



Corporate Profile

AGF's mission is to provide superior investment management and a broad range of quality products, services and solutions to meet the needs and requirements of all our clients.

Founded in 1957, AGF is one of Canada's premier investment management companies. With more than \$34 billion in total assets under management, we serve more than one million investors with offerings across the wealth continuum. Our family of 55 mutual funds offers options across investment styles, regions and sectors to meet the goals of any investor. AGF's products and services also include AGF Harmony tailored investment program, AGF Elements portfolios, AGF Private Investment Management and AGF Trust GICs, loans and mortgages.

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Please read the information on page 22 of this report regarding forward-looking statements. Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure. Please refer to page 25 of this report.

GREW TOTAL

9%

AUM BY

IMPROVED MUTUAL FUND

16%

GROSS SALES BY

SOLD UNISEN FOR

\$114

MILLION CDN

(focus)

GREW AGF TRUST

97%

LOAN ASSETS BY

INCREASED

36%

DIVIDEND BY

NEW MANDATES OF

\$1.7
BILLION

IN INSTITUTIONAL

Focus on Governance

It was a very active and rewarding year for your board at AGF. It was a time of significant change and exciting initiatives as we focused on executing our strategy and delivering results.

The entire company and its directors are fully aligned to support the strategic plan laid out in 2004. The board's mandate includes ensuring management executes on the strategy, and we take that responsibility very seriously. In 2005, we made solid progress in every department and at every level, including investment management, sales and marketing, finance, executive management and the board. This annual report lays out what we achieved so shareholders can judge for themselves.

True commitment to excellence means continually setting the bar higher. The board of directors made changes recently to update its policies and practices. These include approving a new process for self-assessment to ensure we are holding ourselves accountable, both as a group and individually. We also made sure every member of every committee is fully independent of management. I'm proud to say that we have a wealth of experience at the table. Each director is actively engaged and we share a collective will to continually improve. To us, good governance goes beyond compliance. It means taking responsibility for upholding the important values of honesty and integrity in representing shareholders.

In fiscal 2005, AGF renewed its commitment to delivering value to shareholders. The proof was in the numbers, as including dividends paid our stock returned 45% during the fiscal year. We believe our success comes from striking a very important balance: creating value today while investing in the long-term growth of AGF.

Our strategic plan is based on a thorough analysis of our competitive environment, our strengths and our vision. It's a clear and measurable roadmap for generating sustainable and growing net sales, rising revenue and increased profitability over the long term. As we rapidly approach our 50-year anniversary, I'm confident we have the focus to deliver.



C. Warren Goldring
Chairman

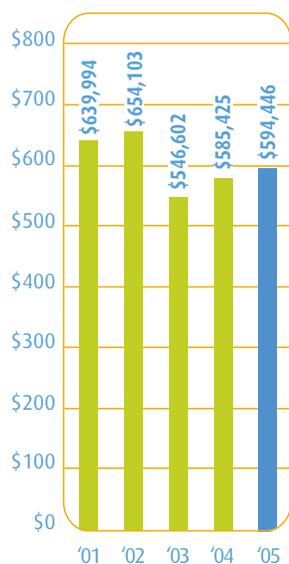
(focus)

Focus on Strategy

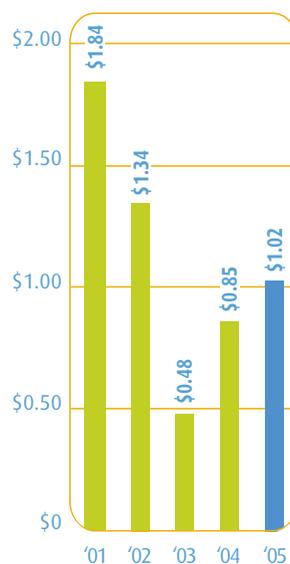
AGF has a clear strategy for the year ahead, and we are intently focused on executing it.

1. **Enhance** client-centric model in core fund business
2. **Promote** international investment management competency across multiple channels
3. **Leverage** synergies between businesses to generate sales in core fund business
4. **Pursue** opportunistic acquisitions

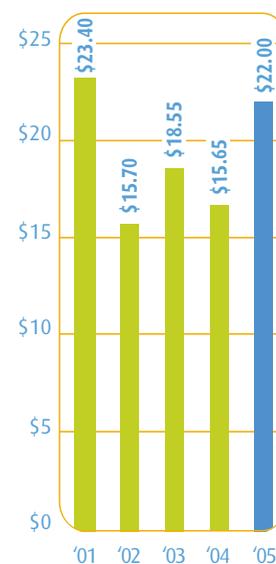
**Total Revenues
Continuing
Operations**
(thousands of dollars)



**Net Income
per Share
- Basic**



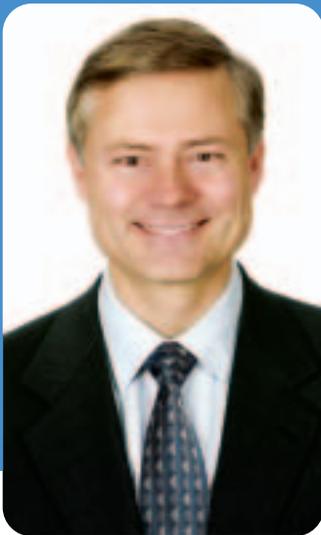
**Share Price
AGF.NV**



(focus)

Focus on Delivering on Our Commitments

Our Commitment in 2004	Our Actions in 2005
<ul style="list-style-type: none"> Reinforce investment management excellence 	<ul style="list-style-type: none"> Won \$1.7 billion in new institutional mandates Harmony program grew 62% to \$1.4 billion Won awards and recognition at Canadian Investment Awards Recruited new portfolio managers
<ul style="list-style-type: none"> Foster a client-centric organization focused on multi-channel distribution 	<ul style="list-style-type: none"> Gross mutual fund sales increased 16.2% to over \$3.0 billion in 2005 Launched innovative new products such as AGF Elements™ Portfolios and new income oriented funds Increased quantity and quality of activity with advisors
<ul style="list-style-type: none"> Review our support entities 	<ul style="list-style-type: none"> Divested Unisen for consideration of \$114.0 million and recorded a pretax gain of \$19.2 million
<ul style="list-style-type: none"> Pursue strategic acquisitions 	<ul style="list-style-type: none"> Acquired mutual fund assets of ING for \$9.1 million Repurchased 2.4 million AGF.NV shares at an average price of \$17.39 per share



Blake C. Goldring, CFA
President and
Chief Executive Officer

Focus on Value Today & Growth Tomorrow

I am pleased to report that AGF delivered on its commitments in fiscal 2005.

