Other long-term liabilities (note 9)	5,787	1,638
Total liabilities	5,407,490	4,807,419
Non-controlling interest	243	391
Shareholders' equity		
Capital stock (note 9)	434,621	421,923
Contributed surplus (note 9)	14,962	14,948
Retained earnings	701,947	635,369
Accumulated other comprehensive income	(10,444)	(3,238)
Total shareholders' equity	1,141,086	1,069,002
Total liabilities and shareholders' equity	\$ 6,548,819	\$ 5,876,812

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

AGF Management Limited
Consolidated Statements of Income

(\$ thousands) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2008	2007 (note 3)	2008	2007 (note 3)
Revenue				
Management and advisory fees	\$ 153,957	\$ 165,427	\$ 310,374	\$ 316,310
Deferred sales charges	6,047	5,159	12,222	10,009
Gain on RSP loan securitization and related income (loss), net of impairment (note 2)	(672)	9,219	87	9,980
Investment income and other revenue	9,941	6,051	18,140	9,096
	169,273	185,856	340,823	345,395
AGF Trust interest income (note 11)	76,003	55,021	152,755	102,236
AGF Trust interest expense (note 11)	(50,935)	(35,937)	(104,891)	(65,661)
AGF Trust net interest income	25,068	19,084	47,864	36,575
Total Revenue	194,341	204,940	388,687	381,970
Expenses				
Selling, general and administrative	56,814	58,842	112,773	110,338
Trailing commissions	41,609	42,432	83,445	80,866
Investment advisory fees	3,846	3,159	7,797	7,200
Amortization of deferred selling commissions	24,799	27,192	50,853	53,707
Amortization of customer contracts	1,817	2,489	3,969	3,968
Amortization of property, equipment, computer software and other intangible assets	1,832	1,819	3,493	4,124
Interest expense	2,374	3,229	5,396	4,276
Provision for AGF Trust loan losses	3,399	2,490	6,461	5,185
	136,490	141,652	274,187	269,664
Income from continuing operations before income taxes and non-controlling interest	57,851	63,288	114,500	112,306
Income tax expense (reduction) (note 12)				
Current	12,362	3,182	24,468	16,846
Future	1,291	10,790	(16,970)	7,862
	13,653	13,972	7,498	24,708
Non-controlling interest (note 4)	151	247	296	467
Net income from continuing operations for the period	44,047	49,069	106,706	87,131
Loss on dissolution of Limited Partnerships, net of tax (note 6)	-	-	-	(2,128)
Gain on sale of discontinued operations, net of tax (note 3)	-	4,702	-	4,702
Net earnings (loss) from discontinued operations, net of tax (note 3)	-	(135)	-	247
Net income for the period	\$ 44,047	\$ 53,636	\$ 106,706	\$ 89,952
Earnings per share (note 9)				
Basic from continuing operations	\$ 0.49	\$ 0.55	\$ 1.20	\$ 0.97
Diluted from continuing operations	\$ 0.49	\$ 0.54	\$ 1.19	\$ 0.96
Basic	\$ 0.49	\$ 0.60	\$ 1.20	\$ 1.00
Diluted	\$ 0.49	\$ 0.59	\$ 1.19	\$ 0.99

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

AGF Management Limited
Consolidated Statements of Changes in Shareholders' Equity

(\$ thousands) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Common shares				
Balance, beginning of period	\$ 431,393	\$ 412,505	\$ 421,923	\$ 403,566
Issued through dividend reinvestment plan	2,637	1,813	3,170	2,475
Stock options exercised	591	10,804	4,412	13,409
Issued on aquisition of Highstreet Partners Limited (note 4)	-	-	5,116	5,672
Balance, end of period	434,621	425,122	434,621	425,122
Contributed surplus				
Balance, beginning of period	13,818	11,621	14,948	10,470
Stock options	1,144	1,099	14	2,250
Balance, end of period	14,962	12,720	14,962	12,720
Retained earnings				
Balance, beginning of period	680,222	585,773	635,369	565,576
Transitional adjustment on adoption of new accounting policies	-	-	-	(25)
Balance, beginning of period, as restated	680,222	585,773	635,369	565,551
Net income for the period	44,047	53,636	106,706	89,952
Dividends on AGF Class A voting common shares and AGF Class B non-voting shares	(22,322)	(17,932)	(40,128)	(34,026)
Balance, end of period	701,947	621,477	701,947	621,477
Accumulated other comprehensive income (loss)				
Balance, beginning of period	(10,621)	5,849	(3,238)	3,792
Other comprehensive income (loss)	177	(2,932)	(7,206)	(875)
Balance, end of period	(10,444)	2,917	(10,444)	2,917
Total shareholders' equity	\$ 1,141,086	\$ 1,062,236	\$ 1,141,086	\$ 1,062,236

