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AGF MANAGEMENT LIMITED

Third Quarter Report to Shareholders for the three and nine months ended August 31, 2007

AGF MANAGEMENT LIMITED REPORTS STRONG THIRD QUARTER FINANCIAL RESULTS
Income from continuing operations before taxes up 151.3% and assets under management up 37.9% in the third quarter, as compared to prior year.

Toronto | September 26, 2007

AGF Management Limited (AGF) today announced solid financial results for the third quarter ended August 31, 2007 and strong sales of mutual funds, reporting \$346.5 million of net sales of long-term funds during the third quarter of fiscal 2007, up substantially from the \$77.0 million of net sales reported in the corresponding period of 2006. AGF is ranked first in net sales among all Canadian non-bank mutual fund firms for the nine-month period ended August 31, 2007. Sales in September continue to be positive with AGF recording \$37.4 million in net sales as of the close of business on September 24, 2007.

“AGF continues to report strong financial and operational results,” said Blake C. Goldring, Chairman and Chief Executive Officer, AGF. “Despite short-term volatility and uncertainty in the capital markets, we showed improvement in virtually every financial metric. Assets are up 37.9%, EBITDA rose 62.5% and income from continuing operations before taxes rose 151.3% - overall, a very good quarter. Advisor relationships and investment management expertise are the cornerstone of our business and we will continue to focus on these areas to realize the potential of our key growth initiatives.”

In the third quarter of fiscal 2007, consolidated revenue from continuing operations rose to \$199.2 million compared with \$146.9 million in the third quarter of the prior year, with both operating segments reporting year-over-year increases. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were \$91.3 million for the three months ended August 31, 2007, compared with \$56.2 million for the three months ended August 31, 2006.

Income from continuing operations before taxes for the three months ended August 31, 2007 was up 151.3% to \$57.3 million, compared with \$22.8 million for the three months ended August 31, 2006. Net income from continuing operations for the three months ended August 31, 2007 was up 8.5% to \$39.4 million or \$0.43 per share diluted, compared with \$36.3 million or \$0.41 per share diluted for the three months ended August 31, 2006. The year-over-year increase in net income was impacted by the fact that the three-month period ended August 31, 2006 included a recovery in income tax expense of \$13.5 million as a result of the Canadian federal income tax reduction that was substantively enacted in June 2006.

Total assets under management (AUM) increased by 37.9%, rising to \$53.8 billion at the end of the third quarter of 2007 from \$39.0 billion as at August 31, 2006. Over the same period, institutional and private client assets grew 63.2% and mutual fund assets rose 22.9%. Institutional and private client assets grew as a result of strong investment performance, new mandates and the acquisition of Highstreet Partners Limited (‘Highstreet’). The Highstreet acquisition, which closed on December 1, 2006 added \$4.8 billion in AUM. The Trust Company Operations segment continued to grow significantly with total loan assets rising 69.0% year-over-year.

Caution Regarding Forward-Looking Statements

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

Dear fellow shareholders

The markets during the latter part of the third quarter of 2007 proved to be very challenging – stock markets were volatile and credit-related fears weighed on the minds of investors. In the midst of these challenges, AGF remained focused on executing its long-term strategic objectives.

Our mutual fund sales remain strong and we continue to be the top-selling non-bank firm in Canada with net sales of long-term funds of \$2.3 billion for the fiscal year to date. Even during the very challenging month of August, we were able to maintain positive net sales. We know that advisors work very hard to help their clients achieve their financial objectives and guide their clients through turbulent markets. We are proud that advisors continue to partner with AGF to help their clients, and we will continue to work to meet their needs.

We introduced the AGF Global Dividend Fund during the quarter, based on feedback from advisors who sought to increase global diversification and reduce volatility in their clients' portfolios. In addition, we announced the addition of Series T and V options on many of our funds, which offer investors tax-deferral benefits and monthly cash payouts. We offer an innovative and diverse product shelf designed to address our clients' needs.

In response to the concerns in the market around asset-backed commercial paper ('ABCP'), we communicated to stakeholders that we have no exposure to ABCP in our money market funds and that no companies within our group have investments in ABCP. The Trust Company Operations' funding sources remain robust as our loans are primarily funded by selling Guaranteed Investment Certificates with Canada Deposit Insurance Corporation insurance. Another important factor is that the credit quality of our loans remains solid.

Our focus and discipline during this quarter translated into strong financial performance. Consolidated revenue was \$199.2 million, compared with \$146.9 million in the third quarter of the prior year. Earnings before interest, taxes, depreciation and amortization¹ ('EBITDA') from continuing operations were \$91.3 million, compared with \$56.2 million for the three months ended August 31, 2006. More importantly, we have been able to demonstrate our ability to improve EBITDA margins. EBITDA margins for the three and nine months ended August 31, 2007 were 45.8% and 46.4% compared with 38.3% and 41.9% in the three- and nine-month periods ended August 31, 2006.

For the three months ended August 31, 2007, AGF reported cash flow from continuing operations¹ (before net change in non-cash balances related to operations) of \$69.7 million, compared with \$60.2 million one year ago. Free cash flow¹ (cash flow from continuing operations less selling commissions paid) was \$38.1 million, compared with \$38.5 million one year ago as a result of increased gross sales.

It is an exciting time for AGF. Our business fundamentals are among the best that they have been during the last 50 years. We have strong prospects for growth via our Investment Management business and our rapidly growing Trust business. We are also excited to roll out our enhanced institutional strategy and look forward to communicating this initiative with you during the early part of 2008.



Blake C. Goldring, CFA
Chairman and Chief Executive Officer
August 31, 2007

¹ Cash flow from continuing operations, free cash flow, EBITDA and EBITDA margins are non-GAAP measures. Please refer to page 5 and 6 of this report.

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

For the three and nine months ended August 31, 2007

This Management's Discussion and Analysis ('MD&A') presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at August 31, 2007, compared with November 30, 2006, and the results of operations for the three and nine months ended August 31, 2007, compared with the corresponding periods of 2006. This discussion should be read in conjunction with our 2006 annual MD&A and 2006 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 2006 annual MD&A: 'Factors that May Affect Future Results', 'Disclosure Controls', 'Off Balance Sheet Arrangements', 'Contractual Obligations', 'Intercompany and Related Party Transactions' and 'Government Regulations'. There has been additional disclosure with respect to the adoption of new accounting policies, which are discussed in the 'Critical Accounting Policies' section of this MD&A. The 'Key Performance Indicators and Non-GAAP Measures' section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

AGF Management Limited ('AGF'), with \$53.8 billion in assets under management ('AUM'), is one of Canada's largest independent mutual fund and investment management companies, with operations in Canada, the United Kingdom, Ireland and Asia. Fiscal 2007 represents our 50th anniversary. We commenced operations in 1957 with one of the first mutual funds available to Canadians seeking to invest in the United States. As at August 31, 2007, we offered over 50 domestic and international mutual funds, as well as a managed-asset program (sold under our Elements and Harmony brands). We also have a substantial institutional business and a rapidly growing trust company, in addition to private client businesses.

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 private client businesses. This segment also includes the operations of Highstreet Partners Limited ('Highstreet'), which wholly owns Highstreet Asset Management Inc. AGF acquired 79.9% of Highstreet on December 1, 2006. The Trust Company Operations segment includes the results of AGF Trust Company, and the Other segment includes our equity interest in Smith and Williamson Holdings Limited ('S&WHL').

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

Strategy and Highlights

As stated in our 2006 annual MD&A, our overall business strategy is to help identify and facilitate opportunities for our business segments and ensure that segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term.

During the third quarter of 2007, we achieved the following:

- Total assets under management increased by 37.9%, compared to the third quarter of 2006, reaching \$53.8 billion.
- Our client-centric approach resulted in record sales in our core mutual fund business. During the third quarter of 2007, we recorded over \$1.3 billion in gross sales, up 41.9% over the corresponding period in 2006. Net mutual fund sales in the three months ended August 31, 2007 were \$342 million, up from \$58 million in the corresponding period in 2006.
- We delivered value directly to our shareholders through dividend payments. Dividends paid on Class A Voting Common Shares ('Class A shares') and Class B Non-Voting Shares ('Class B shares') increased 13.1% to \$18.1 million in the third quarter of 2007, compared with \$16.0 million in the same period in 2006.

- We continued to support the growth of our Trust Company Operations ('AGF Trust') and invested \$17.0 million during the three months ended August 31, 2007, bringing our total investment in debt and equity capital to \$200.3 million. This compares with the investment of \$15.5 million for the three months ended August 31, 2006. AGF Trust real estate secured loan assets grew 87.2% over the prior year and investment loans grew 54.9%.
- We introduced the AGF Global Dividend Fund, further increasing our global diversification.
- We added Series T and V options on many of our funds, which offer investors tax-deferred benefits and monthly cash payouts.
- Amid concerns in the market around asset-backed commercial paper ('ABCP'), we communicated that we have no exposure to ABCP in our money market funds and that none of the companies within our group have investments in ABCP. Also, the Trust Company Operations' principal source of funding is Guaranteed Investment Certificates ('GICs') and the underlying credit quality of the loan portfolio is solid, which positions AGF Trust well for future growth.

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

Key Performance Indicators and Non-GAAP Measures

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

(a) Consolidated Operations

Revenue

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

We derive our revenue principally from a combination of:

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

EBITDA

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

Please see the 'Consolidated Operating Results' section on page 11 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 August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Net cash provided by continuing operating activities	\$ 130.0	\$ 68.5	\$ 288.5	\$ 150.2
Less: net changes in non-cash balances related to operations	60.3	8.3	65.7	(11.0)
Cash flow from continuing operations	\$ 69.7	\$ 60.2	\$ 222.8	\$ 161.2

Free Cash Flow

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

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Cash flow from continuing operations (defined above)	\$ 69.7	\$ 60.2	\$ 222.8	\$ 161.2
Less: selling commissions paid	31.6	21.7	124.9	73.9
Free cash flow	\$ 38.1	\$ 38.5	\$ 97.9	\$ 87.3

Return on Equity (ROE) and Return on Investment (ROI)

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. ROI is a KPI that we utilize to assess prospective investments and to monitor past investments. ROI measures cash flow in relation to the original amount invested and incorporates the time value of money.

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, as it assesses the extent to which we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
EBITDA	\$ 91.3	\$ 56.2	\$ 269.7	\$ 188.2
Divided by revenue	199.2	146.9	581.2	448.7
EBITDA margin	45.8%	38.3%	46.4%	41.9%

(b) Investment Management Operations

Assets Under Management ('AUM')

The amount of AUM is critical to our business as it is from these assets that we generate fees from our mutual fund, institutional and private client relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions.

Mutual fund AUM determines a significant portion of our expenses, as we pay upfront commissions and trailing commissions to investment advisors as well as investment advisory fees based on the value of AUM.