Fellow Shareholders,

We have come through an era of significant change that involved a bold new strategic plan, a disciplined review of every aspect of our organization, key investments in reinvigorating our core business, and steady execution with a focus on discipline and accountability.

We have been guided by a dual purpose: to increase value for shareholders today, while setting the stage for sustainable long-term growth. Every single initiative we have undertaken has been focused on delivering results. We've already had solid success ... and we're just getting started.

In 2004, we began a comprehensive process to transform AGF into a uniquely client-centred organization. In 2005, we focused on executing that plan to perfection. It involved both reorganization and a cultural change – significant hurdles for any company. I'm proud to say the passionate and dedicated people who work in every department at AGF managed the changes seamlessly, ensuring we could gather feedback from advisors and translate it into delivering value. In the past year we have significantly increased the quality and quantity of our activity with advisors. Today, AGF has a winning combination: unmatched client focus; one of the broadest product and service offerings in the industry; and money management expertise in Canada and globally.

We're poised to yield results from the investments we've made in our future. I am confident that today we have the best people with the right plan and the clear focus to deliver long-term profitable growth for AGF.

Achievements in Fiscal 2005

Enhanced Shareholder Value

In 2005, we renewed our commitment to maximizing shareholder value. We increased cash returned to shareholders, raising the dividend by 36% this year to an annual rate of \$0.60 per share. That follows on the heels of a 38% increase in 2004. In fact, we have steadily increased our dividend for eight consecutive years – one of the longest records in Canada – for a compound annual growth rate of 26% over that time. Our efforts were recognized as AGF was named a Dividend Achiever™ by Mergent Inc., a leading global provider of global business and financial information. According to Mergent, only 1% of dividend-paying companies listed on the TSX have increased their dividend for five or more years, ranking AGF among the top 10 of Canadian Dividend Achievers. Subsequent to year-end, we announced a further dividend increase of 20% to \$0.72 per share annualized.

AGF bought back 2.4 million shares during the year at an average price of \$17.39. To us, that's not just prudent capital management – it's a great investment. AGF has steadily increased its share repurchases, making a total

One-Year Total Return

ending November 30, 2005

AGF.NV vs. S&P/TSX Composite Total Return Index (percentage)



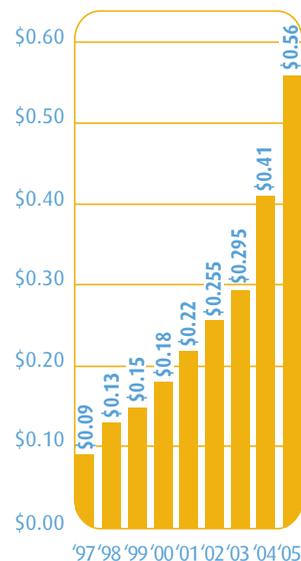
investment of \$79.9 million for 4.5 million shares in the last two years alone. In fiscal 2005, between dividend payouts and share repurchases, we returned 59% of our free cash flow (cash flow from operations less selling commission paid) to shareholders, up from 53% last year.

AGF Class B shares outperformed the S&P/TSX Capped Financials Index for the year. Our share price grew 41% in the 12 months ended November 30, 2005, and delivered a total return including reinvested dividends of 45% in the same period.

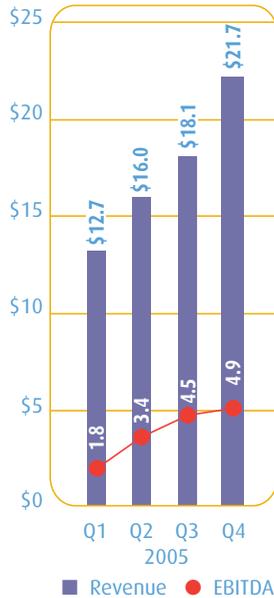
One of the most rewarding events this year was the successful divestiture of Unisen Inc., our third-party administration subsidiary, to Citifinancial for US\$97.5 million (C\$114 million).

Annual Dividends Paid per Share

(dollars per share)



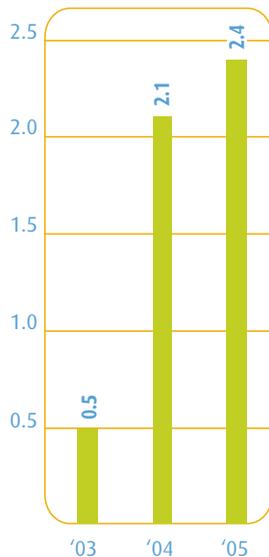
AGF Trust Growth
(millions of dollars)



Citifinancial Canada, Inc. is a subsidiary of Citigroup, the world's largest financial services organization. The all-cash transaction was more than just a sale – it was a strategic partnership that benefits AGF shareholders and the unitholders in our funds. For our shareholders, the transaction delivers a significant after-tax return on investment. For our fund unitholders, Citifinancial brings substantial scale that is expected to translate into reduced costs and lower expense ratios for AGF funds in the years ahead.

We used the proceeds of the sale to pay off all of our long-term bank debt. With our substantial free cash flow and strong balance sheet, we have the financial foundation and flexibility to carry out our strategies for long-term growth.

Share Repurchases
(millions of shares)



Invested for Growth Tomorrow
Prudent capital management means striking the right balance between returning free cash to shareholders, and investing strategically to deliver growth. AGF made a significant number of key investments this year that position us to grow net sales and assets under management.

We delivered on our commitment to pursue strategic acquisitions with the purchase of the mutual fund assets of ING Investment Management Inc., a subsidiary of ING Canada Inc. The 14 funds with \$276 million in assets complemented our existing lineup and strengthened our offering of yield continuum products. The top-selling ING Canadian Dividend Income Fund, now renamed AGF Dividend Income Fund, grew from \$154 million when

the AGF sales force began selling it in early August to \$273 million at November 30. The transaction created a true partnership, giving AGF the opportunity to build stronger distribution and sub-advisory relationships with ING and its network of mutual fund sales representatives.

We also made key investments in our most important asset: our people. This included succession planning, as award-winning Martin Hubbes assumed the role of Chief Investment Officer from Bob Farquharson, who remains as a portfolio manager and Vice-Chairman. We recruited top-performing portfolio managers Tony Genua to manage the flagship AGF American Growth Class and Eng Hock Ong to lead AGF Asian Growth Class from our Singapore office. We also brought in new talent and teams in sales and marketing. The National Account Services team ensures a proven, repeatable and highly effective sales process. The Institutional Client Services initiative is focused on growing our business with financial institutions across the country.

