Positioned for the future

What are you doing after work?

CORPORATE PROFILE

AGF Management Limited is one of Canada's premier independent financial services companies, with strong investment management roots dating back to 1957. Through its operations and investments in Canada, the United Kingdom, Ireland and Asia, AGF has a proud history of delivering top-quality, innovative products and services through a broad distribution network to more than one million investors. With approximately $35.6 billion in total assets under management and over $4.4 billion in loan assets as of November 30, 2008, AGF provides investment management and financial solutions to retail, institutional and high-net-worth clients.

AGF's products and services include a diversified family of more than 50 mutual funds, the evolutionary AGF Elements portfolios, the Harmony managed asset program, AGF Asset Management Group services, as well as AGF Trust GICs, loans and mortgages. AGF trades on the Toronto Stock Exchange under the symbol AGF.B.

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AGF Management Limited will foster the development of best-in-class operating segments to provide world-class financial services to clients in Canada and internationally. We will continue to identify opportunities within our business segments, ensuring that the appropriate resources are allocated to each of these segments so that shareholder value is maximized over the long term.

Investment Management

- AGF Funds Inc.
- AGF International Advisors Company Limited
- AGFIA Limited
- AGF Asset Management Group Limited
- Cypress Capital Management Limited
- Highstreet Asset Management Inc.
- Doherty & Associates
- Magna Vista Investment Management Limited
- AGF Asset Management Asia Limited

AGF Trust Company

Smith & Williamson Holdings Limited*

* As at November 30, 2008, AGF Investment Management Limited owned 30.4% of Smith & Williamson Holdings Limited.

Investment Management

Retail

AGF Funds Inc. provides investment management and advisory services and is responsible for the sales and marketing of AGF mutual funds. It manages more than 50 mutual funds, the evolutionary AGF Elements portfolios, the Harmony managed asset program, as well as institutional mandates.

Institutional

AGF Asset Management Group Limited provides investment management services to institutional clients globally and targets pension, sub-advisory and sovereign wealth funds. Its sales and marketing reach extends beyond Canada and into the U.S., Europe and Asia.

High-Net-Worth

AGF provides investment management and counselling services to high-net-worth clients interested in investing between $1 million and $5 million. Our high-net-worth business has a regional focus, with offices located in Vancouver, London, Ottawa and Montreal.

AGF Trust Company

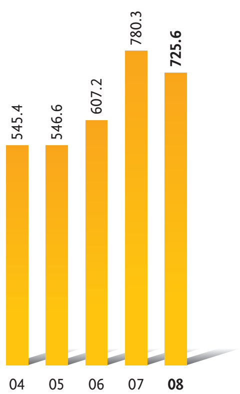
AGF Trust offers GICs, term deposits, real estate secured loans and investment loans. AGF Trust distinguishes AGF from other investment management firms and enhances our overall value proposition to advisors, insurance agents and mortgage brokers who can meet more of their clients' needs through a single, non-bank source.

Smith & Williamson Holdings Limited

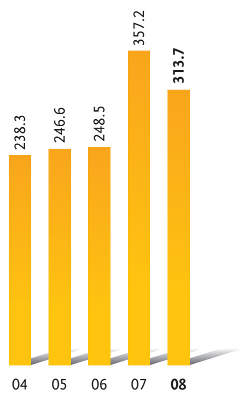
Smith & Williamson Holdings Limited (S&WHL) is an independent U.K.-based company providing private client investment management, financial advisory, tax and accounting services. AGF Management Limited holds a 30.4% interest in S&WHL.

2008 OPERATING AND FINANCIAL HIGHLIGHTS

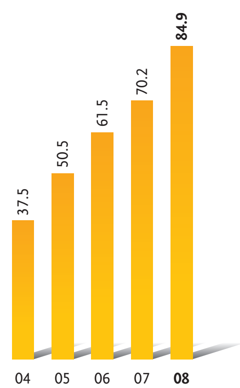
Total Revenue from Continuing Operations
($ millions)



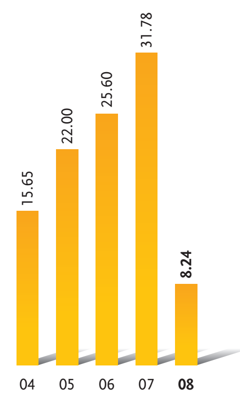
EBITDA
($ millions)



Dividends
($ millions)



Share Price AGF.B
As at November 30 ($)



What we did to position AGF for the future.

> **Paid down $65.2 million** of total debt, significantly strengthening our balance sheet

- Improved our long-term debt/EBITDA ratio to 39.4%
- Ensured AGF Trust was well-capitalized and its operations aligned with the current economic environment
- Increased loan loss provisions at AGF Trust to prepare for a potential prolonged economic downturn
- Reduced expenses across the AGF Group of Companies with further cost rationalization to come
- Leveraged our investment management expertise across retail and institutional businesses
- Focused on growing our institutional business and made in-roads in different international markets
- Maintained and enhanced close relationships with our advisors in independent distribution channels
- Remained committed to our long-term strategy and delivering value to our clients and shareholders

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Caution Regarding Forward-looking Statements

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. The forward-looking information is provided only as of the date of this MD&A. 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. While we consider these factors and assumptions to be reasonable based on information currently available, they may be proved to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, 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 "Risk Factors and Risk Management" section of this MD&A for a further discussion of factors that may affect actual results.

Consolidated Performance

This Management's Discussion and Analysis (MD&A) presents an analysis of the financial condition of AGF Management Limited (AGF) and its subsidiaries as at November 30, 2008, compared with November 30, 2007. The MD&A also includes the results of operations for the year ended November 30, 2008 compared with the corresponding period of 2007. A discussion of the results for the three months ended November 30, 2008 compared with the three months ended November 30, 2007 is also included under the section "Fourth Quarter Analysis". This discussion should be read in conjunction with our audited Consolidated Financial Statements and Notes for the year ended November 30, 2008. The financial information presented herein has been prepared on the basis of Canadian Generally Accepted Accounting Principles (GAAP). We also utilize non-GAAP financial measures to assess each of our operating segments and our overall performance. Details of non-GAAP measures used are outlined in the "Key Performance Indicators and Non-GAAP Measures" section, which provides calculations of the non-GAAP measures along with reconciliation of non-GAAP financial measures to GAAP financial statements. Certain prior-year data have been reclassified to conform to current-year presentation. All dollar amounts are in Canadian dollars unless otherwise indicated. Throughout this discussion, percentage changes are calculated based on results rounded to the nearest thousand. Results, except per share information, are presented in millions of dollars. Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A.

Our Business

With $35.6 billion in assets under management (AUM) as at November 30, 2008, AGF is one of Canada's premier investment management companies, with operations and investments in Canada, the United Kingdom, Ireland and Asia. The origin of our company dates back to 1957 with the introduction of the American Growth Fund (AGF), the first mutual fund available to Canadians seeking to invest in the United States. As of November 30, 2008, our products and services include a diversified family of more than 50 mutual funds, the evolutionary AGF Elements portfolios, the Harmony managed asset program, AGF Asset Management Group services for institutional and high-net-worth clients, as well as AGF Trust GICs, loans and mortgages.

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

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

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

The principal subsidiaries and associated companies included within each of our reportable segments, collectively referred to as the AGF Group of Companies, include:

Investment Management Operations Segment

The Investment Management Operations segment began in 1957. In the 51 years of operations, this segment has evolved from a Canadian-based mutual fund operation to a global investment platform with $35.6 billion of AUM in the retail mutual fund, institutional and high-net-worth markets. The operations within this segment consist of the following legal entities:

AGF Funds Inc. (AGFFI) – Provides investment management and advisory services and is responsible for the sales and marketing of AGF mutual funds. AGFFI manages over 50 mutual funds, the Harmony managed asset program and the evolutionary AGF Elements portfolios.

AGF Asset Management Group Limited (AGFAM) – Provides investment management and counselling services for institutions, corporations, endowments, estates and high-net-worth clients. This group includes the operations of Cypress Capital Management Limited in Vancouver, Highstreet Asset Management Inc. in London, Ontario, Doherty & Associates Limited in Ottawa, and Magna Vista Investment Management Limited in Montreal.

AGF International Advisors Company Limited (AGFIA) – Established in 1991, this Dublin-based operation provides investment research and advisory services for European and other international markets and for a number of AGF mutual funds and other clients. In addition, this segment also has global institutional investment management and advisory mandates.

AGFIA Limited – Established in 1991, this Dublin-based operation began trading as an investment manager in 2008 and provides investment advisory services and investment management services for institutional clients.

AGF Asset Management (Asia) Limited (Asia) – Established in 1996, this Singapore-based operation provides investment research and advisory services on Asian markets for AGF mutual funds and other clients.

Trust Company Operations Segment

AGF Trust Company (AGF Trust) – In operation since 1988, AGF Trust has $4.4 billion in loan assets and offers a range of web-enabled products and services including GICs, term deposits, real estate secured loans and investment loans. AGF Trust is federally incorporated, licensed across Canada and is a member of the Canada Deposit Insurance Corporation (CDIC) and Canada Mortgage and Housing Corporation (CMHC).

Other Segment

Smith & Williamson Holdings Limited – This leading, independent private client investment management, financial advisory and accounting group is based in the U.K., with £7.8 billion of AUM. We hold a 30.4% interest in this company as at November 30, 2008.

Our Strategy

AGF Management Limited will foster the development of best-in-class operating segments to provide world-class financial services to clients in Canada and internationally. We will continue to identify opportunities within our business segments, ensuring that the appropriate resources are allocated to each of these segments so that shareholder value is maximized over the long term. We will strive to provide investment and other financial products that serve our clients' investment needs and strategies. We will commit to provide excellence in customer service and money management.

Measuring long-term shareholder growth, we look to the following key indicators of achievement:

> Revenue growth driven by new sales, market performance and client retention

> Earnings before interest, taxes, depreciation, amortization, non-controlling interest, impairment of goodwill and customer contracts and impairment of asset available for sale (EBITDA) growth

> Improvement in our EBITDA and pre-tax margins

Our strategy also recognizes that both our investment management and trust businesses will experience cycles related to the global stock markets, credit availability, employment levels and other economic factors. We believe that a successful strategy is founded on the ability of our operations to emerge from downturns positioned to capitalize on the economic upturns.

Year-over-year improvement in these measures is expected to result in improved cash flows as well as improved return on equity. Our objective is the return of a fair share of the annual cash flow to shareholders in the form of dividends and through share buybacks, with the remaining cash flow being invested in a manner intended to support our future growth.

2008 Overview

During 2008, stock markets globally experienced significant losses. The declining global stock markets impacted our AUM and our corresponding financial results. However, consistent with our stated strategy and despite the market downturn, we were able to reduce our long-term debt, return value to our shareholders through dividends and share buybacks and were recognized at the 2008 Canadian Investment Awards. The following summarizes the key financial and operational highlights during the year:

> EBITDA for fiscal 2008 was $313.7 million. Consolidated EBITDA margins were 43.2% in fiscal 2008 compared with 45.8% in fiscal 2007. These financial results contributed to our return on equity of 11.8% in fiscal 2008 compared with 17.4% in fiscal 2007.

> Cash flow from continuing operations in fiscal 2008 was $278.7 million, compared with $313.4 million in fiscal 2007.

> Prudent capital management resulted in a reduction in our total debt to $144.9 million as at November 30, 2008 compared with $210.1 million as at November 30, 2007. In addition, our long-term debt to EBITDA ratio declined to 39.4% in fiscal 2008 from 51.7% in fiscal 2007 giving us significant financial flexibility.

> We were named the Advisors' Choice Investment Fund Company of the Year for the second time in three years at the 2008 Canadian Investment Awards. We were also recognized in the following award categories:

- Highstreet Canadian Equity won the Canadian Equity Pooled Fund
- AGF Canadian Large Cap Dividend Fund received the Silver award in the Canadian Dividend & Income Equity Fund category

> We delivered value directly to our shareholders through dividend payments and our share buyback program:

i) Total dividends paid and reinvested on AGF Class A Voting Common shares and AGF Class B Non-Voting Common shares (AGF Class B shares) increased to $84.9 million in 2008 as compared with $70.2 million in fiscal 2007. The annual per share dividend rate increased to $1.00 per share compared to $0.80 per share a year earlier.

ii) We continued our share buyback program. We repurchased 1,000,000 AGF Class B shares during 2008 as compared with repurchases of 1,437,800 shares in fiscal 2007.