Investment Performance (Market Appreciation of Investment Portfolios)

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

Net Sales

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

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

EBITDA Margin

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

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
EBITDA	\$ 76.6	\$ 49.1	\$ 224.3	\$ 159.2
Divided by revenue	173.4	131.7	501.7	396.1
EBITDA margin	44.2%	37.3%	44.7%	40.2%

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, as it assesses the extent to which we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Income before taxes and non-segmented items	\$ 45.7	\$ 16.6	\$ 132.2	\$ 61.5
Divided by revenue	173.4	131.7	501.7	396.1
Pre-tax profit margin	26.4%	12.6%	26.4%	15.5%

(c) Trust Company Operations

Loan Asset Growth

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

Net Interest Income

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

Net Interest Margin

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

Efficiency Ratio

The efficiency ratio is a lending industry KPI. We utilize 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 August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Selling, general and administrative expense	\$ 8.7	\$ 6.3	\$ 26.5	\$ 17.5
Add: amortization expense	0.4	0.3	1.0	0.8
Non-interest expense	\$ 9.1	\$ 6.6	\$ 27.5	\$ 18.3
Other income	\$ 2.4	\$ 1.6	\$ 5.0	\$ 3.5
Gain from securitization and related items	1.4	0.7	11.4	11.9
Non-interest income	\$ 3.8	\$ 2.3	\$ 16.4	\$ 15.4
Net interest income	\$ 20.4	\$ 12.0	\$ 57.0	\$ 33.1
Add: non-interest income	3.8	2.3	16.4	15.4
Total of net interest income and non-interest income	\$ 24.2	\$ 14.3	\$ 73.4	\$ 48.5
Efficiency ratio	37.6%	46.2%	37.5%	37.7%

EBITDA Margin

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

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
EBITDA	\$ 13.1	\$ 6.2	\$ 39.3	\$ 24.9
Divided by revenue	24.2	14.3	73.4	48.5
EBITDA margin	54.1%	43.4%	53.5%	51.3%

Pre-Tax Profit Margin

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

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Income before taxes and non-segmented items	\$ 12.7	\$ 5.9	\$ 38.3	\$ 24.1
Divided by revenue	24.2	14.3	73.4	48.5
Pre-tax profit margin	52.5%	41.3%	52.2%	49.7%

Critical Accounting Policies

In the nine months ended August 31, 2007, additional significant accounting policies were adopted by the Company and are supplemental to the 'Critical Accounting Policies' section of the 2006 annual MD&A. These policies are as follows:

1) Financial Instruments, Hedges and Comprehensive Income

On December 1, 2006, the Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges and Section 1530 Comprehensive Income. These standards require that all financial assets be classified as either available for sale ('AFS'), trading, held to maturity ('HTM'), or loans and receivables. Financial liabilities are classified as either trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value, with subsequent measurement determined by the classification of each financial asset and liability.

Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS, HTM, loans and receivables, and deposits are generally capitalized and are then amortized over the expected life of the instrument.

Financial assets and financial liabilities held for trading are measured at fair value, with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with changes in fair value reported in other comprehensive income ('OCI') until the financial asset is disposed of, or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

Accumulated other comprehensive income ('AOCI') is a new component of shareholders' equity. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. The Consolidated Statements of Comprehensive Income have also been added to the Company's financial statements. Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations, and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Classification of Financial Instruments

Available-for-sale assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM or held for trading. Available-for-sale assets are measured at fair value with unrealized gains and losses included in accumulated other comprehensive income until sale or other-than-temporary impairment when the cumulative gain or loss is transferred to the Consolidated Statement of Operations. Assets included in this category are investments and retained interest from securitization. Upon adoption of Section 3855, the following adjustments were recorded:

- a) Investments have been re-measured to reflect the unrealized gains and losses on these securities. This gave rise to an adjustment to accumulated other comprehensive income of \$3.2 million (\$2.7 million net of tax).
- b) Retained interests from securitization have been re-measured to reflect the fair value. This gave rise to an adjustment to accumulated other comprehensive income of \$1.4 million (\$1.0 million net of tax).

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. They do not include debt securities or loans and receivables designated as held for trading or AFS. Assets included in this category are accounts receivable and real estate secured and investment loans. The adoption of the CICA Handbook Section 3855 gave rise to a reclassification of \$15.9 million of related transaction costs from accounts receivable and \$1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

Hedge Accounting

Derivative instruments are used to manage the Company's exposure to interest risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominantly use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the Consolidated Statement of Income under investment income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the Consolidated Statement of Income under investment income, with a corresponding adjustment to the carrying amount of the hedged items in the Consolidated Balance Sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged item is then immediately recognized in investment income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the Consolidated Statement of Income. As a result, the opening balance of retained earnings was adjusted by \$0.025 million, as a result of the adoption of Section 3865.

During the three and nine months ended August 31, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to a gain of \$0.1 million and a loss of \$0.9 million, respectively, as it relates to fair value hedging relationships.

Transition Adjustment upon Adoption

As required, a transition adjustment has been recognized in the opening balance of retained earnings as at December 1, 2006 for the following: i) financial instruments that the Company classifies as held for trading and that were not previously recorded at fair value and ii) the difference in the carrying amount of loans and deposits at December 1, 2006 and the carrying amount calculated using the effective interest rate from inception of the loan or deposit. A transition adjustment has been recognized in the opening balance of AOCI relating to adjustments arising due to the re-measuring of financial assets classified as available for sale. Prior-period balances have not been restated, except for the reclassification of the foreign currency translation balances.

2) Trust Operations Net Interest Income

Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to present net deposit interest expense and other interest expense in net interest income, as detailed in note 11. Comparative periods presented have been restated, with interest and investment income being reclassified from administration fees, interest and other revenue, and other interest expense being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

3) Purchase Price Allocations and Amortization of Intangible Assets

On December 1, 2006, the Company acquired 79.9% of Highstreet. The purchase price of \$74.4 million, including expenses related to the acquisition, has been allocated to the following asset categories.

(\$ thousands)	
Net tangible assets	\$ 410
Management contracts	26,010
Customer contracts	14,160
Goodwill	45,895
Trademarks	1,935
Future income taxes	(14,014)
	\$ 74,396

Management contracts, trademarks and goodwill are not amortized but are subject to an annual impairment test. The estimated useful life of customer contracts acquired is seven years; accordingly, this finite-life asset will be amortized on a straight-line basis over seven years.

4) Discontinued Operations and Assets Held for Sale

On April 30, 2007, the Company sold 100% of Investmaster for \$6.8 million and additional contingent consideration that is not determinable at this time. The purchase consideration includes \$5.0 million in cash and two notes receivable from the buyer totalling \$1.8 million due on April 30, 2009 and April 30, 2010, respectively. The contingent consideration will be payable to the Company in 2007, 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster.

Accordingly, Investmaster's operations for the 2007 and 2006 periods have been reported as discontinued operations, and previously reported financial statements have been reclassified to reflect the following:

(in thousands of dollars, except per share amounts)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Revenue	\$ —	\$ 3,287	\$ 4,342	\$ 11,318
Net earnings (loss) from discontinued operations, net of tax	\$ —	\$ (808)	\$ 247	\$ (23)
Basic net earnings per share	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00
Diluted net earnings per share	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00

Changes in Internal Controls over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the nine-month period ended August 31, 2007, there was no significant change to the systems of internal controls within our Company, except as noted below.

Changes in Information Technology Systems

Effective December 1, 2006, we converted our general ledger and financial reporting system to the Multiview Financials Software. The conversion was implemented successfully.

Consolidated Operating Results

Our consolidated operating results for the three and nine months ended August 31, 2007 and August 31, 2006 are as follows:

(\$ millions, except per share amounts)	Three months ended August 31,			Nine months ended August 31,		
	2007	2006 ¹	% change	2007	2006 ¹	% change
Revenue						
Investment management operations	\$ 173.4	\$ 131.7	31.7%	\$ 501.7	\$ 396.1	26.7%
Trust company operations	24.2	14.3	69.2%	73.4	48.5	51.3%
Other	1.6	0.9	77.8%	6.1	4.1	48.8%
	199.2	146.9	35.6%	581.2	448.7	29.5%
Expenses						
Investment management operations	96.8	82.6	17.2%	277.4	236.9	17.1%
Trust company operations	11.1	8.1	37.0%	34.1	23.6	44.5%
	107.9	90.7	19.0%	311.5	260.5	19.6%
EBITDA ² (continuing operations)	91.3	56.2	62.5%	269.7	188.2	43.3%
Amortization	31.2	32.8	(4.9%)	93.1	98.6	(5.6%)
Interest Expense	2.8	0.6	366.7%	7.0	2.0	250.0%
Non-controlling interest	0.2	–	n/m	0.7	–	n/m
Income Taxes	17.7	(13.5)	(231.1%)	42.4	6.3	573.0%
Net income from continuing operations	\$ 39.4	\$ 36.3	8.5%	\$ 126.5	\$ 81.3	55.6%
Gain on early retirement of debt, net of tax	–	–		–	13.3	
Loss on dissolution of Limited Partnerships, net of tax	–	–		(2.1)	–	
Gain (loss) on sale of discontinued operations, net of tax	–	(0.9)		4.7	(2.9)	
Net earnings (loss) from discontinued operations, net of tax ¹	–	(0.8)		0.2	–	
Net income	\$ 39.4	\$ 34.6	13.9%	\$ 129.3	\$ 91.7	41.0%
Earnings per share from continuing operations – diluted	\$ 0.43	\$ 0.41	4.9%	\$ 1.39	\$ 0.91	52.8%

¹ On April 30, 2007, the Company sold 100% of Investmaster. Accordingly, Investmaster's results have been reported as discontinued operations and previously reported financial statements have been reclassified as outlined in the 'Critical Accounting Policies' section.

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

Revenue for the three and nine months ended August 31, 2007 increased by 35.6% and 29.5%, respectively, from the corresponding periods in 2006 and all of our operations experienced significant growth. Revenue in the Investment Management Operations segment was up 31.7% and 26.7% for the three and nine months ended August 31, 2007, corresponding to higher levels of AUM, which were a result of improved net sales, market performance and the acquisition of 79.9% of Highstreet. The Trust Company Operations segment reported increases in revenue of 69.2% and 51.3% for the three and nine months ended August 31, 2007. The first quarter in 2006 included a \$9.9 million securitization gain from the sale of RSP loans and the second quarter in 2007 included an \$8.0 million securitization gain. Revenues from Other, which represents the results of our 30.8% equity interest in S&WHL, were higher for the three months ended August 31, 2007, compared with the corresponding period in 2006, with the growth attributable to the growth in S&WHL operations.

Expenses for the three and nine months ended August 31, 2007 increased by 19.0% and 19.6%, respectively, as compared with the corresponding periods in 2006, with increases in the Investment Management Operations and Trust Company Operations segments. The increases for both segments are primarily attributable to strong sales results and substantially higher assets and loan levels, which is discussed in greater detail under the segment discussions.

The revenue and expense impact contributed to the increase in EBITDA of 62.5% and 43.3% for the three and nine months ended August 31, 2007, respectively, from the corresponding periods of 2006.