AGF Trust continues to be a tremendous growth story. It delivers synergies with our core business and offers exciting possibilities for the future. The subsidiary is an alternative mortgage and leveraged lending business that is steadily increasing its contribution to our bottom-line profitability. AGF Trust nearly doubled its portfolio from last year, with mortgages growing 93% and consumer loans up 100%. The growth has been in both the mortgage broker and investment advisor channels.

The strong product offering in mortgages and loans gives our mutual fund sales representatives an enhanced value proposition for their advisor clients. We believe in investing for long-term growth because it pays. For the 10-year period ended November 30, 2005, the total return on AGF's Class B non-voting shares was 25%. During the same period, the S&P/TSX Composite Index delivered a total return of 11%. For the 20-year period ended November 30, 2005, AGF shares delivered a total return of 21% versus 17% for the index.

Launched Products That Deliver Value to Advisors

AGF is overwhelmingly committed to being the company advisors want to do business with because we add value – for them and for their clients. We listen carefully to what they tell us and respond with new products.

The AGF Elements portfolios launched at the end of 2005 make an unprecedented commitment to excellence in money management and are the first of their kind in North America. If a portfolio does not match or outperform its customized benchmark over a three-year average annualized period, investors will receive up to 90 basis points (0.90%) in new units.

Advisors also told us they wanted a broader product range from AGF – and we delivered. We launched two new yield funds managed by Cypress Capital Management, part of our

Private Investment Management team. Other new products included a new Harmony portfolio offering yield and an innovative new U.S. equity fund based on controlling risks.

The evidence of our success lies in the numbers. We have steadily improved gross sales and reduced redemptions over the last 12 months, and are on track to achieve our goal of being net flow positive by April 2006. Our Harmony wrap program had another banner year, surpassing the \$1 billion milestone in February and ending at November 30, 2005 with \$1.4 billion in assets under management, up 62% from \$0.9 billion last year.

New Products in 2005

- (•) AGF Elements Portfolios
- (•) AGF Dividend Income Fund
- (•) AGF Diversified Dividend Income Fund
- (•) AGF Monthly High Income Fund
- (•) AGF U.S. Risk Managed Class
- (•) Harmony Balanced and Income Portfolio

Won Recognition for Leading Investment Management Performance

AGF's superior investment management is our core business. Through more than 50 mutual funds, the Harmony and Elements portfolios and Private Investment Management, we offer one of the broadest ranges of quality products and services to meet the needs of all our clients. Our philosophy is to find the best possible manager for every mandate.

Net Sales of Long-Term Funds
(millions of dollars)



Letter to Shareholders

We do that through our complement of award-winning professionals that includes internal managers based in Toronto, Dublin and Singapore, as well as external sub-advisors. AGF's total assets under management (AUM) rose 9% to \$34.1 billion at November 30, 2005 from \$31.4 billion last year. Of that total, mutual fund AUM was \$22.2 billion. Fund assets have remained relatively stable, with strong market performance offsetting redemptions.

AGF Private Investment Management, known as PIM, had a very strong year. The high-net-worth investment counsellor achieved organic growth of \$0.9 billion, an increase of 20%.

Our investment management skill is gaining recognition globally. During the year, we won \$1.7 billion in new mandates for clients around the world, primarily government agencies. Our priority is to convert that international acknowledgement into domestic retail growth.

We were honoured once again with top prizes at the Canadian Investment Awards. For the fourth straight year, AGF Global Government Bond Fund, managed by Scott Colbourne of AGF Funds, was named Best Foreign Bond Fund. AGF also took home Emerging Markets Equity Fund of the Year with our AGF Emerging Markets Fund managed by another in-house manager, Patricia Perez-Coutts. AGF Precious Metals Fund, last year's winner in the Precious Metals Equity Fund category, was recognized with another nomination this year. The achievements of AGF China Focus Class, AGF

International Stock Class and AGF Global Financial Services Class were also acknowledged with nominations.

Fostered a Culture of Discipline and Passion Focused on Clients

AGF has emerged from the past 12 months of change with a revitalized spirit. Our culture is based on a common vision of listening to what clients want, and exceeding their expectations. We are focused on discipline, passion and a commitment to clients in everything we do.

The changes in our culture run through every level and every function, from the top down and the bottom up. Each business unit in each department has clearly articulated objectives and tactics. This gives us transparency and accountability, as well as the ability to continually improve our offering. Most importantly, it allows us to reward outperformance and share success.

Our sophisticated customer relationship management (CRM) tool allows us to gather feedback, carefully track our performance and improve our ability to add value for advisors.

AGF's Guiding Principles

- (•) We are client-centric*
- (•) We are stronger through teamwork*
- (•) We practice a disciplined management style*
- (•) We are committed to enlightened communication*
- (•) We require accountability*
- (•) We work with committed passion*

Delivered Steady Financial Performance

AGF's financial performance has been steady through the recent period of change. Revenue for the year was up 1.50% and EBITDA* from continuing operations grew 3.90%. Both cash flow from continuing operations (before net change in non-cash balances related to operations) and free cash flow** also increased in 2005.

AGF Trust delivered strong financial performance once again. Revenue for the year ended November 30, 2005 rose 61% to \$68.4 million, compared to \$42.6 million in fiscal 2004. EBITDA increased 31% to \$14.5 million from \$11.1 million the prior year.

We also have two investments in the United Kingdom. Our objective with both is to maximize their value and generate a healthy return on investment. AGF owns 31% of Smith & Williamson Holdings Limited, one of the leading independent financial advisory groups in the U.K. The firm has revenues of £100 million per year and more than £7 billion of funds under management. The directors of Smith & Williamson are planning an initial public offering for 2008. We expect that the value of our investment at that time will be well in excess of the current book value of \$96 million.

Our other overseas investment is Investmaster Group Limited, a wholly owned subsidiary whose software handles 25% of the London Stock Exchange's daily private client volumes. Investmaster has a book value of approximately

\$9 million. We are in the process of reviewing Investmaster with the aim of maximizing shareholder value. We will use the same disciplined process that we used when we divested Unisen.

Strategy for 2006

- (•) **Enhance client-centric model in core fund business**
- (•) **Promote international investment management competency across multiple channels**
- (•) **Leverage synergies between businesses to generate sales in core fund business**
- (•) **Pursue opportunistic acquisitions**

Strategy and Outlook for 2006

AGF enters 2006 well-positioned to capitalize on the investments we've made in our business. Looking forward we will focus on sustaining top-line growth, increasing profits and ensuring that senior management consistently executes the following strategy.

1. Enhance Client-Centric Model in Core Fund Business

Our commitment to a client-centric business means constantly raising the bar in what we expect of ourselves and what we offer advisors. We do that by consistently delivering excellence in investment management and client service. Many of the processes and tools are now in place, and we've made a solid start. Our focus in 2006 is to execute on the plans we've laid and challenge ourselves to become the partner of choice for investment advisors.