> Including cash dividends and share repurchases, we returned 45.9% of our free cash flow to shareholders. We define free cash flow as cash flow from operations before net change in non-cash balances related to operations less selling commissions paid.

> AGF Management Limited supported the AGF Trust operation by investing $35.0 million in the first quarter of 2008, bringing our total investment of debt and equity capital to $256.3 million. AGF Trust real estate secured loans have grown 15.1% over the prior year and investment loans have grown 25.4%. AGF Trust now has $4.4 billion in loan assets and is an important contributor to the financial results of AGF.

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 non-GAAP measures which are not defined under Canadian GAAP. They should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of KPIs that are relevant to each segment.

a) Consolidated Operations

Revenue

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

We derive our revenue principally from a combination of:

> management and advisory fees based on AUM

> deferred sales charges (DSC) earned from investors when mutual fund securities sold on a DSC basis are redeemed

> net interest income earned on AGF Trust's loan portfolio

EBITDA

We define EBITDA as earnings before interest, taxes, depreciation, amortization, non-controlling interest, impairment of goodwill and customer contracts, and impairment of asset available for sale. 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 non-operational items. 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 34 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 primarily used to pay dividends, repurchase shares and pay down debt.

($ millions) Years ended November 30	2008	2007
Net cash provided by continuing operating activities	**$ 351.4**	$ 400.1
Less: net changes in non-cash balances related to operations	**72.7**	86.7
Cash flow from continuing operations	**$ 278.7**	$ 313.4

Free Cash Flow from Operations

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

($ millions) Years ended November 30	2008	2007
Cash flow from continuing operations (defined above)	**$ 278.7**	$ 313.4
Less: selling commissions paid	**86.8**	154.3
Free cash flow	**$ 191.9**	$ 159.1

EBITDA Margin

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

($ millions) Years ended November 30	2008	2007
EBITDA	$ 313.7	$ 357.2
Divided by revenue	725.6	780.3
EBITDA margin	43.2%	45.8%

Pre-Tax Profit Margin

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

($ millions) Years ended November 30	2008	2007
Net income from continuing operations	$ 128.5	$ 175.9
Add: income taxes	12.7	46.7
Income before taxes	141.2	222.6
Divided by revenue	725.6	780.3
Pre-tax profit margin	19.5%	28.5%

Return on Equity (ROE)

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

($ millions) Years ended November 30	2008	2007
Net income	$ 128.5	$ 178.7
Divided by average shareholders' equity	1,088.2	1,024.4
Return on equity	11.8%	17.4%

Long-term Debt to EBITDA Ratio

Long-term debt to EBITDA ratio provides useful information to management and investors as an indicator of our ability to service our long-term debt. We define long-term debt to EBITDA ratio as long-term debt at the end of the year divided by EBITDA for the year.

($ millions) Years ended November 30	2008	2007
Long-term debt	$ 123.7	$ 184.5
EBITDA	313.7	357.2
Long-term debt to EBITDA	39.4%	51.7%

b) Investment Management Operations

Assets Under Management

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

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and 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 unit holders. Growth in AUM resulting from investment performance increases the wealth of our unit holders, and, in turn, we benefit from higher revenues. Alternatively, poor relative investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to gross sales growth or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the "Risk Factors and Risk Management" section of this report for further information.

Net Sales

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

We monitor inflows and outflows in our high-net-worth and institutional businesses separately. We do not compute an average daily AUM figure for these businesses.

EBITDA Margin – Investment Management

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

($ millions) Years ended November 30	2008	2007
EBITDA	$ 267.6	298.9
Divided by revenue	606.4	674.6
EBITDA margin	44.1%	44.3%

Pre-Tax Profit Margin – Investment Management

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

($ millions) Years ended November 30	2008	2007
Income before taxes and non-segmented items	$ 107.8	$ 176.7
Divided by revenue	606.4	674.6
Pre-tax profit margin	17.8%	26.2%

c) Trust Company Operations

Loan Asset Growth

In the Trust Company Operations segment (AGF Trust), we focus on the growth and credit quality of 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 improve our profits in AGF Trust.

Net Interest Income

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

($ millions) Years ended November 30	2008	2007
Interest income	$ 303.0	$ 236.7
Less: interest expense	206.1	158.5
Net interest income	$ 96.9	$ 78.2

Net Interest Margin

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

($ millions) Years ended November 30	2008	2007
Net interest income	$ 96.9	$ 78.2
Divided by average yearly total loan balance	4,239.6	3,019.6
Net interest margin	2.3%	2.6%

Efficiency Ratio

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

($ millions) Years ended November 30	2008	2007
Selling, general and administrative expenses	$ 42.7	$ 36.4
Add: amortization expense	2.8	1.7
Non-interest expense	$ 45.5	$ 38.1
Other revenue	$ 12.3	$ 8.2
Gain (loss) from securitization and related items	(0.3)	10.8
Non-interest income	$ 12.0	$ 19.0
Net interest income	$ 96.9	$ 78.2
Add: non-interest income	12.0	19.0
Total of net interest income and non-interest income	$ 108.9	$ 97.2
Efficiency ratio	41.8%	39.2%

EBITDA Margin – Trust

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

($ millions) Years ended November 30	2008	2007
EBITDA	$ 35.8	$ 49.8
Divided by revenue	108.9	97.2
EBITDA margin	32.9%	51.2%

Pre-Tax Profit Margin – Trust

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

($ millions) Years ended November 30	2008	2007
Income before taxes and non-segmented items	$ 33.0	$ 48.1
Divided by revenue	108.9	97.2
Pre-tax profit margin	30.3%	49.5%

Assets-to-Capital Multiple

Federally regulated deposit-taking institutions (DTI) are expected to meet an assets-to-capital multiple test on a continuous basis. In accordance with the Office of the Superintendent of Financial Institutions (OSFI) guidelines, the assets-to-capital multiple is determined through standards established by the Basel II framework by dividing the DTI's total assets by the sum of its adjusted Tier 1 and Tier 2 capital. In determining the assets-to-capital multiple, all items that are deducted from capital are excluded from total assets.

($ millions) Years ended November 30	2008	2007
Total assets per OSFI guidelines	$ 5,325.9	$ 4,537.4
Divided by adjusted Tier 1 and Tier 2 capital	354.8	290.6
Assets-to-capital multiple	15.0	15.6

Loan-to-Value Ratio

Loan-to-value ratio on our conventional mortgage loans is calculated using the outstanding balance of conventional mortgage loans divided by the estimated fair value of the real estate serving as collateral for the conventional mortgage loans as at the date the loans were funded.

($ millions) Years ended November 30	2008	2007
Conventional mortgage loans	$ 766.4	$ 765.5
Divided by fair value of collateral	1,153.4	1,152.0
Loan-to-value ratio	66.4%	66.4%

Significant Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with Canadian GAAP. The Consolidated Financial Statements include the accounts of the Company and its directly and indirectly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation. For subsidiaries where the Company does not own all of the equity, the minority shareholders' interest is disclosed in the Consolidated Balance Sheet as non-controlling interest and the related income is disclosed as a separate line in the Consolidated Statement of Income. Investments over which the Company is able to exercise significant influence are accounted for by the equity method.

A summary of AGF's significant accounting policies can be found in Note 1 of the Annual Consolidated Financial Statements.

Changes in Significant Accounting Policies

a) Capital Disclosures

Effective December 1, 2007, the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures" was adopted. The standard requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not have any impact on the financial position or earnings of the Company. Refer to Note 23 of the Consolidated Financial Statements for disclosure.

b) Financial Instruments Disclosures and Presentation

Effective December 1, 2007, the accounting and disclosure requirements of the CICA's two new accounting standards, "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation", were adopted. The new standards enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. The standards require additional disclosure surrounding risks related to financial instruments and the management of those risks. The new standards did not have any impact on the financial position or earnings of the Company. Refer to Note 24 of the Consolidated Financial Statements for disclosure.

Income Taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are expected to be in effect when the future income tax assets or liabilities are expected to be realized or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Deferred Selling Commissions

Selling commissions paid to brokers on mutual fund securities sold on a deferred sales charge basis are recorded at cost and are amortized on a straight-line basis over a period that corresponds with the applicable DSC schedule (which ranges from three to seven years). Unamortized deferred selling commissions are written down to the extent that the carrying value exceeds the expected future revenue on an undiscounted basis. As at November 30, 2008 and 2007, no impairment losses were required.

Property, Equipment and Computer Software

Property, equipment and computer software, which is comprised of furniture and equipment, computer hardware, computer software and leasehold improvements, is stated at cost, net of accumulated amortization and impairment, if any. Amortization is calculated using the following methods based on the estimated useful lives of these assets:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance
Leasehold improvements	straight-line over term of lease
Computer software	straight-line over 3 years

Customer Contracts

Customer contracts are stated at cost, net of accumulated amortization and impairment, if any. Amortization is computed on a straight-line basis over seven to 15 years based on the estimated useful lives of these assets.

Impairment of Long-lived Assets

Impairment of long-lived assets, which includes property, equipment and computer software and intangible assets with finite useful lives, is recognized when an event or change in circumstance causes the assets' carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. The measurement of impairment loss is based on the amount that the carry value exceeds the fair value. During 2008, the Company recognized an impairment charge on its customer contracts for certain reporting units. Refer to the "Consolidated Operating Results" section and Note 9 of the Consolidated Financial Statements for further disclosure.

Goodwill, Management Contracts and Trademarks

The purchase price of acquisitions accounted for under the purchase method and the purchase price of investments accounted for under the equity method are allocated based on the fair values of the net identifiable assets acquired, including management contracts and other identifiable intangible assets. The excess of the purchase price over the values of such assets is recorded as goodwill. Management contracts and trademarks have been determined to have an indefinite life.

Goodwill, management contracts and trademarks are not amortized, but are subject to impairment tests on an annual basis or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is allocated to the reporting units, and any impairment is identified by comparing the carrying value of a reporting unit with its fair value. If any impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit. Management contracts and trademarks are tested for impairment by comparing their fair value to their carrying amounts. An impairment loss is realized when the carrying amount of the asset exceeds its fair value. During 2008, the Company recognized an impairment charge related to goodwill. Refer to the "Consolidated Operating Results" section and Note 9 of the Consolidated Financial Statements for further disclosure.

Real Estate Secured Loans and Investment Loans

Real estate secured loans and investment loans are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method and net of an allowance for loan losses. Interest income from loans is recorded on an accrual basis. Accrued but uncollected interest on uninsured real estate secured loans and investment loans is reversed when a loan is identified as impaired. Principal payments on the real estate secured loans and investment loans that are contractually due to the Company in the 12-month period from the balance sheet date are classified as current assets.

Fees that relate to the origination of loans are considered to be adjustments to loan yield and are deferred and amortized to interest income over the expected term of the loans.

Allowance for Loan Losses

The allowance for loan losses consists of both general allowances and specific allowances. General allowances are based on management's assessment of inherent, unidentified losses in the portfolio at the reporting date that have not been captured in the determination of specific allowances. The assessment takes into account portfolio-specific credit factors, general economic factors, geographic exposure, historical loss experience, as well as probability of default (PD) and loss given default (LGD) pairs.

Specific allowances consist of provision for losses on identifiable assets for which the estimated amounts recoverable are less than their carrying value and are designed to provide against the likelihood of losses for loans that are deemed to be impaired.

Specific allowances also include estimated provisions for losses on identifiable assets that are currently 1–90 days in arrears and are likely to become impaired based on a combination of historical average roll rates and LGD for a given loan portfolio.

Impaired Loans

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

When a loan is identified as impaired, the carrying amount of the loan is reduced to its estimated realizable value. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loan are credited to the provision for loan losses in the Consolidated Statement of Income. Where a portion of the loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis when there is no longer any reasonable doubt about the collectability of principal or interest. Interest income is recognized on impaired loans on a cash basis only after the specific allowance for losses has been reversed and provided there is no further doubt as to the collectability of the principal. Full or partial writeoffs of loans are recorded when management believes there is no realistic prospect of full recovery.