Amortization expense decreased by 4.9% and 5.6% for the three months and the nine months ended August 31, 2007 compared to the corresponding period in 2006. The decrease is attributable to the fact that certain customer contracts are now fully amortized as compared to 2006. For the three and nine months ended August 31, 2007, amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$27.5 million and \$81.2 million (2006 – \$27.0 million and \$81.4 million) of the total amortization expense.

Interest expense increased to \$2.8 million and \$7.0 million for the three and nine months ended August 31, 2007 from \$0.6 million and \$2.0 million in the corresponding periods of 2006. The increase is mainly the result of higher average outstanding loan balances and higher interest rates.

Income tax expense for the three months ended August 31, 2007 was \$17.7 million as compared with an income tax reduction of \$13.5 million in the third quarter of 2006. In the three months ended August 31, 2006, taxes were in a recovery position due to the impact of the Canadian federal income tax reduction that was substantively enacted in June 2006. For the nine months ended August 31, 2007, income tax expense was \$42.4 million, as compared with \$6.3 million in the corresponding period in 2006. The effective tax rate for the first nine months of 2007 was 25.0%, as compared with 7.2% in the corresponding period in 2006. The change is attributable to the impact of declining substantively enacted Canadian tax rates and the impact of improved profitability of foreign operations. Our effective tax rate for the three months ended August 31, 2007 is 30.9% as a result of the fact that operations within Canada are experiencing higher levels of profitability relative to foreign operations. Our overall effective tax rate of approximately 25.0% for the nine months ended August 31, 2007 reflects our anticipated full-year rate for fiscal 2007.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$39.4 million in the quarter ended August 31, 2007, as compared with \$36.3 million in the comparable period of 2006. For the nine months ended August 31, 2007, net income from continuing operations was \$126.5 million, compared with \$81.3 million in the prior-year period. Basic earnings per share from continuing operations were \$0.44 in the third quarter of 2007 as compared with \$0.41 per share in the third quarter of 2006.

Net income was \$39.4 million in the quarter ended August 31, 2007, as compared with \$34.6 million in the comparable period of 2006. For the nine months ended August 31, 2007, net income was \$129.3 million, as compared with \$91.7 million in the prior-year period. The nine-month period ended August 31, 2007 included a gain of \$4.7 million net of tax related to the sale of discontinued operations, and a loss of \$2.1 million net of tax related to the dissolution of Limited Partnerships.

A further discussion of the results of each business segment for the three and nine months ended August 31, 2007, as compared with August 31, 2006 follows.

Business Segment Performance

We report on three business segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products and services, including retail mutual fund, institutional and private client investment counselling services. This segment also includes the operations of Highstreet. 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 the interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Investment Management Operations

Business and Industry Profile

Our Investment Management Operations segment provides products and services across the wealth continuum, including mutual funds, a managed-asset program 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, which are detailed in the 2006 annual MD&A, are to build predictable excellence in three core areas: investment management, relationship management and product management.

Consistent with our stated strategy, during the third quarter of fiscal 2007 we achieved the following:

- EBITDA margins have improved in 2007 over 2006 with an EBITDA margin of 44.2% and 44.7%, respectively, for the three and nine months ended August 31, 2007, compared with 37.3% and 40.2%, respectively, in the three and nine months ended August 31, 2006.
- Our client-centric approach resulted in record sales in our core mutual fund business. During the third quarter of 2007, we recorded more than \$1.3 billion in gross sales, up 41.9% over 2006. Net sales were \$0.3 billion, more than five times the net sales in the prior period.
- AGF was first in net sales of long-term mutual funds among all Canadian non-bank mutual fund firms for the nine months ended August 31, 2007.
- We successfully promoted international funds. AGF manages its product shelf proactively, with an aim to ensure there is sufficient product breadth to satisfy changing client needs. During the current fiscal year, AGF has emphasized international investing because Canadians are committing more investment dollars outside of Canada. Net sales of international equity funds for the quarter ended August 31, 2007 were \$108.9 million, versus net redemptions of \$34.5 million reported in the same period last year.
- We introduced the AGF Global Dividend Fund during the quarter based on feedback from advisors who sought to increase global diversification and reduce volatility in client portfolios.
- We enhanced our already diversified and strong product shelf by introducing seven-year principal-protected notes, a product offered in partnership with CIBC.
- We also announced the addition of Series T and V options on many of our funds, offering tax-deferral benefits and monthly cash payments targeted at 5% and 8% annually, respectively.
- We continued to build on the rigour and discipline of our investment management process. This has resulted in AGF maintaining its industry-leading investment performance.
- Our efforts in relationship management have continued. During the quarter we worked to solidify our relationships with financial advisors in the domestic market. On the institutional side, we furthered our plans to expand our reach both in Canada and abroad.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees is dependent on the level and composition of AUM (AUM is equal to the net asset value of each fund). Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and private 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 nine months ended August 31, 2007 and August 31, 2006:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2007	2006	% change	2007	2006	% change
Mutual fund AUM, beginning of period	\$ 30,606	\$ 23,681	29.2%	\$ 26,857	\$ 22,209	20.9%
Gross sales of mutual funds	1,345	948	41.9%	5,529	3,290	68.1%
Redemptions of mutual funds	(1,003)	(890)	12.7%	(3,242)	(3,277)	(1.1%)
Net mutual fund sales	342	58	n/m	2,287	13	n/m
Market appreciation (depreciation) of fund portfolios	(924)	690	(233.9%)	880	2,207	(60.1%)
Mutual fund AUM, end of period	\$ 30,024	\$ 24,429	22.9%	\$ 30,024	\$ 24,429	22.9%
Institutional AUM ¹	19,773	11,492	72.1%	19,773	11,492	72.1%
Private client AUM ¹	3,973	3,059	29.9%	3,973	3,059	29.9%
Total AUM, end of period	\$ 53,770	\$ 38,980	37.9%	\$ 53,770	\$ 38,980	37.9%
Average daily mutual fund AUM for the period	\$ 30,333	\$ 23,699	28.0%	\$ 29,477	\$ 23,755	24.1%

¹ Institutional assets previously categorized as Private Client are now classified as Institutional.

Strong investment performance and net sales of approximately \$2.3 billion, over the nine months, resulted in an increase in mutual fund AUM to \$30.0 billion at August 31, 2007 from \$24.4 billion as at August 31, 2006. The average daily mutual fund AUM for the three and nine months ended August 31, 2007 increased by 28.0% and 24.1%, respectively, to \$30.3 billion and \$29.5 billion. During the past 12 months, institutional AUM increased by \$8.3 billion to \$19.8 billion as a result of strong investment performance and new mandates, as well as the acquisition of Highstreet, and private client AUM increased by \$0.9 billion to \$4.0 billion. These increases resulted in total AUM increasing by 37.9% to \$53.8 billion.

Stock market performance influences the level of AUM. During the three and nine months ended August 31, 2007, the Canadian-dollar-adjusted S&P 500 Index performance declined 4.7% and 1.4%, the Canadian-dollar-adjusted NASDAQ Index declined 1.5% and rose 0.8%, and the S&P/TSX Composite Index declined 2.2% and rose 9.1%. The aggregate market appreciation of our mutual fund portfolios for the nine months ended August 31, 2007 divided by the average daily mutual fund AUM for the periods was 3.0%, after management fees and expenses paid by the funds.

The impact of the U.S. dollar decrease relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2006 has been a decrease in AUM of \$0.5 billion. Since May 31, 2007, 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 nine months ended August 31, 2007 and August 31, 2006 are as follows:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2007	2006	% change	2007	2006	% change
Revenue						
Net management and advisory fees	\$ 137.8	\$ 106.5	29.4%	\$ 399.2	\$ 317.8	25.6%
Administration fees and other revenue	28.8	21.2	35.9%	83.8	58.5	43.3%
Deferred sales charges	4.9	5.6	(12.5%)	15.0	19.9	(24.6%)
Investment income	1.9	(1.6)	n/m	3.7	(0.1)	n/m
	173.4	131.7	31.7%	501.7	396.1	26.7%
Expenses						
Selling, general and administrative	49.5	44.2	12.0%	142.1	124.3	14.3%
Trailing commissions	43.7	32.0	36.6%	124.5	92.2	35.0%
Investment advisory fees	3.6	6.4	(43.8%)	10.8	20.4	(47.1%)
	96.8	82.6	17.2%	277.4	236.9	17.1%
EBITDA ¹	76.6	49.1	56.0%	224.3	159.2	40.9%
Amortization	30.9	32.5	(4.9%)	92.1	97.6	(5.6%)
Income before taxes and non-segmented items	\$ 45.7	\$ 16.6	175.3%	\$ 132.2	\$ 61.5	115.0%

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

Revenue

For the three- and nine-month periods ended August 31, 2007, revenue for the Investment Management Operations segment increased by 31.7% and 26.7%, respectively, from the previous-year periods, with changes in the categories as follows:

Net Management and Advisory Fees

The 28.0% higher average daily mutual fund AUM in the third quarter of fiscal 2007 contributed to a 29.4% increase in net management and advisory fee revenue from the corresponding period in 2006. For the nine months ended August 31, 2007, average daily mutual fund AUM was up 24.1%, contributing to a 25.6% increase in net management and advisory fee revenue, as compared with the corresponding period in 2006.

Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$2.1 million (2006 – \$2.1 million) for the three months ended August 31, 2007 and \$6.9 million (2006 – \$7.7 million) for the nine months ended August 31, 2007.

Administration Fees and Other Revenue

Administration fees and other revenue, which includes fees earned on Harmony (one of our managed-asset products), institutional and private client AUM, increased by 35.9% in the three months ended August 31, 2007, as compared with the corresponding period in 2006. Administration fees and other revenue increased 43.3% for the nine months ended August 31, 2007, as compared with the corresponding period in 2006. This was attributable to strong growth in Harmony revenues and the acquisition of Highstreet, as well as organic growth in institutional and private client AUM.

Deferred Sales Charges

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

DSC revenues for the three and nine months ended August 31, 2007 decreased by 12.5% and 24.6%, respectively, from the corresponding periods in 2006, reflecting lower retail mutual fund redemptions of DSC AUM that are less than seven years in age.

Expenses

For the three- and nine-month periods ended August 31, 2007, expenses increased by 17.2% and 17.1%, respectively, from the previous-year periods. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ('SG&A') for the three- and nine-month periods ended August 31, 2007 were \$49.5 million and \$142.1 million, respectively, representing a 12.0% and 14.3% increase over the comparable periods in 2006. The increases are made up of the following amounts:

(\$ millions)	Three months ended August 31, Nine months ended August 31,	
	2007	2007
Decrease in fund absorption expenses	\$ (1.2)	\$ (7.4)
Increase in compensation-related expenses	4.3	16.7
Increase in other expenses	0.3	2.9
Highstreet expenses (Highstreet was acquired December 1, 2006)	2.0	5.7
	\$ 5.4	\$ 17.9

The following are explanations for expense changes in the three- and nine-month period ended August 31, 2007, compared with the prior-year periods:

- Our estimate for absorption expense is lower due to increases in our assets under management. A substantial portion of the fund expenses are fixed in nature.
- Compensation-related expenses increased due to performance-related bonuses and increases in stock options, RSUs and PSUs.
- Other expenses increased primarily as a result of increased spending on sales and marketing initiatives. Highstreet was purchased on December 1, 2006, and therefore there were no expenses recorded in the prior-year period.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.576% for the three months ended August 31, 2007 from 0.540% in the comparable 2006 period. For the nine months ended August 31, 2007, annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.563% from 0.518% in the 2006 period. The trend in increasing trailers expressed as a percentage of AUM is attributable to an increased proportion of mutual fund AUM sold on a front-end basis and a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailers.