* EBITDA is a non-GAAP measure. Please refer to Key Performance Indicators and Non-GAAP Measures on page 25 in this report.

** We define free cash flow as cash flow from operations less selling commissions paid.

Letter to Shareholders

2. Promote International Investment Management Competency Across Multiple Channels

We are confident the AGF investment management team stacks up to any in the world. In 2006, we will focus on attracting new institutional mandates internationally, and on translating the success we've had winning business abroad into mandate wins on separately managed account programs and domestic retail growth. We expect growth as the baby boom generation ages, particularly in managed assets and wrap programs, as well as private investment management for high-net-worth individuals.

3. Leverage Synergies Between Businesses to Generate Sales in Core Fund Business

AGF has three strong platforms for growth that offer positive synergies with our core fund business: AGF Trust, PIM and our international strategy. AGF Trust's mortgages and loans support our offering to advisors, which can ultimately help solidify our relationships. With the launch of two yield funds, we translated Cypress Capital Management's renowned expertise in income trust investing into new products to offer advisors. As we continue to refine our internal processes, we expect to generate further synergies.

4. Pursue Opportunistic Acquisitions

The market for acquisitions in Canada is competitive, but we are always evaluating potential opportunities. AGF can afford to be selective and wait for the right transaction; yet we also have a very strong liquid position and

access to significant financing if we see a great opportunity. Our criteria for acquisitions are that they must support business growth and be accretive to shareholders. We also expect any investment we make to have a long-term after-tax return on investment of more than 15%.

Focus on Investors

Mutual Fund Governance

Forty-three years ago, AGF was a pioneer in the industry, bringing in one of the first independent mutual fund boards to represent the interests of unitholders. Today, our mutual fund boards consist of eight members with a majority of independent trustees. Their mandate is clear: to ensure that each and every AGF fund is held to the highest standard in serving the interests of investors.

Our Thanks

I'd like to thank the employees at AGF who continually push themselves to exceed client needs. Our board of directors and board of mutual fund trustees also deserve gratitude for their counsel and diligence throughout the year. To the clients and advisors who do business with AGF, we appreciate your confidence. I especially thank our shareholders for their support. We look forward to finding new ways to add value for you in 2006.

Sincerely,



Blake C. Goldring, CFA

President and Chief Executive Officer

(focus)



Greg Henderson, CA
Chief Financial Officer

Focus on Results

“AGF consistently generates healthy cash flow and has a strong balance sheet with no long-term bank debt. We will continue to focus on maximizing shareholder value while investing for long-term growth in revenue and profits.”

Achievements in 2005

- (•) Increased dividend by 36%
- (•) Increased share repurchases to a total of 2.4 million
- (•) Closed the sale of Unisen
- (•) Eliminated long-term bank debt and strengthened balance sheet
- (•) Completed the acquisition of mutual funds from ING

Focus on 2006

- (•) *Continue to review strategic opportunities to maximize shareholder value*
- (•) *Identify and pursue strategic acquisitions*
- (•) *Enhance organizational efficiency through technology and process improvement*

Utilization of Free Cash Flow
(millions of dollars)



In 2005, AGF demonstrated commitment to enhancing shareholder value and responsible capital stewardship. During the year, the company made a number of bold moves that strengthen it for the future.

The Unisen divestiture was a key accomplishment. AGF created a significant amount of shareholder value by steadily growing the business for three years, during which time it was a positive contributor to cash flow and EBITDA and reached a book value of \$88.0 million. In July 2005, Unisen was sold to Citigroup, one of the largest financial services organizations in the world, for US\$97.5 million (C\$114 million). With the proceeds from the sale, AGF eliminated its entire long-term bank debt.

The company increased the dividend during the year by 36% to an annual rate of \$0.60 per share. The board has historically reviewed the dividend during the second fiscal quarter of each year, and 2005 marks the eighth consecutive year of dividend increases. Subsequent to year-end, there was a further 20% increase to an annual rate of \$0.72. AGF also increased share repurchases for a total of 2.4 million during the year, up from 2.1 million in 2004 and 0.5 million in 2003.

To AGF, prudent capital management means balancing returning cash to shareholders with investing in long-term growth. The acquisition of ING's mutual fund business was a significant achievement during the year that delivers on the growth strategy. The purchase included the top-selling ING Canadian Dividend Income Fund,

which was renamed the AGF Dividend Income Fund and has since delivered even stronger sales. Being debt-free gives AGF the financial flexibility to continue to execute its growth strategy. The company has access to significant financial leverage if the right acquisition opportunity arises.

Another important use of capital during the year was to fund the growing AGF Trust operations. We advanced \$42.0 million to AGF Trust during the year. AGF Trust is a unique opportunity to invest in a business that has strategic synergies with the core fund business, while earning a return of greater than 15%.

In managing company resources, AGF strives to ensure that spending today yields results in the future. Over the past 24 months, AGF has attracted and retained top-rated talent in all areas of the company. Recruiting the right people is always a wise investment. In addition, AGF invested in launching and promoting new products, such as the AGF Elements portfolios. The fourth quarter spending to support this innovative product positions it well for 2006.

In the year ahead, AGF's financial team will continue to apply its approach of disciplined capital management. This will include a review of all operations with the goal of maximizing shareholder value. The company will also continue to focus on enhancing value through higher return on equity and maximizing cash returns to shareholders through the dividend and share buyback program.

(focus)



Martin Hubbes, CFA
Executive Vice-President
and Chief Investment Officer

Focus on Core Business

“We are continually raising the bar for ourselves in research, in sharing insight and ideas, in meeting the needs of advisors and their clients and in delivering long-term investment performance.”