Stock-based Compensation and Other Stock-based Payments

The Company has stock-based compensation plans as described in Note 17 of the Consolidated Financial Statements. The Company utilizes the fair-value-based method of accounting for stock-based compensation. The fair value of stock-based compensation, determined using an option pricing model, is recorded over the vesting period as a charge to net earnings with a corresponding credit to contributed surplus.

The Company also has a share purchase plan under which employees can have a percentage of their annual earnings withheld subject to a maximum of 6% to purchase AGF's Class B Non-Voting shares (Class B shares). The Company matches up to 60% of the amounts contributed by the employee. The Company's contribution vests immediately and is recorded as a charge to net income in the period in which the cash contribution is made. All contributions are used by the plan trustee to purchase Class B shares on the open market.

The Company has a Restricted Share Unit (RSU) plan for senior employees under which certain employees are granted RSUs of Class B shares. These units vest three years from the grant date. AGF will redeem all of the participants' share units in cash equal to the value of one Class B share for each RSU. Compensation expense and the related liability are recorded equally over the three-year vesting period, taking into account fluctuations in the market price of Class B shares, dividends paid and forfeitures.

The Company has a Performance Share Unit (PSU) plan for senior employees under which certain employees are granted PSUs of Class B shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account the likelihood of the performance criteria being met, fluctuations in the market price of Class B shares, dividends paid and forfeitures. These units vest three years from the grant date provided the employees meet certain performance criteria. AGF will redeem all of the participants' share units in cash equal to the value of one Class B share for each PSU.

The Company has a Deferred Share Unit (DSU) plan for non-employee Directors. The plan enables Directors of the Company to elect to receive their remuneration in DSUs. These units vest immediately and compensation expense and the related liability are charged to net income in the period the DSUs are granted. On termination, AGF will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU.

Accounting for Securitizations

The Company has securitized certain Retirement Savings Plan (RSP) loans through the sale of these loans to a securitization trust. In order for a securitization to be treated as a sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership, and the Company must receive consideration other than the beneficial interest in the transferred assets.

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, classified as available for sale (AFS), are carried at fair value, 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. In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows, then the gains or losses on the securitization recognized in income will be adjusted.

Gains and losses on sale and servicing fee revenues related to the securitization loan are reported within "Gain on sale of RSP loan securitization and related income (loss), net of impairment" in the Consolidated Statement of Income. Where a servicing liability is recognized, the amount is recorded in "other liabilities" in the Consolidated Balance Sheet.

Retained interests are tested regularly for other-than-temporary impairment and, if required, the retained interest's carrying value is reduced to fair value by a charge in the Consolidated Statement of Income.

Refer to Note 3 of the Consolidated Financial Statements for additional disclosure regarding the securitizations and related balance sheet and income statement impacts.

AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. Four of these portfolios include the Elements Advantage Commitment, which is a commitment to the investor that if their portfolio does not match or outperform its customized benchmark over a three-year period, AGF will provide each individual investor up to 90 basis points in additional units. This will be calculated based on the value of such investment at the end of its related three-year period.

The Company records in liabilities up to 30 basis points per year of each investor's AUM, adjusted for redemptions, until the end of the three-year measurement period of each investment made by such investor. At that time, if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of additional units. As of November 30, 2008, the Company has recorded a liability of $7.8 million (2007 – $6.1 million).

Future Accounting Changes

Goodwill, Intangible Assets and Financial Statement Concepts

The CICA has issued a new accounting standard, "Section 3064, Goodwill and Intangible Assets", which the Company adopted on December 1, 2008. The standard clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. "Section 1000, Financial Statements Concepts", was also amended to provide consistency with Section 3064. This standard is not expected to have a material effect on the financial position or earnings of the Company.

Conversion to International Financial Reporting Standards in Fiscal 2012

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2012 starting December 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Company's processes and financial results. The Company is currently in the planning phase of the conversion. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Currently, it is not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and the interpretations of those standards are changing.

Risk Factors and Risk Management

Risk is the responsibility of the Executive Committee of AGF Management Limited. The group is made up of the Chairman and Chief Executive Officer (CEO) of AGF Management Limited, the Senior Vice-President and Chief Financial Officer of AGF Management Limited, the Senior Vice-President and General Counsel of AGF, as well as the presidents of each of AGF Funds Inc., AGF Asset Management Group Limited and AGF Trust Company and the Chief Investment Officer of AGF Funds Inc.

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

AGF Management Limited also oversees or operates key functions for each of the business units on a shared services basis. These functions include Finance, Internal Audit, Human Resources, Compensation and Benefits, Information Technology, Fund Oversight, Legal and Compliance. These functions also play a significant role in ensuring consistent risk management practices and standards across the Company in areas that are common to the business units.

In addition, AGF Management Limited applies a disciplined approach to risk taking through policy formation, reporting and oversight of the operational units.

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

AGF Trust is also subject to the Basel II framework, which was developed by the Bank for International Settlements (BIS), with the objectives of improving the consistency of capital requirements internationally and making required regulatory capital more risk sensitive. Basel II sets out several options, which represent increasingly risk-sensitive approaches to calculating credit-, market- and operational-risk-based regulatory capital. AGF Trust uses the standardized approach for credit risk under the Basel II capital adequacy regime. It is the simplest approach, which uses supervisory determined risk weights to measure risk-weighted assets. It provides some recognition of the credit risk mitigation provided by mutual funds as collateral for secured investment loans and imposes a somewhat lower risk weight for retail credit exposures than under the prior capital adequacy regime.

AGF Trust uses the Basic Indicator Approach for determining capital required related to operational risk under the Basel II capital adequacy regime. The Basic Indicator Approach uses gross income as a proxy for the institution's overall operational risk. The capital required related to operational risk is determined by multiplying the average of the trailing three years' gross income by a fixed percentage.

Refer to Note 24 of the Consolidated Financial Statements for risks arising from the use of financial instruments.

Risk Factors that May Affect Future Results

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

Company-Specific Risk Factors

Investment Management Operations

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

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

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

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

Trust Company Operations
AGF Trust has experienced a substantial amount of growth in recent years. AGF Trust is dependent on systems and processes being adequate to process its business. Systems or process failures could result in financial losses.

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

Non-Company Risk Factors

Investment Management Operations
A general economic downturn and market volatility could result in lower sales and lower AUM levels. In addition, market uncertainty could result in retail investors avoiding traditional equity funds in favour of money market funds.

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

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

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

AUM are exposed to various market risks which are detailed in the "Market Risk in Assets under Management" section.

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

Credit and counterparty risk is the potential for loss due to a client's or counterparty's inability to fulfil its payment obligations, after taking into account recovery values and associated costs. This is the most significant measurable risk that AGF Trust faces.

Credit risk, and the review of exposures to such, is the responsibility of the President as well as the Chief Financial Officer of AGF Trust, with overall review of results by the Chairman and CEO as well as the CFO of AGF Management Limited. Effective credit risk management begins with experienced and skilled professional lending staff who operate in an environment with clearly defined lending criteria and limits.

We monitor both performing and non-performing loan portfolios to assess credit risk. AGF Trust employs a disciplined approach to loan loss evaluation with prompt identification of problem loans being a key management objective. The ongoing economic and market uncertainty could result in an increase in loan defaults resulting in higher loan losses.

The ongoing volatility in the markets has affected the traditional spread relationship between the Bankers' Acceptance rate (BA) and the Prime lending rate. A continuing compression in the spread between Prime and the BA rate would lead to a reduction in the net interest margin earned by the Trust Company.

Pricing pressures in the real estate secured or investment loan markets could potentially result in net interest margin compression for our Trust Company Operations segment. Net interest margin compression would adversely affect profitability.

Funding of the Trust Company's loan business is highly dependent upon the Company's ability to access the Guaranteed Investment Certificate (GIC) market through intermediaries. Failure to access the market at reasonable interest rates may result in an inability to originate new loan assets and cause eventual erosion on existing business relationships since GICs, once they have matured, will likely not be renewed.

In addition, if access to GIC markets becomes restricted, it may result in higher interest rates being paid by the Trust Company to maintain its standing in the GIC market, which, in turn, will result in additional costs to Trust.

Our Trust Company Operations segment is also exposed to changes in stock market levels since collateral for secured investment loans consists of mutual fund assets, which are highly correlated to general stock market levels. In addition, the Trust Company Operations segment is exposed to the level of housing prices since collateral for real estate secured loans consists mainly of residential real estate.

Market Risk in Assets under Management

AUM are exposed to various market risks, including changes in equity prices, interest rates and foreign exchange rates. These risks transfer to the Company as our management fee revenue is calculated as a percentage of the average net asset value of each mutual fund or portfolio managed. The Company does not quantify these risks in isolation, however, in general, for every $1 billion reduction of mutual fund AUM, management fee revenues would decline by approximately $20 million. The Company monitors these risks as they may impact earnings, however, it is at the discretion of the fund manager to decide on the appropriate risk-mitigating strategies for each fund.

To provide additional details on the Company's exposure to these market risks, the following provides further information on our mutual fund AUM by asset type:

Percentage of total mutual fund AUM at November 30	**2008**	2007
Domestic equity funds	**37.2%**	37.1%
U.S. and international equity funds	**33.9%**	40.6%
Domestic balanced funds	**9.4%**	8.0%
U.S. and international balanced funds	**2.3%**	2.7%
Domestic fixed income funds	**13.9%**	9.3%
U.S. and international fixed income funds	**3.3%**	2.3%
	100.0%	100.0%

Institutional and high-net-worth AUM are exposed to the same market risks as mutual fund AUM. In general, for every $1 billion reduction of institutional and high-net-worth AUM, management fee revenues would decline by approximately $4 million.

Foreign Exchange Risk

Our main foreign exchange risk derives from the U.S. and international portfolio securities held in the mutual fund AUM. Change in the value of the Canadian dollar relative to foreign currencies will cause fluctuations in the Canadian-dollar value of non-Canadian AUM upon which our management fees are calculated. This risk is monitored since currency fluctuation may impact the financial results of AGF. However, it is at the discretion of the fund manager to decide whether to enter into foreign exchange contracts to hedge foreign exposure on U.S. and international securities held in funds.

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

The Company is exposed to foreign exchange risks through its 30.4% equity interest in Smith and Williamson Holdings Limited, which is denominated in U.K. pounds. The investment is translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized translation gains and losses are reported in other comprehensive income. Based on the carrying value at November 30, 2008, a 5% change in the value of the Canadian dollar versus the U.K. pound would result in a change in other comprehensive income of $4.9 million.

Interest Rate Risk

Excluding the AGF Trust operations, we have exposure to the risk related to changes in interest rates on floating-rate debt at November 30, 2008. Using average loan balances outstanding, the effect of a 1% change in variable interest rates on our floating-rate debt in fiscal 2008 would have resulted in a change of approximately $1.4 million in interest expense for the year ended November 30, 2008. As the amount of interest paid is small relative to our operating cash flow, such a change in interest rates would not have a material impact on the results of operations or the fair value of the related debt.

For the AGF Trust operations, interest rate risk refers to the treasury book (non-trading) and can have a potentially adverse impact on AGF Trust's earnings and economic value due to unexpected changes in interest rates and interest rate volatility. Categories of interest rate risk include: yield curve/gap risk; basis or spread compression risk; commitment or embedded option risk; prepayment risk; and discretionary. The impact of a 1% change in interest rates either up or down would be a change of annual net interest income of approximately $4.7 million.

The foregoing discussion is not an exhaustive list of all risks and uncertainties regarding our ability to execute against our strategy. Readers are cautioned to consider other potential risk factors when assessing our ability to execute against our strategy.

Controls and Procedures

Disclosure Controls and Procedures

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that material information with respect to AGF, including its consolidated subsidiaries, is made known to them and they have evaluated the effectiveness of AGF's disclosure controls and procedures as of the end of the period covered by these annual filings. The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures, have found them to be effective.

Changes in Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the year ended November 30, 2008, there was no significant change to the systems of internal controls within AGF.