Investment Advisory Fees

External investment advisory fees decreased by 43.8% and 47.1%, respectively, for the three- and nine-month periods ended August 31, 2007 compared with the prior-year periods. The average AUM managed by sub-advisors was lower for the three and nine months ended August 31, 2007, compared with the same periods in 2006, due to the decision to have AGF International Advisors Company Limited assume the role of Portfolio Advisor to AGF International Value Fund and AGF International Value Class.

EBITDA

EBITDA for the Investment Management Operations segment was \$76.6 million for the three months ended August 31, 2007, an increase of 56.0% from \$49.1 million for the same period of fiscal 2006. For the nine months ended August 31, 2007, EBITDA was \$224.3 million compared with \$159.2 million in the prior-year period, representing an increase of 40.9%. The increases are primarily due to higher assets under management, lower absorption, lower investment advisory fees and the impact of the acquisition of Highstreet.

Amortization

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

We internally finance all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$27.5 million and \$81.2 million, respectively, in the three and nine months ended August 31, 2007, compared with \$27.0 million and \$81.4 million in the comparable periods in 2006.

During the third quarter of fiscal 2007, we paid \$31.6 million in selling commissions, compared with \$21.7 million in 2006. As at August 31, 2007, the unamortized balance of deferred selling commissions stood at \$312.5 million, an increase of \$4.3 million from the May 31, 2007 balance of \$308.2 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at August 31, 2007 were estimated to be approximately \$405.2 million (Q3 2006 – \$354.3 million).

Trust Company Operations

Business and Industry Profile

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

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

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

Segment Strategy and Highlights

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

- continuing to expand mortgage distribution geographically within Canada – there are plans to expand AGF Trust's mortgage distribution to include Atlantic Canada and the Prairie provinces;
- introducing new products that directly serve advisor needs;
- developing effective, targeted marketing; and
- using disciplined loan-underwriting standards and cost control measures.

In the third quarter of 2007, we continued to expand our dedicated sales staff to promote investment lending and mortgage products. AGF Trust also continued to support AGF investment management wholesalers with the aim to make it easier for AGF wholesalers to serve their clients and promote trust products to advisors.

AGF Trust will continue to maximize operational synergies with our investment management business through trust products that assist financial advisors in broadening and deepening their relationship with clients. In addition, we will focus on expanding returns by increasing our investment and real estate secured loan portfolios. We are constantly evaluating new opportunities, including deposit products.

We anticipate that the execution of AGF Trust's stated strategy will result in continued growth. Our growth plans require investing in product development initiatives and expanding our sales and administrative teams. As a result, non-interest expenses may rise more than the corresponding increase in total interest margin in the fourth quarter of 2007.

With the recent capital market volatility being experienced around the world, particularly in the United States, and the related impacts of the ABCP markets, AGF Trust is prepared to continue to adapt to changing business conditions. As previously reported, AGF Trust holds no ABCP and has relied on the ABCP markets for a small portion of funding in the current and prior fiscal year. The majority of the funding for the operations comes from the ability to sell GICs.

In addition, the credit quality of our loan portfolio remains strong. Actual loan write-offs net of recoveries for the nine months ended August 31, 2007 were \$2.9 million compared to \$2.2 million for the fiscal period ended November 30, 2006,

with the percentage change being consistent with the growth in the loan portfolio. Impaired loans expressed in a percentage of loans outstanding were 0.7% as at August 31, 2007, which is consistent with the rate at November 30, 2006.

Securitization Transaction

On March 30, 2007, AGF Trust securitized \$263.6 million of RSP loans through the sale of these loans to a securitization trust. This represented the second securitization transaction completed by AGF Trust. As at August 31, 2007, the balance of all securitized loans outstanding was equal to \$328.3 million. When RSP loan receivables are securitized, the transaction is recognized as a sale. Based on assumptions such as prepayments, expected credit losses and the remaining term, a gain or loss on the sale of loan receivables is recognized immediately in income. The related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained and a servicing liability is incurred. A gain of \$8.0 million was recognized upon the close of the securitization transaction on March 30, 2007. Each quarter, an amount will be included in the financial results of AGF Trust that relates to the amortization of retained interest and servicing liability as well as any change in assumptions.

Financial and Operational Results

The Trust Company Operations segment results for the three and nine months ended August 31, 2007 and August 31, 2006 are as follows:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2007	2006	% change	2007	2006	% change
Interest income						
Loan interest	\$ 56.5	\$ 31.8	77.7%	\$ 150.6	\$ 82.3	83.0%
Investment interest	6.1	3.2	90.6%	14.2	8.5	67.1%
	62.6	35.0	78.9%	164.8	90.8	81.5%
Interest expense						
Deposit interest	36.2	19.5	85.6%	93.5	51.3	82.3%
Other interest expense	6.0	3.5	71.4%	14.3	6.4	123.4%
	42.2	23.0	83.5%	107.8	57.7	86.8%
Net interest income	20.4	12.0	70.0%	57.0	33.1	72.2%
Other revenue	2.4	1.6	50.0%	5.0	3.5	42.9%
Securitization gains and related items	1.4	0.7	100.0%	11.4	11.9	(4.2%)
Total revenue	24.2	14.3	69.2%	73.4	48.5	51.3%
Expenses						
Selling, general and administrative	8.7	6.3	38.1%	26.5	17.5	51.4%
Provision for loan losses	2.4	1.8	33.3%	7.6	6.1	24.6%
	11.1	8.1	37.0%	34.1	23.6	44.5%
EBITDA ¹	13.1	6.2	111.3%	39.3	24.9	57.8%
Amortization	0.4	0.3	33.3%	1.0	0.8	25.0%
Income before taxes and non-segmented items	\$ 12.7	5.9	115.3%	\$ 38.3	24.1	58.9%

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

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 70.0% and 72.2%, respectively, in the three- and nine-month periods ended August 31, 2007 over the respective periods in 2006 as the average loan balances were approximately 71.6% and 71.5% higher than average balances during the respective periods in 2006. Other revenue increased 50.0% and 42.9%, respectively, in the three- and nine-month periods ended August 31, 2007 over the corresponding periods in the prior year due to higher loan balances. Securitization gains and related items increased by \$0.7 million in the third quarter of 2007, versus the same quarter last year. For the nine-month period ended August 31, 2007, securitization and related items were down 4.2% over the prior-year period. These factors resulted in revenue increases of 69.2% and 51.3% for the three and nine months ended August 31, 2007.

The average net interest margin on lending products in the third quarter of 2007 was 2.55% (2.57% in 2006). This spread decrease resulted from a slight decrease in spreads on the investment loan portfolio, and a change in the business mix to include a higher proportion of high credit quality HELOCs, which are risk-priced and therefore earn lower spreads than AGF Trust's other lending products.

Selling, General and Administrative Expenses

The increases in SG&A expenses of 38.1% and 51.4% in the three- and nine-month periods ended August 31, 2007 over the respective periods in 2006 were as a result of increased staffing levels to support the significant loan growth during the past 12 months. In addition, the higher level of loan originations resulted in an increase in expenses, as internal sales staff compensation also includes a variable component related to asset increases.

Provision for Loan Losses

The total provision for loan losses increased by 33.3% in the third quarter of 2007, as compared with the prior-year period, and increased by 24.6% for the nine-month period ended August 31, 2007, compared to the same period in 2006. The increase is attributable to the increase in our loan portfolios and the mix of loans. This increase in the loan loss provision was moderated by the higher proportion of newly originated loans that are lower risk investment loans or HELOCs, and by recoveries totalling \$0.1 million and \$0.9 million in the three- and nine-month periods ended August 31, 2007.

EBITDA

Strong asset growth and the completion of a securitization transaction contributed to EBITDA of \$13.1 million and \$39.3 million in the three- and nine-month periods ended August 31, 2007. This represented a 111.3% increase, as compared with the three months ended August 31, 2006 and a 57.8% increase, as compared with the nine months ended August 31, 2006.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three and nine months ended August 31, 2007 and August 31, 2006.

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2007	2006	% change	2007	2006	% change
Real estate secured loans ¹						
Insured mortgage loans	\$ 532.0	\$ 379.9	40.0%	\$ 532.0	\$ 379.9	40.0%
Conventional mortgage loans	701.5	431.2	62.7%	701.5	431.2	62.7%
HELOCs	391.6	57.1	585.8%	391.6	57.1	585.8%
	1,625.1	868.2	87.2%	1,625.1	868.2	87.2%
Investment loans ¹						
Secured investment loans	1,368.2	784.6	74.4%	1,368.2	784.6	74.4%
RSP loans	356.9	324.7	9.9%	356.9	324.7	9.9%
Other loans	15.5	14.1	9.9%	15.5	14.1	9.9%
	1,740.6	1,123.4	54.9%	1,740.6	1,123.4	54.9%
Other assets	635.0	346.5	83.3%	635.0	346.5	83.3%
Total Assets	4,000.7	2,338.1	71.1%	4,000.7	2,338.1	71.1%
Net interest income ²	\$ 20.4	\$ 12.0	70.0%	\$ 57.0	\$ 33.1	72.2%
Gain from securitization and related items	1.4	0.7	100.0%	11.4	11.9	(4.2%)
Other revenue	2.4	1.6	50.0%	5.0	3.5	42.9%
Non-interest expenses	9.1	6.6	37.9%	27.5	18.3	50.3%
Provision for loan losses	2.4	1.8	33.3%	7.6	6.1	24.6%
Income before taxes and non-segmented items	\$ 12.7	\$ 5.9	115.3%	\$ 38.3	\$ 24.1	58.9%
Efficiency ratio ³	37.6%	46.2%		37.5%	37.7%	
Assets-to-capital multiple	15.4	15.1		15.4	15.1	

¹ Net of loan provision and deferred sales commission.

² Includes SG&A and amortization expense.

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

Loan Asset Growth

Loan assets experienced continued growth during the third quarter of 2007. Real estate secured loan assets grew 87.2% year-over-year, as sales efforts in the mortgage broker channel continued to be successful and were supplemented by steady originations of a HELOC product in the advisor channel.

New investment loan products and improved collaboration with AGF mutual fund wholesalers contributed to overall growth in loan advances, as secured investment loans increased 74.4% to \$1.4 billion as at August 31, 2007 over the respective period in 2006. RSP loan balances increased by \$32.2 million (\$240.5 million excluding the impact of the securitization) as at August 31, 2007 as a result of the strong RSP season and financial advisors' continued use of AGF Trust's Internet-based loan application system.

Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and non-interest income) is a key industry performance indicator utilized to ensure expenses are contained as the Trust business grows. The efficiency ratio decreased to 37.6% in the third fiscal quarter of 2007 from 46.2% during the comparable quarter in 2006. The efficiency ratio for the nine-month period ended August 31, 2007 decreased to 37.5% from 37.7% in the comparable period in 2006. The RSP loan securitization gains recorded in Q1 2006 and Q2 2007 are added to non-interest income for the purposes of calculating the efficiency ratio.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 71.1% to \$4.0 billion at August 31, 2007 as compared with the prior year. At August 31, 2007, our asset-to-capital multiple stood at 15.4 times, compared with 15.1 times at the same time last year, which is below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.7% at August 31, 2007. AGF Trust received \$17.0 million and \$65.5 million in debt and equity capital from AGF Management Limited during the three- and nine-month periods ended August 31, 2007, in order to support increased asset levels. Liquid assets were high, with \$547.3 million in cash and cash equivalents at August 31, 2007 (2006 – \$283.8 million), excluding cash currently pledged to counterparties.

Loan Portfolio Credit

Portfolio credit quality remains consistent as at August 31, 2007, compared with August 31, 2006. The general allowance for real estate secured loan losses was increased during the year to \$7.4 million from \$4.1 million a year ago. The general allowance for investment loan losses was increased to \$6.7 million from \$4.6 million a year ago. Approximately 43.0% of real estate secured loan assets, excluding HELOC, are insured. We have strong security for non-RSP investment loans, and loan losses during the history of the program have been minimal. For RSP loans, the expense for impaired loans, which consists of the increase in specific allowances plus write-offs net of recoveries (excluding securitized RSP loans) was \$0.4 million in Q3 2007 (Q3 2006 – \$0.6 million). For the balance of our loan products, the expense for impaired loans was \$0.5 million (Q3 2006 – \$0.1 million).

Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was \$69.7 million and \$222.8 million, respectively, for the three and nine months ended August 31, 2007, compared with \$60.2 million and \$161.2 million in the comparable periods of 2006.

Consolidated free cash flow (defined as cash flow from operations less selling commissions paid) was \$38.1 million and \$97.9 million, respectively, for the three and nine months ended August 31, 2007, compared with \$38.5 million and \$87.3 million in the comparable periods of 2006. We paid \$31.6 million and \$124.9 million in selling commissions during the three and nine months ended August 31, 2007, which were deferred for accounting purposes, compared with \$21.7 and \$73.9 million paid and deferred in the respective periods in 2006. Our free cash flow was used primarily to fund the following:

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Payment of dividends	\$ 18.1	\$ 16.0	\$ 52.1	\$ 45.5
Repurchase of AGF Class B non-voting shares for cancellation	–	–	–	15.9
Acquisitions of subsidiaries	7.8	3.9	27.7	4.1
Purchase of property, equipment and other intangible assets	3.5	3.6	6.1	9.4
Investments	2.0	5.3	5.4	9.7
Debt repayment (borrowing)	(5.0)	(5.1)	(89.0)	(44.1)
Investment in Trust Operations (eliminated on consolidation)	17.0	15.5	65.5	49.5
	\$ 43.4	\$ 39.2	\$ 67.8	\$ 90.0

During the three months and nine months ended August 31, 2007, our revolving term loan balance increased \$5.0 million and \$89.0 million, respectively, to \$145.0 million.

Cash and cash equivalents increased by \$200.1 million (2006 – increased by \$144.2 million) from November 30, 2006 primarily due to an increase in cash in the Trust Company Operations segment. Consolidated cash and cash equivalents amounted to \$604.2 million as at August 31, 2007, compared with \$304.2 million a year ago.

We have a six-year prime-rate-based revolving term loan facility to a maximum of \$300.0 million, of which \$155.0 million was available to be drawn as at August 31, 2007. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, the Company had \$52.0 million of cash at August 31, 2007, some of which will be used to repay bank debt in the remainder of 2007. 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.

Dividends

For the three months ended August 31, 2007, we declared a 20-cents-per-share dividend on Class A and Class B Shares. This dividend will be payable on October 20, 2007 to shareholders of record on October 10, 2007.

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

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

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

Years Ended November 30	2006	2005	2004	2003	2002
Per share	\$ 0.690	\$ 0.560	\$ 0.410	\$ 0.295	\$ 0.255
Percentage increase	23%	37%	39%	16%	16%

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

Outstanding Share Data

Set out below is our outstanding share data as at August 31, 2007. For additional details, see Note 9 of the Consolidated Financial Statements.

	August 31, 2007	November 30, 2006
Shares		
Class A Voting Common Shares	57,600	57,600
Class B Non-Voting Shares	90,290,515	89,171,997
Stock Options		
Outstanding options	3,547,766	4,324,084
Exercisable options	1,545,034	1,765,583

Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	August 31, 2007	May 31, 2007	Feb. 28, 2007	Nov. 30, 2006
Revenue (continuing operations)	\$ 199.2	\$ 204.9	\$ 177.0	\$ 158.7
Cash flow from continuing operations ¹	69.7	84.4	68.7	53.8
EBITDA (continuing operations) ²	91.3	98.0	80.4	60.0
Pretax income (continuing operations)	57.3	63.3	49.1	26.1
Net income	39.4	53.6	36.3	21.0
Earnings per share				
Basic	\$ 0.44	\$ 0.60	\$ 0.41	\$ 0.24
Diluted	\$ 0.43	\$ 0.59	\$ 0.40	\$ 0.23
Weighted average basic shares	90,299,033	89,740,819	89,474,827	89,174,064
Weighted average fully diluted shares	91,847,103	91,012,708	90,640,734	89,890,105

(\$ millions, except per share amounts) For the three month-period ended	August 31, 2006	May 31, 2006	Feb. 28, 2006	Nov. 30, 2005
Revenue (continuing operations)	\$ 146.9	\$ 152.2	\$ 149.5	\$ 134.6
Cash flow from operations ¹	60.2	52.5	48.4	48.4
EBITDA (continuing operations) ²	56.2	64.6	67.3	50.2
Pretax income (continuing operations)	22.8	30.9	33.8	16.2
Net income	34.6	33.0	24.1	28.0
Earnings per share				
Basic	\$ 0.39	\$ 0.37	\$ 0.27	\$ 0.31
Diluted	\$ 0.39	\$ 0.37	\$ 0.27	\$ 0.31
Weighted average basic shares	89,055,124	89,006,146	89,190,007	89,203,949
Weighted average fully diluted shares	89,457,921	89,973,999	90,031,001	89,868,786

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

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

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the three and nine months ended August 31, 2007, our 2006 annual MD&A and Consolidated Financial Statements, our 2007 AIF and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

(AGF Management Limited
Consolidated Balance Sheets)

(in thousands of dollars) (unaudited)	August 31, 2007	November 30, 2006 (note 3)
Assets		
Current Assets		
Cash and cash equivalents	\$ 604,210	\$ 404,115
Short-term investments	23,466	10,723
Accounts receivable and prepaid expenses	86,382	96,031
Current portion of retained interest from securitization (note 2)	11,136	3,767
Real estate secured and investment loans due within one year (note 7)	398,750	309,329
Assets of discontinued operations (note 3)	–	4,527
	1,123,944	828,492
Retained interest from securitization (note 2)	45,061	23,893
Real estate secured and investment loans (note 7)	2,966,970	1,997,294
Investment in associated company	108,263	107,735
Management contracts (note 4)	504,269	478,259
Customer contracts, net of accumulated amortization (note 4)	67,798	59,583
Deferred selling commissions, net of accumulated amortization	312,488	268,243
Property, equipment and software, net of accumulated amortization	20,942	19,848
Goodwill (note 4 & 5)	180,145	126,399
Trademarks (note 4)	1,935	–
Other assets	1,218	6,424
Assets of discontinued operations (note 3)	–	3,598
	\$ 5,333,033	\$ 3,919,768
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 233,942	\$ 160,259
Long-term debt due within one year (note 8)	170,325	56,000
Deposits due within one year (note 7)	1,499,000	1,022,774
Liabilities of discontinued operations (note 3)	–	4,286
	1,903,267	1,243,319
Deposits (note 7)	2,054,546	1,465,490
Long-term debt (note 8)	24,212	–
Future income taxes	244,584	230,305
Other long-term liabilities	21,094	127
Liabilities of discontinued operations (note 3)	–	756
	4,247,703	2,939,997
Non-controlling interest	423	–
Shareholders' Equity		
Capital stock (note 9)	427,201	403,566
Contributed surplus (note 9)	13,792	10,470
Retained earnings	642,771	565,576
Accumulated other comprehensive income (note 1(a))	1,143	159
	1,084,907	979,771
	\$ 5,333,033	\$ 3,919,768

(See accompanying Notes to Consolidated Financial Statements.)

(AGF Management Limited
Consolidated Statements of Income)

(in thousands of dollars) (unaudited)	Three months ended August 31, Nine months ended August 31,			
	2007	2006 (note 3)	2007	2006 (note 3)
Revenue				
Net management and advisory fees	\$ 137,765	\$ 106,598	\$ 399,206	\$ 317,893
Administration fees and other revenue	30,441	22,230	89,919	62,573
Deferred sales charges	4,998	5,606	15,007	19,980
Gain on sale of RSP loan securitization and related income	1,424	730	11,404	11,892
Investment income	4,157	(262)	8,644	3,197
	178,785	134,902	524,180	415,535
Trust Company interest income (notes 1(b) and 11)	62,549	34,984	164,785	90,757
Trust Company interest expense (notes 1(b) and 11)	(42,151)	(22,995)	(107,812)	(57,624)
Trust company net interest income	20,398	11,989	56,973	33,133
Total Revenue	199,183	146,891	581,153	448,668
Expenses				
Selling, general and administrative	58,161	50,572	168,499	141,749
Trailing commissions	43,700	31,980	124,566	92,237
Investment advisory fees	3,615	6,417	10,815	20,436
Amortization of deferred selling commissions	27,502	27,002	81,209	81,396
Amortization of customer contracts	1,976	3,618	5,944	11,156
Amortization of property, equipment and other intangible assets	1,822	2,113	5,946	6,049
Interest expense	2,754	645	7,030	1,982
Provision for Trust Company loan losses	2,412	1,774	7,597	6,096
	141,942	124,121	411,606	361,101
Income from continuing operations before income taxes and non-controlling interest	57,241	22,770	169,547	87,567
Income tax expense (reduction)				
Current	22,150	(3,345)	38,996	21,522
Future	(4,471)	(10,162)	3,391	(15,254)
	17,679	(13,507)	42,387	6,268
Non-controlling interest (note 4)	211	-	678	-
Net income from continuing operations for the period	39,351	36,277	126,482	81,299
Gain on early retirement of debt, net of tax (note 8(b))	-	-	-	13,309
Loss on dissolution of Limited Partnerships, net of tax (note 6)	-	-	(2,128)	-
Gain (loss) on sale of discontinued operations, net of tax (note 3)	-	(837)	4,702	(2,887)
Net earnings (loss) from discontinued operations, net of tax (note 3(a))	-	(808)	247	(23)
Net income for the period	\$ 39,351	\$ 34,632	\$ 129,303	\$ 91,698
Earnings Per Share (note 9)				
Basic from continuing operations	\$ 0.44	\$ 0.41	\$ 1.41	\$ 0.91
Diluted from continuing operations	\$ 0.43	\$ 0.41	\$ 1.39	\$ 0.91
Basic	\$ 0.44	\$ 0.39	\$ 1.44	\$ 1.03
Diluted	\$ 0.43	\$ 0.39	\$ 1.42	\$ 1.02