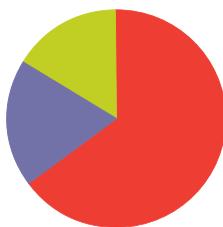
Achievements in 2005

- (•) Won top honours at Canadian Investment Awards
- (•) Won \$1.7 billion in new international institutional mandates
- (•) Appointed new portfolio managers on U.S. and Asian equity funds
- (•) Completed succession planning and transition
- (•) Made investments in technology and infrastructure
- (•) Further integrated global teams to facilitate sharing of knowledge and ideas

Focus on 2006

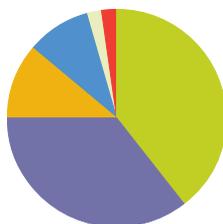
- (•) *Win new international mandates from institutional or government-related organizations worldwide*
- (•) *Continue investments in technology and infrastructure*
- (•) *Enhance research capabilities with the aim to deliver superior investment performance*
- (•) *Improve partnership with Sales and Marketing to effectively communicate investment strengths*
- (•) *Generate synergies from interactions with PIM, AGF International Advisors in Dublin and AGF Asset Management Asia Ltd.*

Total AUM
(percent)



- 65% Mutual Funds
- 19% Institutional
- 16% PIM

Total Mutual Fund AUM
(percent)



- 40% U.S. & International Equity
- 36% Canadian Equity
- 11% Canadian Balanced
- 9% Canadian Fixed Income
- 2% U.S. & International Balanced
- 2% International Fixed Income

The AGF investment management team has one over-riding objective: to be the investment manager of choice for clients, driven by reliability of process and long-term performance across styles and products. AGF has more than 40 investment professionals around the world, with research teams and managers on the ground in Canada, Europe and Asia. In 2005, AGF further improved its processes for generating and sharing knowledge, research and investment ideas among its teams.

The retail mutual fund product lineup is strong, with award-winning managers across investment style, geographic focus and asset class. At the 2005 Canadian Investment Awards, AGF Global Government Bond Fund won top honours for **Best Foreign Bond Fund** for the fourth straight year – an impressive feat that demonstrates clear market leadership. AGF Emerging Markets Fund won **Emerging Markets Equity Fund of the Year**. AGF Precious Metals Fund, last year’s winner in the Precious Metals Equity Fund category, was recognized with another nomination this year. AGF International Stock Class, AGF Global Financial Services Class and AGF China Focus Class received nominations in recognition of their strong performance.

AGF’s expertise is gaining recognition worldwide and translating into mandate wins. During the year, AGF’s in-house managers won \$1.7 billion in international mandates, primarily for government agencies around the world. The momentum continued subsequent to year-end, with another overseas mandate win for \$370 million in January 2006.

The global market for money management is vast – and AGF sees solid opportunity to continue to win business based on skill.

AGF delivered on its strategy of reinforcing investment management excellence this year. Renewed investments in portfolio management ensure the team has the best-in-class people, infrastructure, processes and technology to stay ahead of the curve. Tony Genua joined the Toronto fund management team, leading the flagship AGF American Growth Class, and has delivered solid performance since assuming the helm in mid-January of 2005. Eng Hock Ong joined the in-house team in Singapore with a strong performance record in Asian equities to lead AGF Asian Growth Class.

In 2006, the investment management team is focused on working with sales and marketing to offer products that meet advisors’ needs, continuing to invest in technology and infrastructure and focusing on winning mandates to manage portfolios for large international clients.

AGF’s Investment Management is driven by five core principles:

- (•) **Fundamental research**
- (•) **Global perspective**
- (•) **Long-term focus**
- (•) **Innovative thinking**
- (•) **Accountability and risk control**

(focus)



Randy Ambrosie
Executive Vice-President,
Sales and Marketing

Focus on Clients

“There is an exciting opportunity in the market today for an organization that is truly committed to excellence. AGF has laid a solid foundation based on listening to clients. Now our focus is on continuous improvement and flawless execution, 365 days a year.”

Achievements in 2005

- Improved net sales steadily to –\$70 million in November 2005, from –\$249 million in November 2004
- Launched AGF Elements, first of its kind in North America
- Launched yield and income funds that broadened product offering
- Surpassed \$1 billion in assets in Harmony program
- New Institutional Account Services team won 12 new institutional accounts

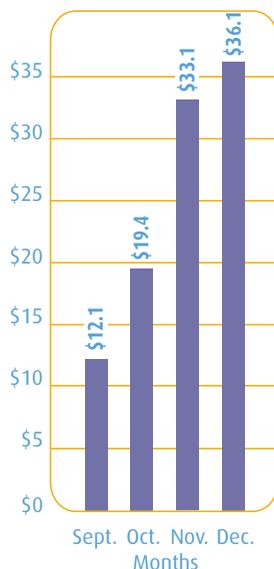
Focus on 2006

- *Maintain momentum and achieve solid net sales position*
- *Intensify focus on listening to advisors and delivering value*
- *Further enhance product offering to meet advisor needs*
- *Increase market share in the institutional space*

Harmony:

62%
growth in
AUM

**Net Sales
AGF Dividend
Income Fund**
Formerly ING Canadian
Dividend Income Fund
(millions of dollars)



In 2005, AGF followed through on its commitment to integrate and reorganize the entire sales and marketing team based on being a uniquely client-centric firm. The goal is to be a valuable, long-term business partner for advisors. AGF's team is committed to listening to what advisors want, and coming up with innovative ways to meet and exceed their needs.

During the year, the sales and marketing team continued to implement a rigorous system based on managing and measuring every key metric. Through the customer relationship management (CRM) tool and third-party sources, the sales team gathers qualitative and quantitative feedback from advisors on a regular basis. The results show AGF steadily improving in every measure. Gross sales are growing and redemptions are decreasing, resulting in net sales improving steadily.

A great deal of the success comes from a new discipline throughout the department. The sales teams use a franchise approach. It's a repeatable and proven process based on accountability that delivers results. This year AGF also formed a new Institutional Account Services team dedicated to building value for distribution partners and growing AGF's offerings and assets with institutions. The team succeeded in winning 12 new mandates for separately managed and unified managed accounts with bank-owned dealers.

Based entirely on advisor feedback, AGF made significant additions to its product offerings this year. This included the launch of a yield line, with the new AGF Monthly High Income Fund

and AGF Diversified Dividend Income Fund managed by Cypress Capital Management, part of the Private Investment Management group. The two funds grew to \$92 million in assets from the time of their launch in late January to the end of November. They are complemented by AGF Dividend Income Fund, managed by the successful ING team. The AGF U.S. Risk Managed Class, another fund new in 2005, was designed to meet the demand for reduced risk.

In addition, a new Harmony portfolio offers yield in the form of a monthly distribution. Harmony is a clear market leader and one of the top-selling offerings in the high-end wrap category. Early in the year Harmony surpassed the \$1 billion mark and kept growing, reaching \$1.4 billion at year-end – a growth of 62% from \$884 million last year.



The launch of AGF Elements marks an important first in the industry. The five diversified portfolios return money to investors in the form of new units if a portfolio does not match or outperform its benchmark.

The sales and marketing focus for 2006 is clear: to maintain the momentum and the intense focus on listening to advisors and delivering value. The entire team will work to enhance the offering, win new business and achieve sustainable and growing net sales.

(focus)



Blake C. Goldring, CFA
President and
Chief Executive Officer

Focus on Building Value

“In past years, AGF Management Limited completed a number of successful acquisitions and built a national network of private investment management offices. Through the expertise of investment professionals in each office an impressive organic growth rate of 20% was achieved in fiscal 2005.”