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

AGF Management Limited
Consolidated Statements of Comprehensive Income

(\$ thousands) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Net income	\$ 44,047	\$ 53,636	\$ 106,706	\$ 89,952
Other comprehensive income (losses), net of tax				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations ¹	875	(7,167)	(3,976)	(5,569)
Reclassification of realized loss to earnings	–	509	–	509
	875	(6,658)	(3,976)	(5,060)
Net unrealized gains (losses) on available for sale securities				
Unrealized gains (losses) ²	(721)	3,726	(2,164)	4,185
Reclassification of realized loss or other than temporary impairment to earnings	(77)	–	(77)	–
	(798)	3,726	(2,241)	4,185
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses) ³	(148)	–	(1,237)	–
Reclassification of realized gain on cash flow hedges	248	–	248	–
	100	–	(989)	–
Total other comprehensive income (loss), net of tax	\$ 177	\$ (2,932)	\$ (7,206)	\$ (875)
Comprehensive income	\$ 44,224	\$ 50,704	\$ 99,500	\$ 89,077

¹ Net of income tax expense of \$0.1 million and net of income tax reduction of \$0.7 million for the three and six months ended May 31, 2008. Net of income tax reduction of \$1.4 million and \$1.1 million for the three and six months ended May 31, 2007.

² Net of income tax reduction of \$0.3 million and \$0.5 million for the three and six months ended May 31, 2008. Net of income tax expense of \$1.0 million and \$1.1 million for the three and six months ended May 31, 2007.

³ Net of income tax reduction of \$0.1 million and \$0.6 million for the three and six months ended May 31, 2008.

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

AGF Management Limited
Consolidated Statements of Cash Flow

(\$ thousands) (unaudited)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Operating Activities				
Net income for the period	\$ 44,047	\$ 53,636	\$ 106,706	\$ 89,952
Loss on dissolution of limited partnerships, net of tax	–	–	–	2,128
Gain on sale of discontinued operation, net of tax	–	(4,702)	–	(4,702)
Loss (earnings) from discontinued operations, net of tax	–	135	–	(247)
Net income from continuing operations	44,047	49,069	106,706	87,131
Items not affecting cash				
Amortization	28,448	31,500	58,315	61,799
Future income taxes	1,291	10,790	(16,970)	7,862
Gain on RSP loan securitization and related income (loss), net of impairment	672	(9,219)	(87)	(9,980)
Stock-based compensation	2,100	1,558	4,459	3,248
Provision for AGF Trust loan losses	3,399	2,490	6,461	5,185
Other	(8,466)	(1,791)	(5,041)	(2,167)
	71,491	84,397	153,843	153,078
Net increase in non-cash balances related to operations	103,383	18,153	32,078	5,371
Net cash provided by continuing operating activities	174,874	102,550	185,921	158,449
Net cash used in discontinued operating activities	–	(691)	–	(1,271)
Net cash provided by operating activities	174,874	101,859	185,921	157,178
Financing Activities				
Issue of Class B non-voting shares	492	10,804	1,902	13,409
Dividends	(19,685)	(16,119)	(36,958)	(31,551)
Increase (decrease) in bank loan	(87,139)	(15,000)	12,076	84,000
Net increase in AGF Trust deposits	324,594	372,723	594,123	679,653
Net cash provided by continuing financing activities	218,262	352,408	571,143	745,511
Investing Activities				
Deferred selling commissions paid	(27,902)	(49,618)	(54,668)	(93,312)
Proceeds of RSP loan securitization	–	252,878	–	252,878
Acquisition of Highstreet Partners Limited, net of cash acquired	–	–	(20,784)	(19,873)
Proceeds of sale of discontinued operations	–	2,747	–	2,747
Purchase of property, equipment and other intangible assets	(1,202)	(1,822)	(2,743)	(2,598)
Other investment activities	(21,597)	(3,370)	(140,166)	(3,370)
Net increase in AGF Trust mortgages and consumer loans	(284,316)	(489,608)	(618,086)	(934,978)
Net cash used in continuing investing activities	(335,017)	(288,793)	(836,447)	(798,506)
Increase in cash and cash equivalents during the period	58,119	165,474	(79,383)	104,183
Balance of cash and cash equivalents beginning of period	690,372	342,824	827,874	404,115
Balance of cash and cash equivalents, end of period	\$ 748,491	\$ 508,298	\$ 748,491	\$ 508,298
Cash and cash equivalents related to:				
Continuing operations			\$ 748,491	\$ 508,298
Discontinued operations			–	–
			\$ 748,491	\$ 508,298
Represented by:				
Cash and cash equivalents			\$ 40,726	\$ 33,386
AGF Trust cash and cash equivalents			707,765	474,912
			\$ 748,491	\$ 508,298