(See accompanying Notes to Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Changes in Shareholders' Equity

(in thousands of dollars) (unaudited)	Three months ended August 31, Nine months ended August 31,			
	2007	2006 (note 1)	2007	2006 (note 1)
Common shares				
Balance, beginning of period	\$ 425,122	\$ 396,499	\$ 403,566	\$ 394,154
Issued through dividend reinvestment plan	594	598	3,069	1,367
Stock options exercised	285	2,555	13,694	7,239
Issued on acquisition of subsidiary	–	–	5,672	–
Issued for Cypress contingent consideration (note 5)	1,200	2,600	1,200	2,600
Purchased for cancellation	–	–	–	(3,108)
Balance, end of period	427,201	402,252	427,201	402,252
Contributed surplus				
Balance, beginning of period	12,720	8,168	10,470	5,900
Stock options				
Current period expense	1,072	1,172	3,322	3,440
Balance, end of period	13,792	9,340	13,792	9,340
Retained earnings				
Balance, beginning of period	621,477	542,076	565,576	527,197
Transitional adjustment on adoption of new accounting policies (note 1(a))	–	–	(25)	–
Balance, beginning of period, as restated	621,477	542,076	565,551	527,197
Net income for the period	39,351	34,632	129,303	91,698
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	(18,057)	(16,044)	(52,083)	(45,474)
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation (note 9)	–	–	–	(12,757)
Balance, end of period	642,771	560,664	642,771	560,664
Accumulated other comprehensive income				
Balance, beginning of period (note 1(a))	2,917	(7,210)	3,792	–
Other comprehensive income (loss)	(1,774)	1,565	(2,649)	(5,645)
Balance, end of period	1,143	(5,645)	1,143	(5,645)
Total shareholders' equity	\$ 1,084,907	\$ 966,611	\$ 1,084,907	\$ 966,611

(See accompanying Notes to Consolidated Financial Statements.)

(AGF Management Limited
Consolidated Statements of Comprehensive Income)

(in thousands of dollars) (unaudited, note 1)	Three months ended August 31, Nine months ended August 31,			
	2007	2006	2007	2006
Net income	\$ 39,351	\$ 34,632	\$ 129,303	\$ 91,698
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations ¹	293	1,565	(5,276)	(5,645)
Unrealized gain (loss) on available-for-sale securities ²	(1,554)	–	2,631	–
Reclassification of realized loss to earnings	(513)	–	(4)	–
Total other comprehensive income (loss), net of tax	(1,774)	1,565	(2,649)	(5,645)
Comprehensive income	\$ 37,577	\$ 36,197	\$ 126,654	\$ 86,053

¹ Net of income tax reduction of \$0.1 million for the three months ended August 31, 2007 and \$1.0 million for the nine months ended August 31, 2007.

² Net of income tax reduction of \$0.6 million for the three months ended August 31, 2007 and \$0.5 million for the nine months ended August 31, 2007.

(See accompanying Notes to Consolidated Financial Statements.)

(AGF Management Limited)
Consolidated Statements of Cash Flow

(in thousands of dollars) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006 (note 3)	2007	2006 (note 3)
Operating Activities				
Net income for the period	\$ 39,351	\$ 34,632	\$ 129,303	\$ 91,698
Gain on early retirement of debt, net of tax	–	–	–	(13,309)
Loss on dissolution of Limited Partnerships, net of tax	–	–	2,128	–
(Gain) loss on sale of discontinued operation, net of tax	–	837	(4,702)	2,887
Loss (earnings) from discontinued operations, net of tax	–	808	(247)	23
Net income from continuing operations	39,351	36,277	126,482	81,299
Items not affecting cash				
Amortization of capital assets	31,300	32,733	93,099	98,601
Future income taxes	(4,471)	(10,162)	3,391	(15,254)
Gain on sale of RSP loan securitization and related income	(1,424)	(730)	(11,404)	(11,892)
Provision for Trust Company loan losses	2,412	1,774	7,597	6,096
Other	2,534	287	3,615	2,329
	69,702	60,179	222,780	161,179
Net increase in non-cash balances related to operations	60,341	8,352	65,712	(10,988)
Net cash provided by continuing operating activities	130,043	68,531	288,492	150,191
Net cash provided (used) in discontinued operating activities	–	(493)	(1,271)	1,043
Net cash provided by operating activities	130,043	68,038	287,221	151,234
Financing Activities				
Purchase of Class B Non-Voting Shares for cancellation	–	–	–	(15,866)
Issuance of Class B Non-Voting Shares	879	3,154	16,763	8,607
Dividends	(18,057)	(16,044)	(52,083)	(45,474)
Retirement of debt	–	(3,360)	–	(3,360)
Increase in bank loan	5,000	8,500	89,000	47,500
Decrease in other long-term debt	–	–	–	(1,324)
Net increase in Trust Company deposits	413,995	251,814	1,093,648	688,578
Net cash provided by continuing financing activities	401,817	244,064	1,147,328	678,661
Investing Activities				
Deferred selling commissions paid	(31,589)	(21,691)	(124,901)	(73,870)
Proceeds of RSP loan securitization	–	–	252,878	206,274
Acquisition of subsidiaries	(7,800)	(3,900)	(27,673)	(4,116)
Proceeds of sale of discontinued operations	–	(193)	2,747	1,985
Purchase of property, equipment and other intangible assets	(3,503)	(3,563)	(6,101)	(9,399)
Other investment activities	(2,070)	13,622	(5,440)	12,477
Net increase in Trust Company mortgages and consumer loans	(390,986)	(293,766)	(1,325,964)	(819,033)
Net cash used in continuing investing activities	(435,948)	(309,491)	(1,234,454)	(685,682)
Increase in cash and cash equivalents	95,912	2,611	200,095	144,213
Balance of cash and cash equivalents, beginning of period	508,298	301,576	404,115	159,974
Balance of cash and cash equivalents, end of period	\$ 604,210	\$ 304,187	\$ 604,210	\$ 304,187
Cash and cash equivalents related to:				
Continuing operations			\$ 604,210	\$ 303,080
Discontinued operations			–	1,107
			\$ 604,210	\$ 304,187
Represented by:				
Cash and cash equivalents			\$ 52,001	\$ 20,405
Trust Company cash and cash equivalents			552,209	283,782
			\$ 604,210	\$ 304,187

(See accompanying Notes to Consolidated Financial Statements.)

Notes to Consolidated Financial Statements

For the three and nine months ended August 31, 2007 and August 31, 2006 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited interim Consolidated Financial Statements of AGF Management Limited ('AGF' or the 'Company') have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2006. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2006, as set out in AGF's 2006 Annual Report. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

Note 1: Change in Accounting Policy

(a) Financial Instruments, Hedges and Comprehensive Income

On December 1, 2006, the Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges and Section 1530 Comprehensive Income. These standards require that all financial assets be classified as either available for sale ('AFS'), trading, held to maturity ('HTM') or loans and receivables. Financial liabilities are classified as either trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value, with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS, HTM, loans and receivables, and deposits are generally capitalized and are then amortized over the expected life of the instrument.

Financial assets and financial liabilities held for trading are measured at fair value, with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with changes in fair value reported in other comprehensive income ('OCI') until the financial asset is disposed of, or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair value of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

Accumulated other comprehensive income ('AOCI') is a new component of shareholders' equity. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. The Consolidated Statements of Comprehensive Income have also been added to the Company's financial statements. Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Classification of Financial Instruments

Available-for-sale assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM or held for trading. Available-for-sale assets are measured at fair value with unrealized gains and losses included in accumulated other comprehensive income until sale or other-than-temporary impairment when the cumulative gain or loss is transferred to the Consolidated Statement of Operations. Assets included in this category are investments and retained interest from securitization. Upon adoption of Section 3855, the following adjustments were recorded:

- a) Investments have been re-measured to reflect the unrealized gains and losses on these securities. This gave rise to an adjustment to accumulated other comprehensive income of \$3.2 million (\$2.7 million net of tax).
- b) Retained interests from securitization have been re-measured to reflect the fair value. This gave rise to an adjustment to accumulated other comprehensive income of \$1.4 million (\$1.0 million net of tax).

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. They do not include debt securities or loans and receivables designated as held for trading or AFS. Assets included in this category are accounts receivable and real estate secured and investment loans. The adoption of the CICA Handbook Section 3855 gave rise to a reclassification of \$15.9 million of related transaction costs from accounts receivable and \$1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

Hedge Accounting

Derivative instruments are used to manage the Company's exposure to interest risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominantly use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the Consolidated Statement of Income under investment income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the Consolidated Statement of Income under investment income, with a corresponding adjustment to the carrying amount of the hedged items in the Consolidated Balance Sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in investment income in the periods during which the hedged item affects income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged item is then immediately recognized in investment income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the Consolidated Statement of Income. As a result, the opening balance of retained earnings was adjusted by \$0.025 million, as a result of the adoption of Section 3865.

During the three and nine months ended August 31, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to a gain of \$0.1 million and a loss of \$0.9 million, respectively, as it relates to fair value hedging relationships.

As required, a transition adjustment has been recognized in the opening balance of retained earnings as at December 1, 2006 for the following: i) financial instruments that the Company classifies as held for trading and that were not previously recorded at fair value and ii) the difference in the carrying amount of loans and deposits at December 1, 2006 and the carrying amount calculated using the effective interest rate from inception of the loan or deposit. A transition adjustment has been recognized in the opening balance of AOCI relating to adjustments arising due to the re-measuring of financial assets classified as available for sale. Prior-period balances have not been restated, except for the reclassification of the foreign currency translation balances. The impact of adopting these standards as at December 1, 2006 was as follows:

(in thousands of dollars)	As at November 30, 2006	Adjustment upon adoption of Section 3855	As at December 1, 2006
Assets			
Short-term investments	\$ 10,723	\$ 3,271	\$ 13,994
Retained interest from securitization	27,660	1,352	29,012
Accounts receivable	91,328	(15,928)	75,400
Real estate secured and investment loans	2,306,623	3,183	2,309,806
Impact on total assets	2,436,334	(8,122)	2,428,212
Liabilities and shareholders' equity			
Deposits	2,488,264	(7,074)	2,481,190
Derivative instruments market valuation	–	(3,754)	(3,754)
Future income tax	230,305	998	231,303
Accounts payable and accrued liabilities	160,259	(1,900)	158,359
Impact on total liabilities	2,878,828	(11,730)	2,867,098
Shareholders' equity			
Foreign currency translation adjustments	159	(159)	–
Retained earnings	565,576	(25)	565,551
Accumulated other comprehensive income			
Foreign currency translation adjustments related to net investments in self-sustaining operations	–	159	159
Unrealized gains on available-for-sale assets	–	3,633	3,633
Accumulated other comprehensive income	–	3,792	3,792
Impact on shareholders' equity	565,735	3,608	569,343
Impact on liabilities and shareholders' equity	\$ 3,444,563	\$ (8,122)	\$ 3,436,441

(b) Trust Operations Net Interest Income

Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to present net deposit interest expense and other interest expense in net interest income, as detailed in note 11. Comparative periods presented have been restated, with interest and investment income being reclassified from administration fees, interest and other revenue, and other interest expense being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

(c) Purchase Price Allocations and Amortization of Intangible Assets

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. ('Highstreet'). The allocation of the purchase price for this transaction involved significant judgments in determining the fair values assigned to the intangible assets acquired on acquisition. The determination of these fair values involved the use of discounted cash flow analysis, estimated future margins, estimated assets under management ('AUM') and estimated market growth.