Changes in Information Technology Systems

During 2008, there were no significant changes to Information Technology Systems.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the years ended November 30, 2008 and 2007:

($ millions, except per share amounts) Years ended November 30	**2008**	2007	% change
Revenue			
Investment Management Operations	**$ 606.4**	$ 674.6	(10.1%)
Trust Company Operations[1]	**108.9**	97.2	12.0%
Other	**10.3**	8.5	21.2%
	725.6	780.3	(7.0%)
Expenses			
Investment Management Operations	**338.8**	375.7	(9.8%)
Trust Company Operations	**73.1**	47.4	54.2%
	411.9	423.1	(2.7%)
EBITDA[2] (continuing operations)	**313.7**	357.2	(12.2%)
Amortization	**114.0**	123.8	(7.9%)
Interest expense	**9.3**	9.9	(6.1%)
Impairment of asset available for sale	**2.3**	–	n/m
Impairment of goodwill and customer contracts	**46.3**	–	n/m
Non-controlling interest	**0.6**	0.9	n/m
Income taxes	**12.7**	46.7	(72.8%)
Net income from continuing operations	**128.5**	175.9	(27.0%)
Loss on dissolution of limited partnerships, net of tax	**–**	(2.1)	
Gain on sale of discontinued operations, net of tax	**–**	4.7	
Net earnings from discontinued operations, net of tax[3]	**–**	0.2	
Net income	**$ 128.5**	$ 178.7	(28.1%)
Earnings per share from continuing operations – diluted	**$ 1.41**	$ 1.93	(26.9%)

[1] The 12 months ended November 30, 2007 include an $8.0 million securitization gain.

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

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

Results from Continuing Operations

Revenue for the year ended November 30, 2008, declined by 7.0% from the corresponding period in 2007. Revenue in the Investment Management Operations segment declined 10.1% for the year ended November 30, 2008. This corresponds to lower average levels of AUM offset by slightly higher DSC revenue. The Trust Company Operations segment, excluding an $8.0 million securitization gain in the year ended November 30, 2007, reported an increase in revenue of 22.1% in fiscal 2008 over 2007. Revenue from Other, which represents the results of our 30.4% equity interest in S&WHL, was higher for the year ended November 30, 2008.

Expenses for the year November 30, 2008 decreased 2.7% compared with fiscal 2007. The Investment Management Operations' decline in expenses was consistent with the decline in average AUM, while Trust Company Operations experienced higher overall expenses related to volumes and higher loan provision amounts in 2008. For further details refer to each of the segment discussions.

The impact of declining revenue in the Investment Management Operations segment served to decrease EBITDA by 12.2% for the year ended November 30, 2008 over the respective 2007 period. Excluding the $8.0 million securitization gain realized by Trust Company Operations in the year ended November 30, 2007, EBITDA declined 10.2% for the year ended November 30, 2008.

Amortization expense for the year ended November 30, 2008 decreased by 7.9% compared with the corresponding period in 2007. The decline was due to lower amortization of deferred selling commissions in the Investment Management Operations segment. Amortization of deferred selling commissions for year ended November 30, 2008 accounted for $98.1 million (2007 – $108.0 million) of the total amortization expense.

Interest expense was $9.3 million for the year ended November 30, 2008, as compared with $9.9 million in the same period of 2007. Lower interest expense in the year is reflective of declining average debt levels and interest rates.

During the 12 months ended November 30, 2008, we determined a decline in an investment available for sale was other than temporary. As a result, we recognized a $2.3 million writedown on this investment ($2.0 million net of tax).

During 2008, as part of the annual impairment testing of goodwill and intangible assets, we determined that the carrying value of the goodwill and customer contracts related to certain reporting units was higher than its fair value. As a result, an impairment charge of $39.2 million ($28.6 million net of tax) related to customer contracts and $7.1 million related to goodwill was recorded. The Company believes that the overall declining markets and the continuing market uncertainty were the main factors that drove the decline in the estimated fair value of goodwill and customer contracts within these reporting units.

For the year ended November 30, 2008, income tax expense decreased 72.8% as compared to 2007. Income tax expense for the year ended November 30, 2008 was $12.7 million as compared to $46.7 million in 2007. Results from the year ended November 30, 2008 include an income tax reduction of $19.5 million related to the reduction in the federal income tax rate to 15.0% from 18.5% by January 1, 2012. Results from the year ended November 30, 2007 include an income tax reduction of $2.4 million related to the reduction in the federal income tax rate to 18.5% from 19.0% by January 1, 2011. Excluding the impact of these reductions, the effective tax rate for the year ended November 30, 2008 was 22.7% compared with 22% in the same period of 2007.

The impact of the above revenue and expense items resulted in net income from continuing operations of $128.5 million in 2008 as compared with $175.9 million in the prior year. Basic earnings per share from continuing operations were $1.44 per share in 2008 as compared with $1.96 per share in 2007. Diluted earnings per share from continuing operations were $1.41 per share in 2008 as compared with $1.93 per share in 2007.

Limited Partnerships

On February 28, 2007, the unit holders 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).

Results from Discontinued Operations

On April 30, 2007, AGF sold 100% of Investmaster for $6.8 million. The purchase consideration included $5.0 million in cash and two notes receivable from the buyer, totalling $1.8 million, due on April 30, 2009 and April 30, 2010, respectively. A contingent consideration, which is not determinable at this time, will be payable to the Company in 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster. Accordingly, we recorded a gain related to the sale of $4.7 million and the results of Investmaster have been reported as discontinued operations in accordance with Canadian GAAP.

Net Earnings

Net income for the year ended November 30, 2008 was $128.5 million. Excluding the impairment charges, net of tax, related to assets available for sale, goodwill and customer contracts, net income was $166.2 million, down from $178.7 million in fiscal 2007.

For a more detailed discussion of revenue and expense items, please refer to the operating segment discussions. An analysis of the 2008 fourth-quarter results compared with the corresponding period in 2007 is included under the heading "Fourth Quarter Analysis".

Return on Equity

Return on equity in 2008 was 11.8% as compared with 17.4% in 2007. The decline was due to reduced earnings in 2008 which were impacted by lower AUM levels, higher loan loss provisions and an impairment charge related to goodwill and customer contracts.

Outlook

Fiscal 2008 was a challenging year for the global investment management industry and for our Company. Economic uncertainty and stock market turmoil reduced AUM in our investment management segment and slowed loan asset growth in our Trust Company Operations segment. Entering fiscal 2009, we, like others in the industry, continued to face stock market volatility, instability in the credit markets and continuing weakness in the economy. Major global economies have fallen into recession. In response to the recession, which is touching virtually every country around the globe, including Canada, governments have cut interest rates and announced stimulus packages. We anticipate that it will take time for these measures to have an effect. We expect this uncertainty to continue into late 2009 which, in turn, will continue to present challenges to our financial growth.

Business Segment Performance

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

Investment Management Operations

Business and Industry Profile

AGF is an established player within the highly competitive Canadian investment management business. We compete with numerous domestic and foreign players serving the market. We believe our status as an independent fund manufacturer without distribution channel conflict will benefit us and our shareholders as the industry continues to evolve.

AGF remains focused on building its reputation internationally as an institutional investment management firm and continues to attract a significant amount of interest in our investment strategies from international investors. We believe that further developing our reputation and relationships with international institutions will be a future growth opportunity.

Our Investment Management Operations segment provides products and services across the wealth continuum, including mutual funds, wrap products, institutional investment services and high-net-worth investment management. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies, brokers and consultants.

During AGF's 2008 fiscal year, gross mutual fund sales were negatively impacted by market volatility and investor nervousness and we ended the year with $1.6 billion in net redemptions. In addition, fund categories that have traditionally been AGF's specialty – international and domestic equity – were not aligned with investor preferences for money market funds in 2008. However, we believe that as markets stabilize, international and domestic equity fund investing will regain momentum, and AGF will be in a position to benefit.

Segment Strategy and Highlights

Over the past several years, we have focused on enhancing the client-centric model in our investment management business, which serves the retail mutual fund, institutional and high-net-worth markets. In 2008, we continued to maintain a high level of contact with our clients in spite of the global market downturn and reduction in gross sales of investment products. On the retail mutual fund side, we have a strong and well-regarded client engagement strategy that defines the way we interact with our clients and allows us to deliver services with predictable excellence. We use our advisor contact evaluation program to reach out to advisors to make sure we are having a positive impact while our activity management program and our customer relationship management system ensure that we are making the right number of contacts and engaging in the most effective activities. During 2008, this consistent effort resulted in the following:

> At the 2008 Canadian Investment Awards, AGF was named the Advisors' Choice Investment Fund Company of the Year for the second time in three years. AGF was also recognized in the following award categories:
  – Highstreet Canadian Equity won the Canadian Equity Pooled Fund
  – AGF Canadian Large Cap Dividend Fund received the Silver award in the Canadian Dividend and Income Equity Fund category.

> Lipper, a mutual fund-rating company, awarded the following AGF funds top honours for their consistent long-term performance:
  – AGF China Focus Class: best ten-year returns in the Miscellaneous Funds category.
  – AGF Precious Metals Fund: best five-year returns in the Precious Metals Equity Funds category.

> The strategic priorities for our Investment Management Operations for 2009 are to:
  – Continue to focus on predictable excellence in three core activities: investment management, relationship management and product management.
  – Promote international investment management competency across multiple channels.
  – Focus on growth in our institutional business.

Focus on Three Core Activities

We are focused on continuing to build predictable excellence in three core areas: investment management, relationship management and product management.

Investment Management

Strong long-term investment performance is contingent on having the correct complement of people, with the right tools and a strong team approach to fund management. As well, in-depth research, innovative thinking and rigorous fundamental analysis are key investment principles.

We also draw on our presence in international markets to bolster investment performance. In addition to investment professionals in various locations across Canada, we maintain investment management offices in Dublin and Singapore.

Relationship Management

We engage regularly with advisors and seek their feedback to ensure they have access to the products and services that will help them help their clients make the best investment choices.

Relationship management is an area in which we have worked diligently to deliver predictable excellence, and our efforts were rewarded again in 2008 when we were selected as the Advisors' Choice Investment Fund Company of the Year at the 2008 Canadian Investment Awards by advisors from across Canada.

We also garnered positive results in the 2008 Environics Advisor Perception Study, an independent study based on a survey of over 2,000 advisors. We continued to show year-over-year improvement and emerged as the strongest company on the combined measure of overall company rating and sales penetration and achieved a first-place ranking for brand equity.

Product Management

Our client-centric approach includes offering a suite of products and solutions designed to meet the needs of our clients. Our product development efforts focus on identifying current and future investment trends and introducing products to align AGF with these trends.

In fiscal 2008, we added three corporate class funds to our All World Tax Advantage Group and created the Harmony Tax Advantage Group Ltd. to give clients more choice and access to potential tax benefits. We launched the Harmony Non-traditional Pool and became one of the first fund companies in Canada to give investors access to global non-traditional investments such as infrastructure, water, agriculture, oil sands, mining and real estate in a managed assets program. In addition, we unveiled Bank of Montreal AGF Elements™ RetirePlus™ Notes, deposit notes which combine guaranteed cash flow with protection against inflation and tax-deferral benefits. Finally, in early December 2008, we announced that investors may open a Tax-Free Savings Account (TFSA) at AGF. We will continue to track investment trends and preferences to ensure our product lineup is competitive and gives investors what they want now and in the future.

Promote International Investment Management Competency

AGF has a strong product lineup and a diverse range of investment alternatives. We have a particular strength in the area of international investment management. We have had success marketing our international money management expertise to international institutional clients.

The depth of our international investment management expertise creates opportunities; emerging markets is a prime example. As emerging economies continue to see structural improvements, we believe that Canadians will increasingly look to emerging markets as a way to diversify and seek suitable returns. AGF is well positioned in this space with attractive products.