Refer to note 10 for supplemental cash flow information.

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

Notes to Consolidated Financial Statements

For the three and six months ended May 31, 2008, and May 31, 2007 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited Q2 2008 Consolidated Financial Statements of AGF Management Limited (AGF or the Company) have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), using the same significant accounting policies as AGF's Consolidated Financial Statements for the year ended November 30, 2007. These financial statements do not contain all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements for the year ended November 30, 2007, published in AGF's 2007 Annual Report. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

Note 1: Changes in Accounting Policy

Capital Disclosures

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

Financial Instruments Disclosures and Presentation

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

Future Accounting Changes

The Canadian Accounting Standards Board (AcSB) confirmed a plan to adopt the International Financial Reporting Standards (IFRS) in 2011, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS. The impact of the adoption of IFRS is not known at this time.

On December 1, 2008, the Company will adopt "CICA 3064, Goodwill and Intangible Assets". This standard contains revised rules on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operation.

Note 2: Securitization of AGF Trust Loans

The Company, through its wholly-owned subsidiary AGF Trust Company (AGF Trust), has securitized RSP loans through the sale of these loans to a securitization trust. As at May 31, 2008, \$210.5 million (November 30, 2007 – \$291.1 million) of securitized loans were outstanding.

On March 30, 2007, AGF Trust securitized \$263.6 million of RSP loans. Cash flows of \$252.9 million were received and a gain of \$8.0 million was recorded, net of transaction fees of \$0.1 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 fair value and are determined using the present value of future expected cash flows. A gain or loss on the sale of loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions: excess spread, discount rate on the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

The Company has recorded retained interests of \$48.1 million (November 30, 2007 – \$50.9 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at \$16.5 million (2007 – \$20.4 million), ii) cash collateral of \$11.7 million (2007 – \$11.3 million) and iii) over-collateralization of \$19.9 million (2007 – \$19.2 million).

As at May 31, 2008, the impaired loans included in the securitized balances were equal to \$0.7 million (November 30, 2007 – \$0.7 million), and during the three and six months ended May 31, 2008, \$0.9 million (2007 – \$0.2 million) and \$1.6 million (2007 – \$0.6 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust are limited to the retained interests. For the three months ended May 31, 2008, cash flows of \$1.9 million (2007 – \$5.3 million) were received on the securitized loans. Of this, \$1.9 million was related to the interest-only strip (2007 – \$3.6 million) and none related to the over-collateralization (2007 – \$1.7 million). For the six months ended May 31, 2008, cash flows of \$4.2 million (2007 – \$7.7 million) were received on the securitized loans, of which \$4.2 million was related to the interest-only strip (2007 – \$5.2 million) and none related to the over-collateralization (2007 – \$2.5 million). The total other expense recognized from securitization during the three months ended May 31, 2008, was \$0.7 million (2007 – \$1.2 million income), net of a \$1.5 million securitization writedown. The total other income recognized from securitization during the six months ended May 31, 2008, was \$0.1 million (2007 – \$1.9 million), net of a \$1.7 million securitization writedown.