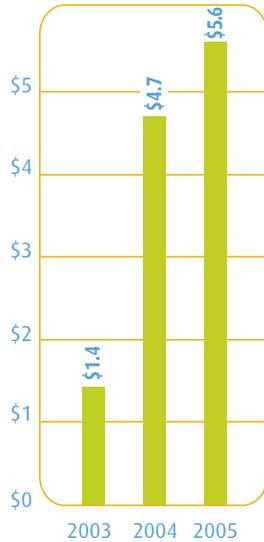
Achievements in 2005

- (•) Grew assets by 20% or \$0.9 billion to \$5.6 billion in 2005
- (•) Delivered solid performance across all three platforms
- (•) Leveraged the Cypress acquisition to offer yield-oriented AGF mutual funds
- (•) Opened new office in Calgary

Focus on 2006

- (•) *Achieve an annual AUM growth rate greater than the industry*
- (•) *Continue to deliver consistent investment performance*
- (•) *Grow contribution to AGF's earnings*
- (•) *Drive further synergies with AGF Investment Management*
- (•) *Realize further economies of scale from three investment platforms*

PIM Assets Under Management
(billions of dollars)



AGF Private Investment Management (PIM) is a premier personalized investment counselling service for high-net-worth investors. With \$5.6 billion in assets as at November 30, 2005, it is one of Canada's largest independent discretionary wealth management firms.

Offering fully customized portfolios with a focus on personal service, AGF PIM is committed to producing strong, steady investment returns that meet the individual goals and tax considerations of each investor.

AGF PIM has grown significantly in the past few years, both in assets and geographic footprint. It now has offices in Montreal, Ottawa, Toronto and Vancouver, and this year opened a new office in Calgary under the Cypress banner to take advantage of the growth in that market. Assets under management grew 20% from the prior year to \$5.6 billion as a result of new assets and strong investment performance.

AGF PIM has an important competitive difference – three separate platforms to offer investors: Magna Vista Investment Management in Montreal, Doherty & Associates in Ottawa and Cypress Capital Management in Vancouver. Each platform has unique and complementary strengths. The firm uses a boutique philosophy based on personal and customized contact at the local level, backed by the full strength of AGF's national scale.

There are opportunities to realize synergies with the core fund business. This year, AGF PIM began to deliver on that with the launch of two new AGF mutual funds managed by the Cypress team, which is renowned for its expertise in income trust investing.

The market opportunity is exciting. The baby boom generation is coming into retirement age and the number of investors that meet AGF PIM's criteria is growing each year. The firm's goal is to capture a high market share in each community where it operates, and to be a leader in targeted sub-segments of the high-net-worth investable asset market, such as foundations, endowments and small pension and defined contribution plans. AGF PIM will pursue strategic acquisitions in high-growth markets where possible.

The focus for the year ahead is on further realizing economies of scale, capturing more synergies with AGF Investment Management and growing funds at a rate that exceeds the high-net-worth market. Over the long term, AGF PIM is expected to steadily increase its contribution to earnings.

(focus)



Mario Causarano, CA
President and
Chief Operating Officer
AGF Trust Company

Focus on Growth

“AGF Trust has expanded rapidly by delivering top quality products in the investment advisor and mortgage broker channels. We’re focused on aggressive growth in assets while managing risk to build long-term growth in earnings.”

Achievements in 2005

- (•) Grew mortgage assets by 93% and consumer loan assets by 100%
- (•) Grew revenue by 61% to \$68.4 million and EBITDA by 31% to \$14.5 million
- (•) Achieved after-tax return on equity of 15%
- (•) Achieved efficiency ratio of 45%
- (•) Launched innovative RESP loan product
- (•) Increased the number of mortgage brokers offering AGF Trust products by 128% and the number of investment advisors by 64%

Focus on 2006

- (•) *Launch new products*
- (•) *Increase in-house sales force and distribution partnerships*
- (•) *Expand geographically in Canada*
- (•) *Improve operational efficiency*
- (•) *Increase returns on funds advanced by AGF Management Limited*

**AGF Trust
Operations**
(millions of dollars)



Trust Assets
(percent)



AGF Trust has enjoyed explosive growth over the last several years. In fiscal 2005, it almost doubled its portfolio, reaching total assets of \$1.5 billion at year-end, up from \$0.8 billion the prior year. The growth came in both the consumer loan business, which grew 100% from last year, and the mortgage business, which increased 93%.

In addition to continually growing revenue, assets and earnings, AGF Trust has positive synergies with the core fund business. Its investment, RSP and RESP loans and mortgages give the AGF sales team more ways to add value to investment advisors.

One of AGF Trust's great accomplishments has been its ability to absorb the continued growth. The company maintains its strict focus on controlling risks and managing expenses. AGF Trust has a disciplined approach to loan underwriting, and 56% of mortgages are insured. The company's efficiency ratio improved in 2005 to 45%, demonstrating continued cost disciplines in spite of increased business volumes and associated increase in sales and distribution costs. At the same time, it has a clear focus on bringing innovative products to market. Early in 2005 AGF Trust was first in the industry to offer an RESP loan that can be allocated to an AGF RESP, allowing parents to take advantage of unused RESP contribution and Canada Education Savings Grant amounts.

In the past, the company has financed growth through the sale of Guaranteed Investment Certificates. During the year, AGF Trust began investigating a securitization program to help fund its future growth. The securitization program is an alternate source of funding that will provide liquidity and may reduce required regulatory capital.

The outlook for continued growth is positive. With the majority of its mortgage business currently in Ontario, AGF Trust has a strong opportunity to expand its success across the country. The focus in the year ahead is to do so by further developing the in-house sales force and distribution partnerships, launching new products and taking advantage of the combination of products and channels to add value to advisors and brokers. AGF Trust has potential to continue its strong growth and make an increasingly significant contribution to AGF's earnings.

Corporate Governance Practices

The Corporation established governance practices that are in compliance with National Policy 58-201. The Corporation will continue to review its corporate governance practices in light of ongoing developments in this area. The Corporation and its subsidiaries are engaged in highly regulated businesses and must comply with all the legislative and regulatory requirements for such businesses, including those of securities commissions and regulators of financial institutions.