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

The following table illustrates the composition of the changes in total AUM during the years ended November 30, 2008 and 2007:

($ millions) Years ended November 30	**2008**	2007	% change
Mutual fund AUM, beginning of year	**$ 30,052**	$ 26,857	11.9%
Gross sales of mutual funds	**3,578**	6,802	(47.4%)
Redemptions of mutual funds	**(5,159)**	(4,392)	17.5%
Net mutual fund sales	**(1,581)**	2,410	
Market appreciation (depreciation) of fund portfolios	**(8,710)**	785	n/m
Mutual fund AUM, end of year	**$ 19,761**	$ 30,052	(34.2%)
Institutional AUM	**12,802**	19,822	(35.4%)
High-net-worth AUM	**2,995**	3,869	(22.6%)
Total AUM, end of year	**$ 35,558**	$ 53,743	(33.8%)
Average daily mutual fund AUM for the year	**$ 26,346**	$ 29,606	(11.0%)

Global market declines and an industry trend of reduced gross sales of long-term funds resulted in a decrease in mutual fund AUM to $19.8 billion at November 30, 2008, from $30.1 billion as at November 30, 2007. The average daily mutual fund AUM for the year ended November 30, 2008, decreased 11.0% to $26.3 billion, compared with $29.6 billion for 2007. During the past 12 months, institutional and strategic accounts AUM decreased by $7.0 billion to $12.8 billion as a result of market volatility, client rebalancing and redemptions. High-net-worth AUM decreased by $0.9 billion to $3.0 billion due to market volatility. These decreases resulted in total AUM declining by 33.8% to $35.6 billion.

Investment Performance

Stock market performance influences the level of AUM. During the year ended November 30, 2008, the Canadian-dollar-adjusted S&P 500 Index decreased 23.4%, the Canadian-dollar-adjusted NASDAQ Index decreased 28.6% and the S&P/TSX Composite Index decreased 30.3%. The aggregate market depreciation of our mutual fund portfolios for the year ended November 30, 2008, divided by the average daily mutual fund AUM for the period was 33.1% after management fees and expenses paid by the funds.

The impact of the U.S. dollar appreciation relative to the Canadian dollar on the market value of AGF mutual funds for the year ended November 30, 2008, has been an increase in AUM of approximately $0.8 billion.

Consistent with the decline in the stock market, market depreciation net of management fees decreased mutual fund AUM by $8.7 billion since November 30, 2007. For the one-year period ended November 30, 2008, 28% of ranked AUM performed above median. Over the three-year period ended November 30, 2008, 68% of ranked AUM performed above median.

The composition of AUM as outlined on page 33 of this MD&A has direct influence on our revenues. Generally, equity funds have higher management fees than fixed income funds and international funds have higher management fees than domestic funds.

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the years ended November 30, 2008 and 2007.

($ millions) Years ended November 30	**2008**	2007	% change
Revenue			
Management and advisory fees	**$ 576.8**	$ 646.5	(10.8%)
Deferred sales charges	**25.6**	20.4	25.5%
Investment income and other revenue	**4.0**	7.7	(48.1%)
	606.4	674.6	(10.1%)
Expenses			
Selling, general and administrative	**166.6**	190.2	(12.4%)
Trailing commissions	**157.2**	169.6	(7.3%)
Investment advisory fees	**15.0**	15.9	(5.7%)
	338.8	375.7	(9.8%)
EBITDA[1]	**267.6**	298.9	(10.5%)
Amortization	**111.2**	122.2	(9.0%)
Impairment of asset available for sale	**2.3**	–	n/m
Impairment of goodwill and customer contracts	**46.3**	–	n/m
Income before taxes and non-segmented items	**$ 107.8**	$ 176.7	(39.0%)

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

Revenue

For the year ended November 30, 2008, revenue for the Investment Management Operations segment decreased by 10.1% over the previous year, with changes in the categories as follows:

Management and Advisory Fees

Management and advisory fees are directly related to our AUM levels. The 11.0% decline in average daily mutual fund AUM for the year ended November 30, 2008 contributed to a 10.8% decrease in management and advisory fee revenue over 2007. Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities. These distribution fees totalled $6.1 million (2007 – $8.5 million) for the year ended November 30, 2008.

Deferred Sales Charges

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or back-end commission basis for which we financed the selling commissions paid to the dealer. The DSC 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 increased by 25.5% in 2008 as compared with 2007, reflecting higher retail mutual fund redemptions of DSC AUM that are subject to a charge.

Investment Income and Other Revenue

Investment income and other revenue decreased by 48.1% in fiscal 2008 over 2007 primarily as a result of the discontinuing of hedge accounting related to stock compensation, which resulted in a loss of $5.0 million for the year ended November 30, 2008.

Expenses

For the year ended November 30, 2008, expenses for the Investment Management Operations segment decreased 9.8% compared with the previous year. Changes in specific categories are as follows:

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) decreased by $23.6 million or 12.4% in 2008 compared with 2007. The decrease is made up of the following amounts:

($ millions) Years ended November 30	**2008**	2007
Increase (decrease) in fund absorption expenses	**$ (0.4)**	$ (4.2)
Increase (decrease) in compensation-related expenses	**(24.2)**	11.3
Increase in other expenses	**1.0**	1.8
	$ (23.6)	$ 8.9

The following are explanations for expense changes in 2008 compared with the same period in the prior year:

> Absorption expense is relatively flat year-over-year. Lower AUM levels were offset by lower fund expenses.

> Compensation-related expenses decreased due to lower performance-related bonuses and stock compensation.

> Other expenses increased primarily as a result of increased spending on sales and marketing initiatives.

Trailing Commissions

Trailing commissions paid to investment dealers depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.597% for the 12 months ended November 30, 2008, from 0.573% in the comparable 2007 period. The trend in increasing trailers expressed as a percentage of AUM is attributable to an increased proportion of mutual fund AUM sold on a front-end basis. It is also attributable to a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailer commissions.

Investment Advisory Fees

External investment advisory fees decreased by 5.7% as a result of lower AUM levels in 2008 as compared to 2007.

EBITDA and EBITDA Margin

EBITDA for the Investment Management Operations segment were $267.6 million for the year ended November 30, 2008, a 10.5% decrease from $298.9 million for the same period of fiscal 2007. The decrease is directly attributable to lower revenue levels resulting from lower average AUM.

EBITDA margins were 44.1% in fiscal 2008 compared with 44.3% in 2007. Lower performance-based compensation costs and declines in costs related to AUM levels offset declining revenue resulting in a slight decline in EBITDA margins year-over-year.

Amortization

The largest item in this category is amortization of deferred selling commissions. The category also represents amortization of property, equipment and computer software and customer contracts. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was $98.1 million in 2008, compared with $108.0 million in 2007.

During fiscal 2008, we paid $86.8 million in selling commissions, compared with $154.3 million in 2007. As at November 30, 2008, the unamortized balance of deferred selling commissions financed was $304.4 million, a decrease of $10.9 million from the prior-year balance of $315.3 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at November 30, 2008, were estimated to be approximately $406.8 million (2007 – $417.8 million).

Impairment of Asset Available for Sale, Goodwill and Customer Contracts

During the fourth quarter of 2008, we determined a decline in an investment available for sale was other than temporary. As a result, we recognized a $2.3 million writedown on this investment ($2.0 million net of tax).

In addition, during the fourth quarter, we determined that the carrying value of the goodwill exceeded its fair value, calculated based on the fair value of the assets and liabilities of the reporting unit. As a result, the Company recorded a $7.1 million goodwill impairment charge. In addition, the Company determined that the carrying value of its customer contracts related to certain reporting units was higher than its fair value. As a result, an impairment charge of $39.2 million ($28.6 million net of tax) related to customer contracts was recorded. The Company believes that the overall declining markets and the continuing market uncertainty were the main factors that drove the decline in the estimated fair value of goodwill and customer contracts within these reporting units.

Pre-Tax Profit Margin

Pre-tax profit margin declined to 17.8% for fiscal 2008 compared with 26.2% in 2007 as a result of lower AUM levels resulting in lower EBITDA margins and a $48.6 million impairment charge relating to goodwill, intangibles and available for sale assets, offset by declining amortization expense as discussed above. Excluding the impairment charge, pre-tax margin declined marginally to 25.8%.

Segment Outlook

While current economic and market conditions will likely continue to dampen investor demand for equities and equity funds for much of 2009, we expect that demand for investment products will return when the market stabilizes due to factors such as Canada's projected population growth, the significant amount of unused Registered Retirement Savings Plan contribution room and the introduction of the Tax-Free Savings Account in 2009. Mutual funds remain a very accessible and attractive investment solution for these accounts and we expect that guaranteed investment products will continue to grow in importance. We also see growth opportunities in the institutional investment management space, both domestically and abroad.

Volatile markets will continue to reduce sales of mutual funds and asset levels in the short term. In the longer term, we believe that our extensive, diverse and responsive product lineup, combined with our commitment to predictable excellence in relationship management in the retail, institutional and high-net-worth markets will lead to growth.

Trust Company Operations

Business and Industry Profile

Through AGF Trust, we offer financial solutions, including GICs, real estate secured loans and investment loans.

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors who continue to broaden their suite of products to meet the needs of their clients. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. Our mutual fund wholesalers have operated successfully in the advisor channel for over 51 years and have a well-established reputation for quality service.

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

Segment Strategy and Highlights

AGF Trust, similar to other financial institutions in Canada, has seen its operations impacted by the global credit crisis with the most significant impact being declining interest rate spreads on the products we offer. The interest rate spread represents the difference between the rate charged to Trust customers on products offered versus the rate that Trust pays to borrow money primarily through the GIC market. Our best strategy, especially during periods of volatility, is to closely monitor expenses, be prudent with capital and strengthen our balance sheet.

As a result of declining interest rate spreads, our product focus has evolved with a focus on higher margin products and, as at November 30, 2008, we have suspended new originations of lower profit business lines and have made adjustments to our lending programs appropriate to the economic cycle and market conditions. While we continue to offer our Up to 3 For 1 Investment Loan products, we have suspended our Home Equity Line of Credit and 100% No Margin Investment Loan products.

With declining global stock markets, as at November 30, 2008, the market value of the collateral on our $1.8 billion secured investment loan portfolio was approximately $1.2 billion. However, our investment loan program forms a part of an investment strategy that an advisor incorporates into a client's long-term wealth accumulation plan thus minimizing focus on short-term market volatility. The investment advisor is an integral part of their clients' investment strategies and, as such, we believe that clients will continue to service their debt in spite of declining equity values.

These extraordinary economic times have led us to carefully re-examine our provisions for loan losses. As such, we have prudently increased our specific loan losses provisions as detailed in the "Provision for Loan Losses" section.

The Trust organization primarily serves two business channels – the investment advisor and mortgage broker channels. With respect to the investment advisor channel, the Trust Sales team works collaboratively with AGF's mutual fund wholesalers and offers a complementary range of products including secured investment loans and RSP loans. The mortgage broker channel is served by Trust Area Lending Managers focusing primarily on real estate secured loans. AGF Trust continues to build strong relationships with the financial advisor and mortgage broker communities and continues to work with them to find appropriate solutions to meet the lending needs of their clients.

Financial and Operational Results

The Trust Company Operations segment results for the years ended November 30, 2008 and 2007, are as follows:

($ millions) Years ended November 30	**2008**	2007	% change
Interest income			
Loan interest	**$ 270.8**	$ 213.6	26.8%
Investment interest	**32.2**	23.1	39.4%
	303.0	236.7	28.0%
Interest expense			
Deposit interest	**200.9**	135.5	48.3%
Other interest expense	**5.2**	23.0	(77.4%)
	206.1	158.5	30.0%
Net interest income	**96.9**	78.2	23.9%
Other revenue	**12.3**	8.2	50.0%
Gain on RSP loan securitization and related income (loss), net of impairment[1]	**(0.3)**	10.8	(102.8%)
Total revenue	**108.9**	97.2	12.0%
Expenses			
Selling, general and administrative	**42.7**	36.4	17.3%
Provision for loan losses	**30.4**	11.0	176.4%
	73.1	47.4	54.2%
EBITDA[2]	**35.8**	49.8	(28.1%)
Amortization	**2.8**	1.7	64.7%
Income before taxes and non-segmented items	**$ 33.0**	$ 48.1	(31.4%)

[1] Year ended November 30, 2007 includes an $8.0 million securitization gain.