The determination of the estimated useful lives of the intangible assets being customer contracts involves historical redemption rates of the AUM and judgments as to applicability of these rates going forward. Based on this, the estimated useful life of customer contracts acquired is seven years; accordingly, customer contracts will be amortized over a straight-line basis over seven years. Management contracts, trademarks and goodwill are not amortized, but are subject to an annual impairment test. Refer to note 4 for the detailed fair value allocation of the net assets acquired.

Note 2: Securitization of AGF Trust Loans

On March 30, 2007, the Company, through its wholly owned subsidiary AGF Trust Company ('Trust Company'), securitized \$263.6 million of RSP loans through the sale of these loans to a securitization trust. Cash flows of \$252.9 million were received on the securitization and a gain of \$8.0 million was recorded, net of transaction fees and servicing liabilities. On February 28, 2006, \$218.4 million of RSP loans was securitized through the sale of these loans to a securitization trust. Cash flows of \$206.3 million were received on the securitization and a gain, net of transaction fees and expenses, of \$9.9 million was recorded. As at August 31, 2007, \$328.3 million of securitized loans were outstanding.

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

The Company has recorded retained interests of \$56.2 million (2006 – \$27.7 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 \$ 24.2 million (2006 – \$13.7 million), ii) cash collateral of \$11.1 million (2006 – \$5.7 million) and iii) over-collateralization of \$20.9 million (2006 – \$8.3 million).

As at August 31, 2007, the impaired loans included in the securitized balances were equal to \$1.1 million (2006 – \$0.3 million), and during the three and nine months ended August 31, 2007, \$0.5 million (2006 – \$0.4 million) and \$1.1 million (2006 – \$0.5 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust is limited to the retained interests. For the three months ended August 31, 2007, cash flows of \$5.7 million were received on the securitized loans, of which \$2.3 million related to the over-collateralization and \$3.4 million related to the interest-only strip. For the nine months ended August 31, 2007, cash flows of \$13.4 million were received on the securitized loans, of which \$4.8 million related to the over-collateralization and \$8.6 million related to the interest-only strip. The total other income recognized from securitization during the three and nine months ended August 31, 2007 was \$1.4 million and \$3.3 million, respectively.

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

Excess spread	3.3% – 3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	17.7%
Expected weighted average life of RSP loans	23 – 27 months

The Trust Company retained servicing responsibilities for the securitized loans. A servicing liability of \$2.0 million was recorded as at August 31, 2007 (2006 – \$1.1 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 nine months ended August 31, 2007 was \$0.3 million and \$0.7 million, respectively.

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 August 31, 2007. As the sensitivity is hypothetical, it should be used with caution. The impact of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

(in thousands of dollars)	
Discount rate	
+10%	\$ 264
+20%	525
Prepayment rate	
+10%	\$ 467
+20%	887
Expected credit losses	
+10%	\$ 475
+20%	950
Excess spread	
+10%	\$ 2,011
+20%	4,026

Note 3: Discontinued Operations and Assets Held for Sale

- (a) On April 30, 2007, the Company sold 100% of Investmaster for \$6.8 million and additional contingent consideration that is not determinable at this time. The purchase consideration includes \$5.0 million in cash and two notes receivable from the buyer, totalling \$1.8 million, due on April 30, 2009 and April 30, 2010, respectively. The contingent consideration will be payable to the Company in 2007, 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster.

Accordingly, Investmaster's operations for the 2007 and 2006 periods have been reported as discontinued operations and previously reported financial statements have been reclassified to reflect the following:

(in thousands of dollars, except per share amounts)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Revenue	\$ —	\$ 3,287	\$ 4,342	\$ 11,318
Net earnings (loss) from discontinued operations, net of tax	\$ —	\$ (808)	\$ 247	\$ (23)
Basic net earnings per share	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00
Diluted net earnings per share	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00

The carrying values of the assets and liabilities related to the discontinued operations are as follows:

(in thousands of dollars)	November 30, 2006
Current assets of discontinued operations	
Cash and term deposits	\$ 1,792
Accounts receivable and prepaid expenses	2,735
	\$ 4,527
Long-term assets of discontinued operations	
Property, equipment and other intangible assets, net	\$ 3,598
	\$ 3,598
Current liabilities of discontinued operations	
Accounts payable and accrued liabilities	\$ 4,286
	\$ 4,286
Long-term liabilities of discontinued operations	
Future income tax	\$ 756
	\$ 756

Details of the gain on sale of Investmaster are as follows:

(in thousands of dollars)	
Proceeds on sale	\$ 6,821
Expenses related to transaction	(2,303)
Carrying cost of investment	(3,916)
Gain on sale before income taxes	602
Income tax reduction	4,100
Gain on sale of discontinued operations	\$ 4,702

- (b) On October 3, 2005, the Company sold 100% of wholly owned subsidiary Unisen Holdings Inc. ('Unisen') to Citifinancial Canada Inc. ('Citifinancial') for cash consideration of US\$97.5 million (\$114.0 million). The purchase price was subject to a claw back should Unisen's revenue fall below a threshold during the 12-month period ended June 30, 2006. A provision of \$9.5 million was included in accounts payable related to this possible claw back. During the three months ended August 31, 2006, the aforementioned provision was increased by \$0.7 million, with the increase being recorded as a loss on sale of discontinued operations net of tax of \$0.1 million. In addition, a provision of \$0.3 million was recorded relating to a potential tax liability, including estimated interest and penalties owed by Unisen for periods prior to October 3, 2005. This was recorded as a loss on the sale of discontinued operations, net of tax of \$0.1 million. There is no contingent payment remaining related to this transaction.

Note 4: Acquisition of Highstreet Partners Ltd.

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. ('Highstreet'), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issuance of Class B Non-Voting Shares ('Class B shares'). As at August 31, 2007, the Company has made payments of \$20.2 million in cash and \$5.7 million through the issuance of 225,116 AGF Class B shares, which approximates 33.3% of the purchase price. Additional payments aggregating \$51.8 million (principal and imputed interest) are due on February 28, 2008 and February 28, 2009 for total minimum consideration, including acquisition costs, of \$74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable.

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

(in thousands of dollars)	
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
Issuance 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 Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress. At the time of purchase, contingent consideration of up to \$9.0 million was due to the vendors, subject to Cypress achieving certain revenue levels over the three-year period ended June 30, 2007. The Company has determined that these revenue levels were exceeded. Accordingly, the consideration of \$9.0 million was paid. The payment consisted of \$7.8 million in cash and the issuance of 33,367 Class B Non-Voting shares valued at \$1.2 million (note 9). The payment was recorded as an increase in goodwill.

Note 6: Dissolution of Partnerships

On February 28, 2007, the unitholders and the respective boards of directors of the following limited partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership and 20/20 Group 1992 Limited Partnership – approved the dissolution of each respective LP. On March 1, 2007, as part of the LP dissolution process, the Company purchased the future distribution fees remaining payable by the Company to the LPs or purchased the outstanding units for total cash consideration of \$3.2 million (\$2.1 million net of taxes). In fiscal 2006, distributions of approximately \$1.0 million were made to these partnerships. As a result of the aforementioned transaction, no further distribution will be made to these specific LPs.

Note 7: Trust Company

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

(in thousands of dollars)	Term to contractual repricing			August 31, 2007	November 30, 2006
	Variable rate	1 year or less	1 to 5 years		
Mortgage loans	\$ 1,952	\$ 528,300	\$ 707,725	\$ 1,237,977	\$ 941,962
Home equity lines of credit (HELOCs)	389,089	–	–	389,089	116,194
Total real estate secured loans	391,041	528,300	707,725	1,627,066	1,058,156
Investment loans	1,732,667	5,237	10,239	1,748,143	1,261,166
	<u>2,123,708</u>	<u>533,537</u>	<u>717,964</u>	3,375,209	2,319,322
Less: allowance for loan losses				(15,645)	(12,699)
Add: net deferred sales commissions and commitment fees				6,156	–
				3,365,720	2,306,623
Less: current portion				(398,750)	(309,329)
				<u>\$ 2,966,970</u>	<u>\$ 1,997,294</u>
Impaired loans included in above				\$ 23,880	\$ 16,368
Less: specific allowance for loan losses				(1,545)	(2,448)
				<u>\$ 22,335</u>	<u>\$ 13,920</u>

(in thousands of dollars)	Term to contractual repricing	
	Nine months ended August 31, 2007	12 months ended November 30, 2006
The change in the allowance for loan losses is as follows:		
Balance, beginning of period	\$ 12,699	\$ 8,200
Amounts written-off	(3,808)	(2,697)
Recoveries	939	465
Reduction due to RSP loan securitization	(1,486)	(1,770)
Provision for loan losses less insurance premiums	7,301	8,501
Balance, end of period	<u>\$ 15,645</u>	<u>\$ 12,699</u>

(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 August 31, 2007 were \$400.3 million (November 30, 2006 – \$309.3 million).

As at August 31, 2007, the Company's mortgage portfolio was composed of a combination of fixed rate and variable rate residential mortgages, of which \$532.0 million (November 30, 2006 – \$403.4 million) is insured, with a weighted average term to repricing of 2.0 years (November 30, 2006 – 1.8 years) and a weighted average interest rate of 7.08% (November 30, 2006 – 6.81%). Investment loans have interest rates based on prime. As at August 31, 2007, the average interest rate on HELOCs was 6.33% (November 30, 2006 – 6.08%) and on investment loans was 7.61% (November 30, 2006 – 7.39%).

(b) Trust Company Deposits

(in thousands of dollars)	Term to maturity			August 31, 2007	November 30, 2006
	Demand	1 year or less	1 to 5 years		
Deposits	\$ 5,562	\$ 1,493,438	\$ 2,068,820	\$ 3,567,820	\$ 2,488,264
Less: deferred sales commissions				(14,274)	-
				\$ 3,553,546	\$ 2,488,264

As at August 31, 2007, deposits were composed substantially of GICs with a weighted average term to maturity of 1.8 years (November 30, 2006 – 1.9 years) and a weighted average interest rate of 4.25% (November 30, 2006 – 4.05%).