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

Excess spread	3.6% – 3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	16.3% – 18.3%
Expected weighted average life of RSP loans	23 – 25 months

The Trust Company retained servicing responsibilities for the securitized loans. A servicing liability of \$1.4 million was recorded as at May 31, 2008 (November 30, 2007 – \$1.8 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the three and six months ended May 31, 2008, was \$0.2 million (2007 - \$0.2 million) and \$0.4 million (2007 - \$0.4 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, 2008. Since the sensitivity is hypothetical, it should be used with caution. The effect of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

(\$ thousands)	
Discount rate	
+10%	\$ 161
+20%	318
Prepayment rate	
+10%	\$ 300
+20%	589
Expected credit losses	
+10%	\$ 305
+20%	610
Excess spread	
+10%	\$ 1,289
+20%	2,573

Note 3: Discontinued Operations and Assets Held for Sale

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

(\$ thousands, except per share amounts)	Three months ended May 31,	Six months ended May 31,
	2007	2007
Revenue	\$ 739	\$ 4,342
Net earnings (loss) from discontinued operations, net of tax	\$ (135)	\$ 247
Basic net earnings per share	\$ —	\$ —
Diluted net earnings per share	\$ —	\$ —

Note 4: Acquisition of Highstreet Partners Limited

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issue of Class B non-voting shares (Class B shares). As at May 31, 2008, AGF has made payments of \$41.0 million in cash and \$10.8 million through the issue of 440,999 AGF Class B shares, which approximates 66.6% of the purchase price. An additional payment of \$25.9 million (principal and imputed interest) is due on February 28, 2009, for total minimum consideration, including acquisition costs of \$74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable.

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

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

Note 5: Acquisition of Cypress Capital Management Limited

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

Note 6: Dissolution of Partnerships

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

Note 7: AGF Trust

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

(\$ thousands)	Term to contractual repricing			May 31, 2008	November 30, 2007
	Variable rate	1 year or less	1 to 5 years		
Mortgage loans	\$ 1,820	\$ 568,723	\$ 850,797	\$ 1,421,340	\$ 1,326,327
Home equity lines of credit (HELOC)	555,442	–	–	555,442	449,151
Total real estate secured loans	557,262	568,723	850,797	1,976,782	1,775,478
Investment loans	2,311,683	5,461	9,246	2,326,390	1,914,686
	2,868,945	574,184	860,043	4,303,172	3,690,164
Less: allowance for loan losses				(20,097)	(17,137)
Add: net deferred sales commissions and commitment fees				8,823	7,334
				4,291,898	3,680,361
Less: current portion				(631,199)	(492,756)
				\$ 3,660,699	\$ 3,187,605
Impaired loans included in above				\$ 26,773	\$ 25,821
Less: specific allowance for loan losses				(2,035)	(1,860)
				\$ 24,738	\$ 23,961

(a) Real Estate Secured and Investment Loans

The table represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at May 31, 2008, were \$631.2 million (November 30, 2007 – \$492.8 million).

As at May 31, 2008, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages, of which \$607.5 million (November 30, 2007 – \$563.5 million) is insured, with a weighted average term to repricing of 2.0 years (November 30, 2007 – 2.0 years) and a weighted average yield of 7.28% (November 30, 2007 – 7.20%). Investment loans have interest rates based on prime. As at May 31, 2008, the average interest rate on HELOCs was 4.79% (November 30, 2007 – 6.30%) and on investment loans was 6.08% (November 30, 2007 – 7.60%). Mortgage and HELOC loans are secured primarily by residential real estate. Investment loans, excluding RSP loans, are secured by the investment made using the initial loan proceeds.

(b) Loans Past Due but Not Impaired

Loans are considered to be past due where repayment of principal or interest is contractually in arrears. Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. The following table provides an aging analysis of loans that are past due but not impaired:

(\$ thousands)			
As at May 31, 2008	31 to 60 days	61 to 90 days	Total
Mortgage loans	\$ 17,036	\$ 9,810	\$ 26,846
Investment loans	3,159	1,827	4,986
RSP loans	3,634	683	4,317
HELOC receivable	492	213	705
	\$ 24,321	\$ 12,533	\$ 36,854

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

(c) Allowance for Credit Losses

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

(\$ thousands)	May 31, 2008		
	Specific allowances	General allowances	Total allowances
Balance, beginning of period	\$ 1,860	\$ 15,277	\$ 17,137
Amounts written off	(3,915)	–	(3,915)
Recoveries	414	–	414
Provision for loan losses	3,676	2,785	6,461
	\$ 2,035	\$ 18,062	\$ 20,097