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

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 23.9% over 2007. The average loan balances were approximately 20.4% higher than average balances in 2007. Other revenue increased 50.0% due to higher loan balances combined with a $3.0 million increase related to hedge ineffectiveness. Securitization gains and related items decreased by $11.1 million in 2008 as compared with 2007 as 2007 included an $8.0 million securitization gain. In addition, the Trust Company recognized a $4.7 million writedown of its retained interest during 2008 compared to $1.9 million in 2007. These factors resulted in an overall revenue increase of 12.0% as compared with 2007.

The average net interest margin on lending products was 2.12% (2007 – 2.59%). This spread decrease resulted from compression in the Prime Canadian Dollar Offered Rate (CDOR) spread, an increase in the cost of GIC funding over the past nine months, a decrease in spreads on the investment loan portfolio and a change in the business mix to include a greater proportion of high credit-quality Home Equity Lines of Credit (HELOCs). Since HELOCs are risk-priced, they earn lower spreads than the Trust Company's other lending products. During 2008, AGF Trust discontinued writing new HELOC business as a product offering. AGF Trust manages its interest rate risk through the use of interest rate swaps.

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 November 30, 2008, the balance of all securitized loans outstanding was equal to $166.6 million (2007 – $291.1 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 year, 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. During the year ended November 30, 2008, as a result of higher than anticipated prepayment and loss rates and lower than anticipated excess spread earning on securitized assets, a writedown of approximately $4.7 million was incurred.

Selling, General and Administrative Expenses

The increase in SG&A expenses of 17.3% over 2007 was as a result of increased staffing levels to support the loan growth during the past 12 months combined with additional costs associated to a move to new office premises.

Provision for Loan Losses

During the fourth quarter of 2008, AGF Trust thoroughly reviewed its methodology for allowance for loan losses as a result of the current market and economic conditions. As a result, methodology was refined to be more responsive to changes in the economy and increases in delinquency. The allowance for specific loan losses was refined to include specific allowances for loans past due but not impaired. Previously, this provision only included loans identified as impaired. As a result of this change, combined with growth in the loan portfolio and increases in arrears and impaired loans, the total provision for loan losses increased by 176.4% in 2008, compared with the prior period.

Actual loan writeoffs net of recoveries for the 12 months ended November 30, 2008 were $10.4 million compared with $4.8 million for the fiscal period ended November 30, 2007, with the increase attributable to the growth in the loan portfolio and an increase in RSP loan writeoffs. Impaired loans expressed as a percentage of loans outstanding were 1.0% as at November 30, 2008, compared with 0.7% at November 30, 2007.

EBITDA and EBITDA Margin

A decline in the net interest margin due to a compression in rates, a higher provision for loan losses, and an $8.0 million securitization gain in 2007 contributed to a decline in EBITDA of 28.1% over 2007 to $35.8 million and a decline in EBITDA margin to 32.9% from 51.2% in 2007.

Pre-Tax Profit Margin

As a result of the factors outlined above, pre-tax margin of 30.3% in 2008 declined from 49.5% in 2007.

Operational Performance

The table below highlights our key operational measures for the segment for the years ended November 30, 2008 and 2007:

($ millions) Years ended November 30	2008	2007	% change
Real estate secured loans[1]			
Insured mortgage loans	$ 618.1	$ 555.7	11.2%
Conventional mortgage loans	766.4	765.5	0.1%
HELOC receivables	656.3	452.4	45.1%
	2,040.8	1,773.6	15.1%
Investment loans[1]			
Secured investment loans	1,805.4	1,509.4	19.6%
RSP loans	573.7	381.8	50.3%
Finance loans	11.1	15.6	(28.9%)
	2,390.2	1,906.8	25.4%
Other assets	895.8	868.4	3.2%
Total assets	$ 5,326.8	$ 4,548.8	17.1%
Net interest income	$ 96.9	$ 78.2	23.9%
Gain (loss) on RSP loan securitization and related income, net of impairment[2]	(0.3)	10.8	(102.8%)
Other revenue	12.3	8.2	50.0%
Non-interest expenses[3]	45.5	38.1	19.4%
Provision for loan losses	30.4	11.0	176.4%
Income before taxes and non-segmented items	$ 33.0	$ 48.1	(31.4%)
Efficiency ratio[4]	41.8%	39.2%	
Assets-to-capital multiple[4]	15.0	15.6	

[1] Includes loan provision and deferred sales commission.

[2] The year ended November 30, 2007 includes an $8.0 million securitization gain.

[3] Includes SG&A and amortization expenses.

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

Loan Asset Growth

Our continued sales efforts directed at the mortgage broker and advisor channels resulted in strong loan assets growth year-over-year. Real estate secured loan assets grew 15.1% year-over-year and benefited from steady originations of HELOCs.

New investment loan products and improved collaboration with AGF mutual fund wholesalers contributed to overall growth in loan advances. Secured investment loans increased 19.6% to $1.8 billion as at November 30, 2008, over the same period in 2007. RSP loan balances increased by $191.9 million ($67.4 million, excluding the impact of the securitization) as at November 30, 2008 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 is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. During 2008, the efficiency ratio experienced an unfavourable change to 41.8% from 39.2% in 2007.

Balance Sheet

The Trust balance sheet had strong growth during the past year. Total assets increased 17.1% to $5.3 billion as at November 30, 2008, compared with the previous year. For the year ended November 30, 2008, our asset-to-capital multiple stood at 15.0 times, compared with 15.6 times at the same time last year. Our risk-based capital ratio was 14.7% as at November 30, 2008. During 2008, AGF Trust received $35.0 million in debt and equity capital from AGF Management Limited (2007 – $86.5 million) to support increased asset levels. Liquid assets were high with $560.2 million in cash and cash equivalents as at November 30, 2008 (2007 – $791.3 million), excluding cash currently pledged to counterparties.

Loan Portfolio Credit

The general allowance for real estate secured loan losses was increased during the year to $9.3 million from $8.1 million a year ago, consistent with the growth of these loans. The general allowance for investment loan losses increased to $13.7 million from $7.2 million a year ago, due to an increase in growth combined with higher experience of loan writeoffs. Approximately 44.5% of real estate secured loan assets, excluding HELOCs, are insured. We have security for non-RSP investment loans, consisting of mutual funds and other investments. The value of this collateral fluctuates with the changes in the underlying investments. The expense for impaired RSP loans, which consists of the increase in specific allowances, plus writeoffs net of recoveries (excluding securitized RSP loans) was $6.3 million for the year ended November 30, 2008 (2007 – $2.1 million). For the balance of our loan products, the expense for impaired loans was $4.0 million (2007 – $1.6 million).

Segment Outlook

We anticipate that AGF Trust loan growth will be minimal in fiscal 2009 until extended disruptions in financial markets subside and interest rate spreads increase to properly reflect the loan risk. Stock market prices influence the levels of lending activities for investment-based loan products, and we believe this will result in reduced growth in these products. A rise in interest rates or a softening of housing prices, combined with weak consumer confidence, could negatively affect secured real estate loan portfolio performance.

In fiscal 2009, we will focus on strengthening client relationships, realizing operational efficiencies to reduce costs and complete a thorough review of our business risks and processes. Given the current economic environment, we will continue to place an even greater emphasis on risk management activities. Our product approach has evolved to focus on higher margin products. AGF Trust uses disciplined underwriting and sound risk management practices. Management believes it has a solid plan to prudently manage its capital and strengthen its balance sheet to successfully navigate through this economic cycle.

Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities, before net change in non-cash balances related to operations, was $278.7 million for the year ended November 30, 2008, compared with $313.4 million in the prior year.

In fiscal 2008, we paid $86.8 million in selling commissions, which were capitalized and amortized for accounting purposes, compared with $154.3 million in 2007. Accordingly, our free cash flow (defined as cash flow from continuing operations less selling commissions paid) was $191.9 million for the year ended November 30, 2008, compared with $159.1 million in the prior year.

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

($ millions) Years ended November 30	**2008**	2007
Payment of dividends	**$ 80.2**	$ 70.2
Repurchase of AGF Class B Non-Voting shares for cancellation	**7.8**	45.5
Acquisitions of subsidiaries	**25.2**	27.7
Purchase of property, equipment and other intangible assets	**6.8**	8.3
Bank credit facility repayment (borrowing)	**36.3**	(104.0)
Investment in Trust Operations (eliminated on consolidation)	**35.0**	86.5
	$ 191.3	$ 134.2

During the year ended November 30, 2008, our revolving term loan balance decreased $36.3 million to $123.7 million. Consolidated cash and cash equivalents of $584.2 million decreased by $243.7 million from November 30, 2007 levels of $827.9 million (2007 – increased by $422.0 million). This was primarily due to investments at AGF Trust of $171.4 million.

On May 26, 2008, the Company, under its current loan agreement, arranged an additional three-year prime-rate-based reducing term loan to a maximum of $60.0 million (Facility 2) to finance share repurchases. This facility was cancelled on November 30, 2008 and no amounts were drawn.

We also have a six-year prime-rate-based revolving term loan facility to a maximum of $300.0 million, of which $170.9 million was available to be drawn as at December 31, 2008. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had $23.9 million of cash as at November 30, 2008. The loan facility will be available to meet future operational and investment needs.

We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Limited Partnership Financing

Prior to 2005, the Company financed certain deferred selling commissions using limited partnerships. The Company is obligated to pay these LPs an annual fee of 0.47% to 0.90% of the net asset value of DSC securities. This obligation will continue as long as such DSC securities remain outstanding except for certain of the LPs, in which case the obligation terminates at various dates from December 31, 2008 to December 31, 2020. For certain LPs, the obligation is secured by the Company's mutual fund management contracts to the extent of the particular obligation.

The Company is responsible for the management and administration of the LPs. These services are provided in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. The amount of fees received in 2008 was $0.3 million (2007 – $0.4 million). As at November 30, 2008, the net asset value of DSC securities financed by the LPs was $0.8 billion (2007 – $1.2 billion).

Contractual Obligations

The table below is a summary of our contractual obligations at November 30, 2008. See also Notes 12 & 26 of the Consolidated Financial Statements.

($ millions)	Total	2009	2010–2011	2012–2013	Thereafter
Long-term debt	$ 144.9	$ 21.2	$ 123.7	$ –	$ –
Operating leases	59.5	9.0	17.2	16.2	17.1
Purchase obligations	19.3	11.4	6.2	1.7	–
Total contractual obligations	$ 223.7	$ 41.6	$ 147.1	$ 17.9	$ 17.1

In addition to the contractual obligations detailed above, the following obligations exist that vary depending upon business volume and other factors:

> AGF Trust is required to pay depositors amounts representing principal and interest on funds on deposit.

> A portion of our selling commissions paid on a DSC basis has been financed by LPs held by third-party investors. As at November 30, 2008, the net asset value of DSC securities financed by the LPs was $0.8 billion and amounts paid to these partnerships in 2008 were $5.2 million.

> We pay trailing commissions to financial advisors based on AUM of their respective clients. This obligation varies based on fund performance, sales and redemptions, and in 2008 we paid $157.2 million in trailing commissions.

> We have committed to 2015 to reimburse Citigroup if minimum levels of services and related fees are not achieved.

> In conjunction with the Elements Advantage Commitment on certain Elements portfolios, AGF has committed to investors that 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 in new units. Payments related to this began in fiscal 2009 for the applicable funds.

Intercompany and Related Party Transactions

The Company has entered into certain transactions with entities or senior officers who are directors of the Company. During 2008, total amounts paid by the Company to these related parties aggregated $0.1 million (2007 – $0.1 million).

Capital Management Activities

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

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

Investment Management Operations – Regulatory Capital

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

AGF Trust – Regulatory Capital

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

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

AGF Trust – Basel II Capital Accord

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

AGF Trust uses the Basic Indicator Approach under the Basel II capital adequacy regime to determine the capital required for operational risk. The Basic Indicator Approach uses gross income as a proxy for the institution's overall operation risk. The capital required for operational risk is determined by multiplying the average of the trailing three years' gross income by a fixed percentage.

Regulatory capital at AGF Trust is detailed as follows:

($ thousands) As at November 30	2008	2007[1]
Tier 1 capital		
Common shares	$ 82,768	$ 82,768
Contributed surplus	1,338	910
Retained earnings	101,432	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(15,567)	–
	233,971	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	19,638	15,277
Less: securitization and other	(8,295)	(26,669)
	120,843	78,108
Total capital	$ 354,814	$ 290,649

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

Dividends

The holders of AGF Class B and Class A 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 (TSX) during the 10 trading days immediately preceding the record date applicable to such dividend.