(c) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, the Trust Company has entered into interest-rate-swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between September 2007 and July 2012 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by the Trust Company for balance sheet matching purposes and to mitigate net interest revenue volatility. As at August 31, 2007, the aggregate notional amount of the swap transactions was \$2.4 billion (November 30, 2006 – \$1.7 billion). The aggregate fair value of the swap transactions, which represents the amount that would be paid by the Trust Company if the transactions were terminated at August 31, 2007, was \$18.4 million (November 30, 2006 – \$3.8 million).

Notional amount of swap	Maturity date	Fixed interest rate received
(in thousands of dollars)		
462,000	2007	3.28% - 4.37%
727,000	2008	3.17% - 4.83%
457,000	2009	3.47% - 4.97%
435,000	2010	3.62% - 5.05%
270,000	2011	4.07% - 5.08%
70,000	2012	4.25% - 5.01%

(d) Interest Rate Sensitivity

For the Trust Company, the impact of an adverse change in interest rates of 1.0% would be a change of annual net interest income of approximately \$3.4 million, as most of the loan portfolios are hedged.

Note 8: Long-Term Debt

(in thousands of dollars)	August 31, 2007	November 30, 2006
Revolving term loan	\$ 145,000	\$ 56,000
Payment related to acquisition of Highstreet Partners Ltd. (note 4)		
February 28, 2008	25,325	-
February 28, 2009	24,212	-
	194,537	56,000
Less: amount included in current liabilities	170,325	56,000
	\$ 24,212	\$ -

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$300.0 million (2006 – \$200.0 million) with a Canadian chartered bank. Under the loan agreement, the Company is permitted to avail the revolving term loan by direct advances and/or bankers' acceptances ('BAs'). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the 'Commitment Period'). The expiration of the current commitment period is June 30, 2008. However, the Company may request by April 15, 2008, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then-applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding.

As at August 31, 2007, the Company has drawn \$145.0 million (2006 – \$56.0 million) against the available loan amount in the form of six- to 52-day BAs at an effective average interest rate of 5.08% per annum. As this loan functions as a working capital facility, it has been included in current liabilities.

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

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

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

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

(in thousands of dollars)	August 31, 2006
Notes payable due April 30, 2013	\$ 17,817
Participation Units	6,157
	23,974
Cash consideration paid, June 12, 2006	(3,360)
	20,614
Gain on early repayment of debt	20,614
Income taxes	7,305
	13,309
Gain on early repayment of debt, net of tax	\$ 13,309

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

On December 1, 2006, the Company acquired 79.9% of Highstreet (note 4). Additional payments of \$25.9 million, which includes principal and imputed interest at the rate of 4.5% per annum, are due to the partners of Highstreet on February 28, 2008 and February 28, 2009, and will be satisfied through a combination of cash and AGF Class B shares.

Note 9: Capital Stock

(a) Authorized Capital

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

(b) Change During the Period

The change in capital stock during the nine months ended August 31, 2007 and 2006 is summarized as follows:

(in thousands of dollars, except share amounts)	Nine months ended August 31,			
	2007		2006	
	Shares	Stated value	Shares	Stated value
Class A shares	57,600	\$ –	57,600	\$ –
Class B shares				
Balance, beginning of period	89,171,997	\$ 403,566	89,123,205	\$ 394,154
Issued through dividend reinvestment plan	94,435	3,069	60,913	1,367
Stock options exercised	765,600	13,694	495,550	7,239
Issued on acquisition of a subsidiary (note 4)	225,116	5,672	–	–
Issued for Cypress contingent consideration (note 5)	33,367	1,200	129,601	2,600
Purchased for cancellation	–	–	(700,000)	(3,108)
Balance, end of period	90,290,515	\$ 427,201	89,109,269	\$ 402,252

(c) Class B Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the Toronto Stock Exchange. Present approval for such purchases extends through to February 25, 2008. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,303,844 shares. No Class B shares were purchased during the nine months ended August 31, 2007. During the nine months ended August 31, 2006, 0.7 million Class B shares were purchased at a cost of \$15.9 million and the excess paid of \$12.8 million over the book value of the shares purchased for cancellation was charged to retained earnings.

(d) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 7,306,584 Class B shares could have been granted as at August 31, 2007 (2006 – 5,624,323). The stock options are issued at a price not less than the market price of the Class B shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or, in some instances 100% vest at the end of the term of the option.

The change in stock options during the nine months ended August 31, 2007 and 2006 is summarized as follows:

(in thousands of dollars, except share amounts)	Nine months ended August 31,			
	2007		2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B share options				
Balance, beginning of period	4,324,084	\$ 19.93	4,781,875	\$ 18.72
Options granted	12,732	35.70	90,000	22.98
Options cancelled	(23,450)	19.93	(727,492)	20.86
Options exercised	(765,600)	17.89	(495,550)	14.61
Balance, end of period	3,547,766	\$ 20.41	3,648,833	\$ 18.95

During the three months ended August 31, 2007, the Company did not grant any options (2006 – Nil) and recorded \$1.1 million (2006 – \$1.2 million) in compensation expense and contributed surplus. During the nine months ended August 31, 2007, the Company granted 12,732 options (2006 – 90,000) and recorded \$3.3 million (2006 – \$3.4 million) in compensation expense and contributed surplus.

(e) Restricted Share Unit ('RSU') Plan

Under the Company's RSU plan, certain senior employees are issued RSUs. These units vest three years from the grant date. On the vesting date, the Company will redeem all of the participants' RSUs in cash equal to the value of one Class B share for each RSU.

At August 31, 2007, 132,890 RSUs (2006 – 55,817) were outstanding to employees of the Company. Compensation expense for the three months ended August 31, 2007 related to these RSUs was \$0.3 million (2006 – \$0.1) and for the nine months ended August 31, 2007 was \$0.8 million (2006 – \$0.1 million).

(f) Performance Share Unit ('PSU') Plan

Effective November 30, 2006, the Company established a PSU plan, which enables certain senior employees to participate in the growth and development of AGF by providing such employees with the opportunity, through PSUs, to acquire a proprietary interest in AGF. Under the terms of the plan, PSUs are issued to the participant and the units issued vest three years from the grant date subject to certain performance criteria being met.

On the vesting date, AGF, subject to the performance criteria being met, will redeem all of the participants' PSUs in cash equal to the value of one Class B share for each PSU.

At August 31, 2007, 68,456 PSUs were outstanding to employees of the Company. Compensation expense for the three months ended August 31, 2007 related to these PSUs was \$0.2 million (2006 – nil) and for the nine months ended August 31, 2007 was \$0.6 million (2006 – nil).

(g) Deferred Share Unit ('DSU') Plan

During 2007, the Company established a DSU plan for non-employee directors. The plan enables directors of the Company to elect to receive their remuneration in DSUs. On termination, the Company 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 August 31, 2007, 1,699 DSUs were outstanding. Compensation expense related to these DSUs for the three and nine months ended August 31, 2007 was \$0.1 million.

(h) Earnings Per Share

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

(in thousands of dollars, except per share amounts)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Numerator				
Net income from continuing operations for the period	\$ 39,351	\$ 36,277	\$ 126,482	\$ 81,299
Gain on early retirement of debt, net of tax	–	–	–	13,309
Loss on dissolution of partnerships, net of tax (note 6)	–	–	(2,128)	–
Gain (loss) on sale of discontinued operations, net of tax	–	(837)	4,702	(2,887)
Net earnings from discontinued operations, net of tax (note 3(a))	–	(808)	247	(23)
Net Income for the period	\$ 39,351	\$ 34,632	\$ 129,303	\$ 91,698
Denominator				
Weighted average number of shares – basic	90,299,033	89,055,124	89,860,219	89,083,057
Dilutive effect of employee stock options	1,548,070	402,797	1,363,927	727,307
Weighted average number of shares – diluted	91,847,103	89,457,921	91,224,146	89,810,364
Earnings Per Share				
Basic from continuing operations	\$ 0.44	\$ 0.41	\$ 1.41	\$ 0.91
Diluted from continuing operations	\$ 0.43	\$ 0.41	\$ 1.39	\$ 0.91
Basic	\$ 0.44	\$ 0.39	\$ 1.44	\$ 1.03
Diluted	\$ 0.43	\$ 0.39	\$ 1.42	\$ 1.02

Note 10: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended August 31, 2007 were \$41.8 million (2006 – \$21.7 million). Interest payments for the nine months ended August 31, 2007 were \$102.3 million (2006 – \$54.3 million).

Income tax payments for the three months ended August 31, 2007 were \$0.1 million (2006 – \$9.2 million). Income tax payments for the nine months ended August 31, 2007 were \$15.6 million (2006 – \$36.6 million).

Note 11: Trust Company Net Interest Income

The breakdown of net interest income is as follows:

(in thousands of dollars)	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Trust Company interest income:				
Loan interest	\$ 56,492	\$ 31,785	\$ 150,556	\$ 82,298
Investment interest	6,057	3,199	14,229	8,459
	62,549	34,984	164,785	90,757
Trust Company interest expense:				
Deposit interest	36,236	19,509	93,491	51,323
Other interest expense	5,915	3,486	14,321	6,301
	42,151	22,995	107,812	57,624
Trust Company net interest income	\$ 20,398	\$ 11,989	\$ 56,973	\$ 33,133

Note 12: Segment Information

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

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in AGF's 2006 annual financial statements.

(in thousands of dollars) Three months ended August 31, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 173,410	\$ 24,176	\$ 1,597	\$ 199,183
Operating expenses	96,827	11,061	–	107,888
Amortization and other	30,873	427	2,754	34,054
Segment income (loss) from continuing operations before taxes	\$ 45,710	\$ 12,688	\$ (1,157)	\$ 57,241

(in thousands of dollars) Three months ended August 31, 2006	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 131,681	\$ 14,273	\$ 937	\$ 146,891
Operating expenses	82,618	8,125	–	90,743
Amortization and other	32,453	280	645	33,378
Segment income from continuing operations before taxes	\$ 16,610	\$ 5,868	\$ 292	\$ 22,770

(in thousands of dollars) Nine months ended August 31, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 501,659	\$ 73,439	\$ 6,055	\$ 581,153
Operating expenses	277,422	34,055	–	311,477
Amortization and other	92,016	1,083	7,030	100,129
Segment income (loss) from continuing operations before taxes	\$ 132,221	\$ 38,301	\$ (975)	\$ 169,547
Total assets	\$ 1,332,327	\$ 4,000,706	\$ –	\$ 5,333,033

(in thousands of dollars) Nine months ended August 31, 2006	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 396,148	\$ 48,480	\$ 4,040	\$ 448,668
Operating expenses	236,933	23,585	–	260,518
Amortization and other	97,761	840	1,982	100,583
Segment income from continuing operations before taxes	\$ 61,454	\$ 24,055	\$ 2,058	\$ 87,567
Total assets	\$ 1,154,862	\$ 2,338,148	\$ –	\$ 3,493,010