(\$ thousands)	November 30, 2007		
	Specific allowances	General allowances	Total allowances
Balance, beginning of period	\$ 1,545	\$ 14,101	\$ 15,646
Amounts written off	(2,073)	–	(2,073)
Recoveries	166	–	166
Provision for loan losses	2,222	1,176	3,398
	\$ 1,860	\$ 15,277	\$ 17,137

(d) AGF Trust Deposits

(\$ thousands)	Term to maturity			May 31, 2008	November 30, 2007
	Demand	1 year or less	1 to 5 years		
Deposits	\$ 7,283	\$ 2,366,631	\$ 2,348,984	\$ 4,722,898	\$ 4,099,663
Less: deferred selling commissions				(15,897)	(16,321)
Less: current portion				(2,373,914)	(1,847,494)
Long-term deposits				\$ 2,333,087	\$ 2,235,848

As at May 31, 2008, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.5 years (November 30, 2007 – 1.8 years) and a weighted average interest rate of 4.36% (November 30, 2007 – 4.38%).

(e) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between June 2008 and October 2012. They involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to mitigate net interest revenue volatility. As at May 31, 2008, the aggregate notional amount of the swap transactions was \$3.3 billion (November 30, 2007 – \$2.8 billion). The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at May 31, 2008, was \$37.3 million (November 30, 2007 – \$6.7 million).

Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
(\$ thousands)			
\$ 1,012,000	\$ 5,154	2008	3.23% - 4.83%
1,087,000	9,559	2009	2.74% - 4.97%
685,000	10,968	2010	3.08% - 5.05%
375,000	9,748	2011	3.38% - 5.08%
140,000	1,869	2012	3.60% - 5.01%

(f) Interest Rate Sensitivity

For AGF Trust, the impact of a 1% change in interest rates either up or down would be an increase or decrease of annual net interest income of approximately \$2.7 million. This sensitivity analysis is based on an immediate parallel shift of the yield curve and assumes no change in the repricing profile of the balance sheet after the balance sheet date.

Note 8: Long-Term Debt

(\$ thousands)	May 31, 2008	November 30, 2007
Revolving term loan	\$ 171,968	\$ 160,000
Payment related to acquisition of Highstreet Partners Limited (note 4)		
February 28, 2008	–	25,611
February 28, 2009	25,042	24,486
	197,010	210,097
Less: amount included in current liabilities	25,042	25,611
	\$ 171,968	\$ 184,486

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$300.0 million (Facility 1) (November 30, 2007 – \$300.0 million) with a Canadian chartered bank. Under the loan agreement, AGF is permitted to draw down the revolving term loan by direct advances and/or bankers' acceptances (BAs). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the commitment period). The expiration of the current commitment period is June 30, 2009. However, AGF may request by April 15, 2009, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one thirty-sixth of the amount of the principal outstanding.

On May 26, 2008, the Company, under its current loan agreement, arranged an additional three-year prime rate based reducing term loan to a maximum of \$60.0 million (Facility 2). Facility 2 will be used to finance share repurchases. Under this facility, AGF is permitted to draw down the reducing term loan by direct advances or BAs. The reducing term loan is available to the earlier of September 30, 2008, or the date that the facility is fully drawn. Following this date, Facility 2 is payable in equal quarterly instalments over twelve quarters. Any undrawn portion of the facility at the end of the availability date will be permanently cancelled.

As at May 31, 2008, AGF has drawn \$172.0 million (2007 – \$160.0 million) against Facility 1 in the form of one to 31-day BAs at an effective average interest rate of 3.36% per annum. No amounts were drawn against Facility 2 as at May 31, 2008.

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

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

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

Note 9: Capital Stock**(a) Authorized Capital**

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

(b) Change During the Period

The change in capital stock during the six months ended May 31, 2008, and 2007 is as follows:

Six months ended May 31, (\$ thousands, except per share amounts)	2008		2007	
	Shares	Stated value	Shares	Stated value
Class A shares	57,600	\$ –	57,600	\$ –
Class B shares				
Balance, beginning of period	\$ 88,922,157	\$ 421,923	89,171,997	\$ 403,566
Issued through dividend reinvestment plan	134,460	3,170	78,467	2,475
Stock options exercised	100,150	4,412	751,100	13,409
Issued on acquisition of a subsidiary (note 4)	215,883	5,116	225,116	5,672
Balance, end of period	89,372,650	\$ 434,621	90,226,680	\$ 425,122

(c) Class B Shares Purchased for Cancellation

AGF has obtained regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,253,822

shares through to February 25, 2009. No Class B shares were purchased during the six months ended May 31, 2008 and May 31, 2007.