Best practices in corporate governance in place at AGF Management Limited

The Board must assume stewardship of the Corporation.	The Board is responsible for the stewardship of the Corporation including overseeing the conduct of the business and affairs of the Corporation.
Board committees should be composed of outside directors.	All three of the Board's committees meet independence guidelines in terms of composition.
The Corporation must disclose the identity of the financial expert on the Audit Committee.	All members of the Audit Committee are financially literate.
Non-management directors must meet at regularly scheduled executive sessions without management.	At each meeting of the Board and Board Committee, time is specifically reserved for independent discussion without management present.
An education program should be provided for new directors.	An orientation and education program is in place for all new directors. They also receive a Corporate Governance information book, which is updated annually and reissued to all directors.
The Corporation must have a written code of ethics and conduct applicable to all directors, officers and employees.	All directors, officers and employees of the Corporation must acknowledge their adherence annually to AGF's Code of Business Conduct and Ethics.
Directors' interests should be aligned with those of shareholders.	All directors own at least three times their annual retainer from the Corporation in AGF Class B Non-Voting Shares.

The Board of Directors

Independence from Management

AGF Management Limited's Board has nine directors, the majority of whom are independent from management. The independent directors are: Douglas L. Derry, Stuart Eagles, David A. King, Winthrop H. Smith Jr. and William Morneau. Walter A. Keyser is an outside director. Representatives from management on the Board are C. Warren Goldring, Blake C. Goldring and W. Robert Farquharson, all of whom are significant shareholders of the Corporation.

Mandate of the Board

The Corporation's Board has responsibility for the stewardship of the Corporation including overseeing the conduct of the business and affairs of the Corporation. The Board has a written mandate, which is reviewed annually. The Board reviews and discusses with management, at least annually, all material relating to the strategic plan, which takes into account the risks and opportunities of the business. The Board also approves any transaction having a significant impact on the strategic plan and other significant decisions that affect the Corporation and its subsidiaries. The Board assesses the effectiveness of the Board Committees based on reports from the Committees. The Board appoints the Chief Executive Officer and other senior management.

The Board meets with senior executives on a regular basis in order to receive and consider reports on the affairs of the Corporation. The Board expects these reports to be comprehensive, accurate and timely. The Board approves all material communications to shareholders. The Board receives and approves annual and interim reports to shareholders, including annual and interim financial statements and management's discussion and analysis. The Board met seven times during the fiscal year ended November 30, 2005.

Biographies of Directors

Douglas L. Derry (2000)

Corporate Director

Douglas Derry is a former Partner at PricewaterhouseCoopers, LLP, where he worked for 29 years until 1997. Mr. Derry sits on the board of several public and private corporations. Mr. Derry holds an Honours BA in Business Administration from the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario.

Stuart Eagles (1995)

President, Aegean Developments Inc.

Stuart (Stu) Eagles spent 39 years with the Canadian Pacific group of companies and was a Director of a number of leading Canadian Corporations. He was Chairman, President and CEO of Marathon Realty Company and President of Canadian Pacific Enterprises. He holds a BSc and Honorary DCL from Acadia University where he served on the Board of Governors for 15 years. He is currently a real estate consultant to a major pension fund.

Blake C. Goldring (2000)

President and CEO, AGF Management Limited

Blake Goldring joined AGF in 1987 and held a series of senior positions before being appointed President and COO in 1997 and CEO in 2000. Prior to that, he worked in corporate banking for a major Canadian bank. Mr. Goldring holds a degree in economics from the University of Toronto and an MBA from INSEAD in France. He holds the Charter of Financial Analyst designation and is a member of the Toronto Society of Financial Analysts and a Fellow of the Institute of Canadian Bankers. He is also Chairman and CEO of AGF Trust Company.

C. Warren Goldring (1960)

Chairman, AGF Management Limited

Warren Goldring co-founded AGF in 1957. He has a long and distinguished career in brokerage and as a portfolio manager. In 1975, he was named President of AGF and in 1983 was appointed Chairman. Mr. Goldring studied economics and political science at the University of Toronto before winning a scholarship to study at the London School of Economics.

Walter A. Keyser (1973)

President, W.A. Keyser & Associates Ltd.

Walter Keyser is President of W.A. Keyser & Associates Ltd., a firm he founded in 1978. Prior to that, he spent more than 20 years working in financial services. His career includes the position of Chairman and CEO of Heitman Financial Services Canada Ltd., a Chicago-based multi-national real estate investment management firm, as well as 14 years at an investment dealer. Mr. Keyser holds an Honours BA from The Ivey School of Business at the University of Western Ontario.

David A. King (1988)

President, David King Corporation

David King has a long history in North American real estate markets, commencing in the early 1960s with Sears Canada's real estate department, was a Senior Officer of Cambridge Shopping Centres Limited for six years and was a Senior officer and president of Campeau Corporation for 15 years. Since 1988 Mr. King has pursued various private business interests. He is currently Vice-Chairman and Director of Morguard Corporation, Chairman and Trustee of Morguard Real Estate Investment Trust and Director of Intrawest Corporation, Revenue Properties Company Limited and Tri-White Corporation.

William Morneau (2000)

President and CEO of Morneau Sobeco

William (Bill) Morneau joined pension and benefits consulting firm Morneau Sobeco in 1987 and held a series of progressively senior positions. He became President in 1992 and President and CEO in 1998. Mr. Morneau holds a BA from the University of Western Ontario, an MSc in economics from the London School of Economics and an MBA from INSEAD in France.

Winthrop H. Smith, Jr. (2002)

Chairman, WHS Holdings LLC

Winthrop Smith spent 27 years at Merrill Lynch, where he was most recently Executive Vice-President, Chairman, Merrill Lynch & Co., and President, International Private Client Group, Merrill Lynch International, USA. Mr. Smith holds an undergraduate degree from Amherst College and an MBA from the Wharton School of Business, University of Pennsylvania.

W. Robert Farquharson (1977)

Vice-Chairman, AGF Management Limited

Robert (Bob) Farquharson serves as Vice-Chairman at AGF. He joined AGF in 1963 as an analyst and remains today as a portfolio manager. Mr. Farquharson earned a Bachelor of Commerce degree from the University of Toronto and holds the Chartered Financial Analyst designation. He is also chairman of AGF Asset Management Asia and a director of AGF International Advisors Company Limited.

The date next to each name indicates the year in which that person first became a director.

Corporate Governance Practices

Committees of the Board

The Board has established three Committees: the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee. The key responsibilities of each Committee is described below. Each independent director, who serves as Chairman of a Committee, is responsible for directing the meetings of the Committee and for ensuring that the roles and responsibilities of the Committee have been met. The Chairman of the Committee is also responsible for reporting to the Board on those matters that the Committee dealt with since the last regular meeting of the Board. Each Committee regularly examines its effectiveness in fulfilling its roles and responsibilities and reports its findings to the Board. The Committees may convene meetings without management present whenever the Committees feel it is necessary. Each Chairman also acts as a liaison between management and the Board.