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

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

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. The announced annual dividend rate effective for March 2009 will be $1.00 per share.

Normal Course Issuer Bid

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

As at November 30, 2008, under this current normal course issuer bid, 1,000,000 Class B shares (2007 – 1,437,800) have been repurchased for a total consideration of $7.8 million (2007 – $45.5 million) at an average price of $7.79 per share (2007 – $31.67).

Outstanding Share Data

Set out below is our outstanding share data as at November 30, 2008. For additional detail, see Notes 16 and 17 to the 2008 Consolidated Financial Statements.

Years ended November 30	2008	2007
Shares		
Class A Voting Common Shares	57,600	57,600
Class B Non-Voting Shares	88,480,104	88,922,157
Stock Options		
Outstanding options	6,576,948	4,268,765
Exercisable options	2,543,337	1,954,284

Government Regulations

AGF Management Limited

AGF Management Limited is incorporated under the laws of the Province of Ontario and is a reporting issuer in each province and territory of Canada. Accordingly, AGF is subject to applicable securities laws in each jurisdiction. In addition, the Class B Non-Voting common shares of AGF are listed for trading on the Toronto Stock Exchange under the trading symbol AGF.B. AGF is also subject to oversight from other government and regulatory agencies.

Investment Management Operations

AGF Funds Inc.

AGF Funds Inc. is registered with the Ontario Securities Commission (OSC) as an investment counsel and portfolio manager and maintains equivalent registrations in each of the other provinces and territories of Canada in which AGFFI carries on business. AGFFI is also registered as a Mutual Fund Dealer, Limited Market Dealer and Commodity Trading Manager in certain jurisdictions and is subject to oversight by the federal and provincial Privacy Commissions and Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

In its capacity as investment counsel and portfolio manager, AGFFI is subject to conflict of interest regulations made pursuant to the Securities Act (Ontario) and certain other provincial and territorial securities legislation. Amongst other things, these regulations impose limitations on the ability of AGFFI to advise or make recommendations with respect to its own securities or securities of a related or connected issuer. AGFFI is also subject to certain restrictions that are imposed by applicable provincial and territorial securities legislation on advertising and sales incentives.

AGF Mutual Funds

To qualify for continuous distribution, each of the mutual funds managed by AGFFI must file each year an annual information form and simplified prospectus in every province and territory of Canada in which it intends to distribute securities. It must also obtain a receipt for the same from provincial and territorial securities regulatory authorities. Certain funds are offered in overseas jurisdictions, each of which has its own filing requirements.

Each mutual fund is managed by AGFFI and as such AGFFI is liable for any misrepresentation in the offering documents of the funds. Pursuant to securities legislation in certain of the provinces and territories of Canada, none of the mutual funds managed by AGFFI can make portfolio investments in substantial security holders of the funds, in AGF or in corporations in which the directors or officers of the funds, or their substantial security holders, have a significant interest.

AGF International Advisors Company Limited

AGF International Advisors Company Limited is incorporated under the laws of the Republic of Ireland and is authorized by the Irish Financial Services Regulatory Authority (IFSRA), under Regulation 11 of the European Communities (Markets in Financial Instruments) Regulations 2007, to provide a range of financial services including the provision of investment advice and the managing of portfolios. As an authorized entity, AGF International Advisors Company Limited is subject to a range of Irish and EU regulations. AGF International Advisors Company Limited also holds an Australian Financial Services Licence granted by the Australian Securities & Investments Commission (ASIC) and is subject to the relevant ongoing requirements of this licence.

AGFIA Limited

AGFIA Limited is a private limited company incorporated under the laws of the Republic of Ireland and is authorized by the Irish Financial Services Regulatory Authority, under Regulation 11 of the European Communities (Markets in Financial Instruments) Regulations 2007, to provide a range of financial services including the provision of investment advice and the managing of portfolios, primarily to institutional accounts. As an authorized entity, AGFIA Limited is subject to a range of Irish and EU regulations. AGFIA Limited is also registered with the OSC as a non-Canadian investment counsel and portfolio manager and is subject to the oversight of the Ontario Privacy Commission and FINTRAC.

AGF Asset Management (Asia) Limited

Established in 1996, AGF Asset Management (Asia) Limited provides investment research and advisory services on Asian markets for AGF mutual funds and other clients. AGF Asset Management (Asia) Limited is regulated by the Monetary Authority of Singapore (MAS) under the Securities and Futures Act. The company holds a Capital Markets Services licence which permits it to offer fund management services to accredited investors. AGF Asset Management (Asia) Limited is required to obtain the prior approval of MAS for any significant change of its members or shareholdings of its members.

AGF Asset Management Group Limited

AGF Asset Management Group Limited, through its subsidiaries, provides investment management and counselling services for institutions, corporations, endowments, foundations, estates and high-net-worth clients. This group includes the operations of Cypress Capital Management Limited, Highstreet Asset Management Inc., Doherty & Associates Limited and Magna Vista Investment Management Limited.

Doherty & Associates Limited (formerly P.J. Doherty & Associates Co. Limited) (Doherty), Highstreet Asset Management Inc. (Highstreet) and Magna Vista Investment Management Limited (formerly AGF Private Investment Management Limited) (Magna) are each registered with the OSC as an Investment Counsel and Portfolio Manager, and maintain equivalent registrations in each of the other provinces and territories of Canada in which they respectively do business. Cypress Capital Management Limited (Cypress) is registered with the British Columbia Securities Commission as a Portfolio Manager (Securities) and maintains equivalent registration in each of the other provinces and territories of Canada in which it does business. Cypress, Doherty, Highstreet and Magna are also registered with the OSC as limited market dealers for the purpose of facilitating the distribution of certain securities to their clients and are subject to oversight by federal and provincial Privacy Commissions and FINTRAC. In addition, Highstreet is registered in Ontario as a Commodity Trading Manager.

AGF Private Investment Advisors Inc. (PIA), a wholly owned subsidiary of Magna Vista Investment Management Limited, is registered as an Investment Advisor with the U.S. Securities and Exchange Commission (SEC). Investment advisor firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called "notice filings". Currently PIA makes filings in each of Connecticut, Florida, Mississippi, New Jersey, New York, Pennsylvania and South Carolina.

Cypress Capital Management U.S. Limited (Cypress U.S.), a wholly owned subsidiary of Cypress Capital Management Limited, is registered as an Investment Advisor with the SEC. Investment advisor firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called "notice filings". Cypress U.S. makes notice filings in Washington State.

AGF Asset Management Group Limited (US) (AMGUS), a wholly owned subsidiary of AGFAM, is registered as an Investment Advisor with the SEC. Investment advisor firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called "notice filings". Currently AMGUS makes no notice filings.

AGF Securities (Canada) Limited
AGF Securities (Canada) Limited is a member of the Investment Industry Regulatory Organization of Canada (IIROC). IIROC is the national self-regulatory organization created through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc. AGF Securities (Canada) Limited is registered as an investment dealer with the securities regulatory authorities in each of Alberta, British Columbia, Ontario and Saskatchewan. AGF Securities (Canada) Limited is also a member of the Canadian Investor Protection Fund and is subject to oversight by the federal and provincial Privacy Commissions and FINTRAC.

AGF Securities Inc.
AGF Securities Inc. is registered as a broker-dealer with the SEC.

Trust Company Operations

AGF Trust Company
AGF Trust Company is incorporated under and governed by the federal Trust and Loan Companies Act (Canada) and is extra-provincially licensed and registered under the applicable legislation in all provinces and territories of Canada. The Trust and Loan Companies Act (Canada) specifies the powers of and imposes investment restrictions on federally regulated trust companies. Most significantly, the legislation provides for regular reports to be filed on the financial condition of the trust company; periodic examinations of the trust company's affairs by appropriate regulatory authorities; restrictions on transactions with related parties; corporate governance provisions; and minimum capital adequacy standards based on the total assets and risk-weighted assets of the trust company. As a federally regulated financial institution, AGF Trust is supervised by the federal Office of the Superintendent of Financial Institutions (OFSI). AGF Trust is also subject to oversight from the Financial and Consumer Agency of Canada, the Privacy Commission of Canada, FINTRAC and other government agencies, including provincial authorities.

AGF Trust is a member of Canadian Deposit Insurance Corporation (CDIC), which provides a statutory scheme for the insurance of certain qualifying deposits made and payable in Canada in Canadian currency. AGF Trust is also a member of the Canadian Payments Association, the Ombudsman for Banking Services and Investments and is an approved Canada Mortgage and Housing Corporation (CMHC) lender.

Fourth Quarter Analysis

Summary of Consolidated Operating Results

The table below highlights our results for the three months ended November 30, 2008 and 2007:

($ millions, except per share amounts) Three months ended November 30	2008	2007	% change
Revenue			
Investment Management Operations	**$ 123.1**	$ 172.9	(28.8%)
Trust Company Operations	**26.6**	23.8	11.8%
Other	**2.5**	2.4	4.2%
	152.2	199.1	(23.6%)
Expenses			
Investment Management Operations	**67.8**	98.3	(31.0%)
Trust Company Operations	**30.4**	13.3	128.6%
	98.2	111.6	(12.0%)
EBITDA[1] (continuing operations)	**54.0**	87.5	(38.3%)
Amortization	**27.6**	30.7	(10.1%)
Interest expense	**1.8**	2.9	(37.9%)
Impairment of asset available for sale	**2.3**	–	n/m
Impairment of goodwill and customer contracts	**46.3**	–	n/m
Non-controlling interest	**0.1**	0.2	n/m
Income taxes	**(4.8)**	4.3	(211.6%)
Net income	**$ (19.3)**	$ 49.4	(139.1%)
Earnings (loss) per share from continuing operations – diluted	**$ (0.21)**	$ 0.54	(138.9%)

[1] As previously defined, see "Key Performance Indicators and Non-GAAP Measures – EBITDA". The items required to reconcile EBITDA to Net Income, a defined term under Canadian GAAP, are detailed above.

Results from Continuing Operations

Revenue for the fourth quarter ended November 30, 2008 decreased $46.9 million, a 23.6% decrease from the same period in 2007. The Investment Management Operations segment declined $49.8 million as a result of a 27.7% decline in average mutual fund AUM levels in the fourth quarter. Revenues in the Trust Company Operations segment increased $2.8 million driven by loan asset growth. Revenues from the Other segment increased 4.2%.

Expenses in the fourth quarter ended November 30, 2008 decreased by $13.4 million over the same period a year ago. Expenses in the Investment Management Operations Segment decreased $30.5 million or 31.0% due primarily to lower performance-based compensation expense resulting from lower sales and AUM levels. The Trust Company Operations segment expenses increased $17.1 million primarily due to loan provision related costs attributed to a revised loan provision methodology. Refer to page 45 of this MD&A for further details.

EBITDA for the quarter ended November 30, 2008, compared with the respective quarter in 2007, was lower predominantly due to lower revenue in the Investment Management Operations segment due to a significant decline in average AUM quarter over quarter.

During the quarter, as a result of the decrease in markets, we recognized a $46.3 million writedown in goodwill and customer contracts. In addition, as a result of an other-than-temporary decline in an investment, we recognized a $2.3 million impairment charge. Refer to page 41 of this MD&A for further details.

Our income tax recovery for the three months ended November 30, 2008 was $4.8 million, as compared with an income tax expense of $4.3 million in the three months ended November 30, 2007.

The impact of the above revenue and expense items resulted in a net loss of $19.3 million in the three months ended November 30, 2008 compared with net income of $49.4 million in fiscal 2007. Excluding the impairment charges, net of tax, of $37.7 million, we had net income of $18.4 million in the quarter. Basic and fully diluted loss per share from continuing operations were $0.21 and $0.21 per share, respectively, in the three months ended November 30, 2008 as compared with earnings of $0.55 and $0.54 per share in 2007. Excluding the impact of the impairment charges, net of tax, basic and fully diluted earnings per share for the quarter were $0.21 and $0.20.

On a diluted per share basis, cash flow from continuing operations for the three months ended November 30, 2008 was $0.65 per share (2007 – $0.99).