(d) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 6,647,252 Class B shares could have been granted as at May 31, 2008 (2007 – 7,303,584). The stock options are issued at a price not less than the market price of these Class B shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or in some instances, 100% vest at the end of the term of the option.

The change in stock options during the six months ended May 31, 2008 and 2007, is summarized as follows:

Six months ended May 31,	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B share options				
Balance, beginning of period	4,268,765	\$ 22.50	4,324,084	\$ 19.93
Options granted	–	n/m	12,732	35.70
Options cancelled	(114,917)	25.04	(20,450)	20.34
Options exercised	(100,150)	18.99	(751,100)	17.85
Balance, end of period	4,053,698	\$ 22.51	3,565,266	\$ 20.40

During the three months ended May 31, 2008, AGF did not grant any options (2007 – 12,732) and recorded \$1.2 million (2007 – \$1.1 million) in compensation expense and contributed surplus.

During the six months ended May 31, 2008, AGF did not grant any options (2007 – 12,732) and recorded \$2.5 million (2007 – \$2.2 million) in compensation expense and contributed surplus.

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

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

The changes in share units during the six months ended May 31, 2008 and May 31, 2007, are as follows:

Six months ended May 31,	2008		2007	
	Number of share units	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value
Outstanding, beginning of period				
Non-vested	345,257	\$ 29.65	142,992	\$ 23.33
Vested	–	–	–	–
Issued				
Initial allocation	–	–	–	–
In lieu of dividends	6,303	–	1,664	–
Vested	–	–	–	–
Settled in cash	–	–	(334)	–
Forfeited and cancelled	(16,560)	–	(5,213)	–
Outstanding, end of period	335,000	–	139,109	–

Compensation expense for the three months ended May 31, 2008, related to these units was \$0.8 million (2007 – \$0.5 million), and for the six months ended May 31, 2008, was \$1.7 million (2007 – \$0.9 million). AGF has entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs, a portion of which has been designated as a cash flow hedge. As at May 31, 2008, a \$3.3 million liability (2007 – \$0.7 million) related to the swap agreement has been included under other long-term liabilities. Compensation expense includes the effect resulting from the change in fair value of the swap held to economically hedge the RSU and PSU plans. As at May 31, 2008, AGF has hedged 308,710 share units at a fixed cost between \$31.28 and \$35.07.

(f) Deferred Share Unit (DSU) Plan

Under the Company's DSU plan for non-employee directors, AGF directors may elect to receive their remuneration in DSUs. On termination, AGF will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU. There is no unrecognized compensation related to directors' DSUs since these awards vest immediately when granted. As at May 31, 2008, 14,245 (2007 – 1,699) DSUs were outstanding. Compensation expense related to these DSUs for the three months ended May 31, 2008, was \$0.1 million (2007 – \$0.1 million), and for the six months ended May 31, 2008, was \$0.2 million (2007 – \$0.1 million).

(g) Earnings Per Share

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

(\$ thousands, except per share amounts)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
Numerator				
Net income from continuing operations for the period	\$ 44,047	\$ 49,069	106,706	\$ 87,131
Loss on dissolution of partnerships, net of tax (note 6)	–	–	–	(2,128)
Gain on sale of discontinued operations, net of tax (note 3)	–	4,702	–	4,702
Net earnings (loss) from discontinued operations, net of tax (note 3)	–	(135)	–	247
Net income for the period	\$ 44,047	\$ 53,636	\$ 106,706	\$ 89,952
Denominator				
Weighted average number of shares – basic	89,349,275	89,798,419	89,194,845	89,638,401
Dilutive effect of employee stock options	436,521	1,518,548	573,495	1,271,889
Weighted average number of shares – diluted	89,785,796	91,316,967	89,768,340	90,910,290
Earnings per share				
Basic from continuing operations	\$ 0.49	\$ 0.55	\$ 1.20	\$ 0.97
Diluted from continuing operations	\$ 0.49	\$ 0.54	\$ 1.19	\$ 0.96
Basic	\$ 0.49	\$ 0.60	\$ 1.20	\$ 1.00
Diluted	\$ 0.49	\$ 0.59	\$ 1.19	\$ 0.99

Note 10: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended May 31, 2008, were \$47.2 million (2007 – \$33.0 million). Interest payments for the six months ended May 31, 2008 were \$97.9 million (2007 – \$60.5 million).