Committees of the Board		
Committee	Members	Key Responsibilities
Nominating and Corporate Governance Committee	Stuart E. Eagles <i>(Chair)</i> Douglas L. Derry William Morneau	Responsibilities of the Nomination and Corporate Governance Committee Review and recommend to the Board, the Corporation's approach to governance issues. Consider the size and composition of the Board and make recommendations to the Board to facilitate effective decision making. Review at least annually, Committee Charter as well as the Charters of the Board, the Audit Committee, the Compensation Committee and any other regular Committee, as may be established by the Board from time to time, and recommend to the Board the adoption of or amendments to such Charters. Identify, review and recommend new director nominees to the Board. Evaluate the contribution of each individual director.
Audit Committee	Douglas L. Derry <i>(Chair)</i> David A. King Winthrop H. Smith, Jr.	Responsibilities of the Audit Committee Oversee the integrity of financial reporting. Oversee internal controls and disclosure controls. Oversee internal audit function including the resolution of disagreements between management and the internal auditor regarding internal controls. Be directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditors including the resolution of disagreements between management and the external auditors; the shareholder's auditors report directly to the Committee.
Compensation Committee	William Morneau <i>(Chair)</i> David A. King Winthrop H. Smith, Jr.	Responsibilities of the Compensation Committee Review, assess and oversee the executive compensation policies and programs and monitor the overall effectiveness of the Corporation's general compensation programs in achieving its strategic objectives. Set performance objectives for the CEO which encourage the Corporation's long-term financial success and regularly measure the CEO's performance against these objectives. Review management plans for management succession. Review the compensation and performance objectives of all executive officers.

Shareholder Communication

The Corporation believes that shareholder communication and feedback are essential. This belief is based on the stake shareholders have in the Corporation's business and the importance to shareholders of ensuring that trading process and volumes of the Corporation's Class B Non-Voting Shares are not adversely affected by a lack of information in the marketplace. The Chief Executive Officer or another senior officer of the Corporation promptly responds to shareholder inquiries.

Code of Business Conduct and Ethics

All directors, officers and employees of the Corporation and its Canadian subsidiaries are subject to a Code of Business Conduct and Ethics that outlines the standards by which they must conduct themselves in their business dealings. Compliance with the Code is a matter of utmost importance and a breach of any of its provisions is grounds for warning, revision of responsibilities, suspension or dismissal, with or without notice, depending on the particular circumstances. The Code sets out specific rules dealing with conflicts of interest, confidential information, insider trading, personal trading by investment managers and others with access to information used in making investment decisions, and a variety of other matters. From time to time, as appropriate, the Code is supplemented by memoranda delivered to directors, officers and employees clarifying or expanding provisions of the Code. All directors, officers and employees of the Corporation and Canadian subsidiaries are required to review and sign the Code annually.

Full disclosure on Corporate Governance Practices, including Board and Committee Charters, is included in the Annual Information Form.

Board of Directors

AGF Management Limited and AGF Trust Company

Douglas L. Derry, FCA⁴
Stuart E. Eagles^{5,6}
W. Robert Farquharson, CFA
Blake C. Goldring, CFA²
C. Warren Goldring¹
Walter A. Keyser
David King
William Morneau⁷
Winthrop H. Smith, Jr.

Mutual Fund Corporations and Trusts

Philippe Casgrain, Q.C.
W. Robert Farquharson, CFA
C. Warren Goldring
David Hale
Martin Hubbes, CFA
H. Ian Macdonald
Joseph E. Martin
John B. Newman^{3,4}

AGF Asset Management Asia Ltd.

W. Robert Farquharson, CFA³
Blake C. Goldring, CFA
Dr. Soo Ann Lee
Yong Siang Lee
Eng Hock Ong

AGF International Advisors Company Limited

John L. Arnold
Joseph D. Casey
W. Robert Farquharson, CFA
C. Warren Goldring³
Christopher Charles Lyttelton
Brian S. Perry
Ian Steers

¹ Chairman of the Board of AGF Management Limited

² Chairman of the Board of AGF Trust Company

³ Chairman of the Board

⁴ Chairman of the Audit Committee

⁵ Chairman of the Nominating and Corporate Governance Committee of AGF Management Limited

⁶ Chairman of the Conduct Review Committee of AGF Trust Company

⁷ Chairman of the Compensation Committee of AGF Management Limited

Executive Officers

AGF Management Limited and AGF Funds Inc.

C. Warren Goldring
Chairman of the Board
Blake C. Goldring, CFA
President & Chief Executive Officer
W. Robert Farquharson, CFA
Vice-Chairman
Randy Ambrosie
Executive Vice-President,
Sales & Marketing
Judy G. Goldring, LL.B.
Senior Vice-President &
General Counsel
Greg Henderson, CA
Senior Vice-President &
Chief Financial Officer
Beatrice Ip
Senior Vice-President &
Corporate Secretary
Martin Hubbes, CFA
Executive Vice-President &
Chief Investment Officer

Portfolio Managers

W. Robert Farquharson, CFA
Vice-Chairman
Martin Hubbes, CFA
Executive Vice President &
Chief Investment Officer
Scott D. Colbourne, CFA
Senior Vice-President
Anthony Genua, CFA
Senior Vice-President
Keith Graham, CFA
Senior Vice-President
Christine Hughes, CFA
Senior Vice-President
Stephen W. Way, CFA
Senior Vice-President
Charles Oliver, CFA
Vice-President
Patricia Perez-Coutts, CFA
Vice-President
Tristan Sones, CFA
Vice-President
Zoran Vojvodic, CFA
Vice President

Auditors

PricewaterhouseCoopers LLP

Registrar and Transfer Agents

Computershare Trust
Company of Canada
1 800 564-6253

Stock Exchange Listing

Toronto Stock Exchange,
AGF.NV

AGF Corporate Directory

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E-mail: tiger@AGF.com
Tel: 416 367-1900

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Japan Branch Office
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Japan

Subsidiaries

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AGF Trust Company

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Toronto-Dominion Centre
Toronto, ON M5K 1E9

AGF Private Investment Management Limited

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AGF International Advisors Company Limited

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Dublin 2, Ireland

AGF Asset Management Asia Ltd.

80 Raffles Place
#44-03, UOB Plaza 1
Singapore 048624

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Leicester, LE1 7RU, UK

AGF Management Limited
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Toronto, ON M5K 1E9
Web Site: AGF.com
E-mail: tiger@AGF.com
Tel: 416 367-1900



What are you doing after work?

AGF
MUTUAL
FUNDS

AGF TAILORED
INVESTMENT
PROGRAMS
Harmony

AGF PRIVATE
INVESTMENT
MANAGEMENT

AGF
TRUST