Income tax payments for the three months ended May 31, 2008, were \$7.1 million (2007 – \$7.0 million). Income tax payments for the six months ended May 31, 2008 were \$21.1 million (2007 – \$15.5 million).

Note 11: AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

(\$ thousands)	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
AGF Trust interest income:				
Loan interest	68,711	\$ 50,910	135,208	\$ 94,064
Investment interest	7,292	4,111	17,547	8,172
	76,003	55,021	152,755	102,236
AGF Trust interest expense:				
Deposit interest	50,225	30,838	97,368	57,255
Other interest expense	710	5,099	7,523	8,406
	50,935	35,937	104,891	65,661
AGF Trust net interest income	25,068	\$ 19,084	47,864	\$ 36,575

Note 12: Income Tax

On October 30, 2007, the Department of Finance Canada proposed to reduce the federal corporate income tax rate to 15% from 18.5% by January 1, 2012. The change was substantially enacted in December 2007. Consequently, during the six months ended May 31, 2008, the Company has recognized a \$19.5 million reduction in future income tax liabilities.

Note 13: Capital Management**Objective, Policies and Procedures**

The Company's objectives when managing capital are to:

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

Our capital consists of shareholders' equity. The AGF Finance Committee is responsible for the management of capital. The AGF Board of Directors is responsible for overseeing the Company's capital policy and management. The Company reviews its five-year capital plan annually.

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

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

Regulatory capital is detailed as follows:

(\$ thousands)	As at May 31, 2008	As at November 30, 2007 ¹
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,126	910
Retained earnings	96,563	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(19,581)	–
	224,876	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	18,061	15,277
Less: securitization and other	(7,944)	(26,669)
	119,617	78,108
Total capital	\$ 344,493	\$ 290,649

¹ Information based on capital adequacy requirements in force at that date.

Note 14: Risk Management

The risk management policies and procedures of the Company relating to credit, market and liquidity risks are provided in the "Managing Risk" section of the MD&A for the three and six months ended May 31, 2008, which are an integral part of the Q2 2008 Consolidated Financial Statements.

Note 15: Segment Information

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

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

(\$ thousands) Three months ended May 31, 2008	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 162,878	\$ 26,666	\$ 4,797	\$ 194,341
Operating expenses	91,350	14,318	–	106,668
Amortization and other	27,877	571	2,374	30,822
Segment income (loss) from continuing operations before taxes	\$ 43,651	\$ 11,777	\$ 2,423	\$ 57,851

(\$ thousands) Three months ended May 31, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue ¹	\$ 171,767	\$ 29,995	\$ 3,178	\$ 204,940
Operating expenses	95,082	11,841	–	106,923
Amortization and other	31,149	351	3,229	34,729
Segment income (loss) from continuing operations before taxes	\$ 45,536	\$ 17,803	\$ (51)	\$ 63,288

(\$ thousands) Six months ended May 31, 2008	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 328,106	\$ 53,976	\$ 6,605	\$ 388,687
Operating expenses	181,773	28,703	–	210,476
Amortization and other	57,292	1,023	5,396	63,711
Segment income (loss) from continuing operations before taxes	\$ 89,041	\$ 24,250	\$ 1,209	\$ 114,500
Total assets	\$ 1,188,400	\$ 5,257,031	\$ 103,388	\$ 6,548,819

(\$ thousands) Six months ended May 31, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue ¹	\$ 328,249	\$ 49,263	\$ 4,458	\$ 381,970
Operating expenses	180,595	22,994	–	203,589
Amortization and other	61,143	656	4,276	66,075
Segment income from continuing operations before taxes	\$ 86,511	\$ 25,613	\$ 182	\$ 112,306
Total assets	\$ 1,199,407	\$ 3,544,593	\$ 105,939	\$ 4,849,939

¹ The Trust Company results for the three and six months ended May 31, 2007 include an \$8.0 million securitization gain.

This report contains forward-looking statements with respect to AGF, including its business operations and strategy and financial performance and condition. Although Management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.