Investment Management Operations

Assets Under Management

The following table illustrates the composition of the changes in mutual fund AUM during the three months ended November 30, 2008 and 2007:

($ millions) Three months ended November 30	**2008**	2007	% change
Mutual fund AUM, beginning of period	**$ 26,371**	$ 30,024	(12.2%)
Gross sales of mutual funds	**651**	1,273	(48.9%)
Redemptions of mutual funds	**(1,176)**	(1,150)	2.3%
Net mutual fund sales	**(525)**	123	
Market appreciation (depreciation) of fund portfolios	**(6,085)**	(95)	n/m
Mutual fund AUM, end of period	**$ 19,761**	$ 30,052	(34.2%)
Institutional AUM	**12,802**	19,822	(35.4%)
High-net-worth AUM	**2,995**	3,869	(22.6%)
Total AUM, end of period	**$ 35,558**	$ 53,743	(33.8%)
Average daily mutual fund AUM for the period	**$ 21,682**	$ 29,995	(27.7%)

During the three months ended November 30, 2008, the Canadian-dollar-adjusted S&P 500 Index declined 18.0%, the Canadian-dollar-adjusted NASDAQ Index declined 24.4% and the S&P/TSX Composite Index declined 32.1%.

The impact of the U.S. dollar appreciation relative to the Canadian dollar on the market value of AGF mutual funds since August 31, 2008 has been an increase in AUM of approximately $0.6 billion (2007 – decrease of $0.3 billion).

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the three months ended November 30, 2008 and 2007:

($ millions) Three months ended November 30	2008	2007	% change
Revenue			
Net management and advisory fees	**$ 119.6**	$ 163.6	(26.9%)
Deferred sales charges	**7.0**	5.4	29.6%
Investment income and other revenue	**(3.5)**	3.9	(189.7%)
	123.1	172.9	(28.8%)
Expenses			
Selling, general and administrative	**31.3**	48.1	(34.9%)
Trailing commissions	**33.0**	45.1	(26.8%)
Investment advisory fees	**3.5**	5.1	(31.4%)
	67.8	98.3	(31.0%)
EBITDA[1]	**55.3**	74.6	(25.9%)
Amortization	**26.7**	30.1	(11.3%)
Impairment of asset available for sale	**2.3**	–	n/m
Impairment of goodwill and customer contracts	**46.3**	–	n/m
Income before taxes and non-segmented items	**$ (20.0)**	$ 44.5	(144.9%)

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

Trust Company Operations

Financial and Operational Results

The table below highlights the results for the three months ended November 30, 2008 and 2007:

($ millions) Three months ended November 30	2008	2007	% change
Interest income			
Loan interest	**$ 67.0**	$ 63.0	6.3%
Investment interest	**7.0**	8.9	(21.4%)
	74.0	71.9	2.9%
Interest expense			
Deposit interest	**51.0**	42.0	21.4%
Other interest expense	**(0.5)**	8.7	(105.8%)
	50.5	50.7	(0.4%)
Net interest income	**23.5**	21.2	10.9%
Other revenue	**3.7**	3.2	15.6%
Securitization gains and related items	**(0.6)**	(0.6)	0.0%
Total revenue	**26.6**	23.8	11.8%
Expenses			
Selling, general and administrative	**9.9**	9.9	0.0%
Provision for loan losses	**20.5**	3.4	502.9%
	30.4	13.3	128.6%
EBITDA[1]	**(3.8)**	10.5	(136.2%)
Amortization	**0.9**	0.7	28.6%
Income before taxes and non-segmented items	**$ (4.7)**	$ 9.8	(148.0%)

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

Selected Quarterly Information

($ millions, except per share amounts) For the three-month period ended	Nov. 30, 2008	Aug. 31, 2008	May 31, 2008	Feb. 29, 2008
Revenue (continuing operations)	$ 152.2	$ 184.7	$ 194.3	$ 194.3
Cash flow from continuing operations[1]	58.7	66.2	71.5	82.3
EBITDA (continuing operations)[2]	54.0	81.5	88.6	89.5
Pre-tax income (loss) (continuing operations)	(24.1)	51.3	57.9	56.6
Net income (loss)	(19.3)	41.1	44.0	62.7
Earnings (loss) per share				
Basic	$ (0.21)	$ 0.46	$ 0.49	$ 0.70
Diluted	$ (0.21)	$ 0.46	$ 0.49	$ 0.70
Weighted average basic shares	89,446,562	89,451,578	89,349,275	89,039,394
Weighted average fully diluted shares	90,679,048	89,870,475	89,785,796	89,807,506

($ millions, except per share amounts) For the three-month period ended	Nov. 30, 2007	Aug. 31, 2007	May 31, 2007	Feb. 28, 2007
Revenue (continuing operations)	$ 199.1	$ 199.2	$ 204.9	$ 177.0
Cash flow from operations[1]	90.7	69.7	84.4	68.7
EBITDA (continuing operations)[2]	87.5	91.3	98.0	80.4
Pre-tax income (continuing operations)	53.9	57.3	63.3	49.1
Net income	49.4	39.4	53.6	36.3
Earnings per share				
Basic	$ 0.55	$ 0.44	$ 0.60	$ 0.41
Diluted	$ 0.54	$ 0.43	$ 0.59	$ 0.40
Weighted average basic shares	90,200,924	90,299,033	89,798,419	89,474,827
Weighted average fully diluted shares	91,566,659	91,847,103	91,316,967	90,640,734

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

[2] As previously defined, see "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

Selected Annual Information

($ millions, except per share amounts) Years ended November 30	**2008**	2007	2006
Revenue (continuing operations)	**$ 725.6**	$ 780.3	$ 607.2
Cash flow from continuing operations[1]	**278.7**	313.4	214.2
EBITDA (continuing operations)[2]	**313.7**	357.2	248.5
Pre-tax income	**141.8**	222.6	113.7
Net income (continuing operations)	**128.6**	175.9	102.1
Earnings per share (continuing operations)			
Basic	**$ 1.44**	$ 1.96	$ 1.15
Diluted	**$ 1.41**	$ 1.93	$ 1.14
Cash flow from continuing operations			
Basic	**$ 3.12**	$ 3.48	$ 2.40
Diluted	**$ 3.05**	$ 3.43	$ 2.38
Dividends per share	**$ 0.95**	$ 0.78	$ 0.69
Total assets	**$ 6,534.0**	$ 5,876.8	$ 3,919.8
Total long-term debt	**$ 123.7**	$ 184.5	$ 56.0

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

[2] As previously defined, see "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

Additional Information

Additional information relating to the Company can be found in the Company's Consolidated Financial Statements and accompanying notes for year ended November 30, 2008, the Company's 2008 AIF and other documents filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TORONTO, JANUARY 28, 2009

The accompanying consolidated financial statements of AGF Management Limited (the Company) were prepared by management, which is responsible for the integrity and fairness of the information presented, including the amounts based on estimates and judgements. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. Financial information appearing throughout this Annual Report is consistent with these consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, management maintains internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is supported by a compliance function, which ensures that the Company and its employees comply with securities legislation and conflict of interest rules, and by an internal audit staff, which conducts periodic audits of all aspects of the Company's operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is comprised entirely of independent directors. This Committee reviews the consolidated financial statements of the Company and recommends them to the Board for approval.

PricewaterhouseCoopers, independent auditors appointed by the shareholders of the Company upon the recommendation of the Audit Committee, has performed an independent audit of the consolidated financial statements, and its report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Blake Golding

Blake C. Goldring, M.S.M., CFA
Chairman & Chief Executive Officer

G. Henderson

Gregory J. Henderson, CA
Senior Vice-President & Chief Financial Officer

AUDITORS' REPORT

JANUARY 28, 2009

To the Shareholders of AGF Management Limited:

We have audited the consolidated balance sheet of **AGF Management Limited** as at November 30, 2008 and 2007 and the consolidated statement of income, changes in shareholders' equity, comprehensive income and cash flow for each of the years in the two-year period ended November 30, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two-year period then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada

($ thousands) November 30	2008	2007
Assets		
Current assets		
Cash and cash equivalents	**$ 584,168**	$ 827,874
Investments available for sale (note 2)	**188,435**	26,149
Accounts receivable and prepaid expenses	**78,403**	93,141
Current portion of retained interest from securitization (note 3)	**5,487**	7,501
Real estate secured and investment loans due within one year (note 8(a))	**606,844**	492,756
	1,463,337	1,447,421
Retained interest from securitization (note 3)	**39,460**	43,424
Real estate secured and investment loans (note 8(a))	**3,824,006**	3,187,605
Investment in associated company (note 2)	**98,338**	102,600
Management contracts (note 9)	**504,269**	504,269
Customer contracts, net of accumulated amortization and impairment (note 9)	**18,783**	65,805
Goodwill, net of impairment (note 9)	**172,985**	180,058
Trademarks (note 9)	**1,935**	1,935
Deferred selling commissions, net of accumulated amortization	**304,406**	315,275
Property, equipment and computer software, net of accumulated amortization (note 10)	**19,423**	20,812
Other assets (note 11)	**87,017**	7,608
Total assets	**$ 6,533,959**	$ 5,876,812

($ thousands) November 30	2008	2007
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 306,834**	$ 261,115
Future income taxes (note 15)	**26,240**	48,304
Long-term debt due within one year (note 12)	**21,171**	25,611
Deposits due within one year (note 8(d))	**2,486,635**	1,847,494
	2,840,880	2,182,524
Deposits (note 8(d))	**2,275,426**	2,235,848
Long-term debt (note 12)	**123,740**	184,486
Future income taxes (note 15)	**171,293**	202,923
Other long-term liabilities (note 13)	**14,995**	1,638
Total liabilities	**5,426,334**	4,807,419
Non-controlling interest (note 5)	**203**	391
Shareholders' equity		
Capital stock (note 16)	**431,897**	421,923
Contributed surplus	**17,127**	14,948
Retained earnings	**676,190**	635,369
Accumulated other comprehensive loss	**(17,792)**	(3,238)
Total shareholders' equity	**1,107,422**	1,069,002
Total liabilities and shareholders' equity	**$ 6,533,959**	$ 5,876,812

Commitments (note 26)
Guarantees (note 27)
Contingent liabilities (note 28)

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

Approved by the Board:

Blake C. Goldring, M.S.M., CFA
Director

Douglas L. Derry, FCA
Director

($ thousands) Years ended November 30	2008	2007
Revenue		
Management and advisory fees	**$ 576,761**	$ 646,462
Deferred sales charges	**25,591**	20,381
Gain on sale of RSP loan securitization and related income (loss), net of impairment	**(279)**	10,769
Investment income and other	**26,624**	24,485
	628,697	702,097
Trust Company interest income (note 22)	**302,981**	236,685
Trust Company interest expense (note 22)	**(206,108)**	(158,462)
Trust Company net interest income	**96,873**	78,223
Total revenue	**725,570**	780,320
Expenses		
Selling, general and administrative	**209,326**	226,730
Trailing commissions	**157,161**	169,587
Investment advisory fees	**15,034**	15,850
Amortization of deferred selling commissions	**98,064**	107,960
Amortization of customer contracts	**7,791**	7,837
Amortization of property, equipment and computer software	**8,142**	8,030
Interest expense	**9,252**	9,895
Provision for Trust Company loan losses	**30,374**	10,995
Impairment of asset available for sale (note 2)	**2,286**	–
Impairment of goodwill and customer contracts (note 9)	**46,305**	–
	583,735	556,884
Income from continuing operations before income taxes and non-controlling interest	**141,835**	223,436
Income tax expense (reduction)		
Current (note 15)	**63,504**	36,436
Future (note 15)	**(50,818)**	10,253
	12,686	46,689
Non-controlling interest (note 5)	**557**	881
Net income from continuing operations for the year	**128,592**	175,866
Loss on dissolution of Limited Partnerships, net of tax (note 7)	**–**	(2,128)
Gain on sale of discontinued operations, net of tax (note 4)	**–**	4,702
Net income from discontinued operations, net of tax (note 4)	**–**	247
Net income for the year	**$ 128,592**	$ 178,687
Earnings per share (note 18)		
Basic from continuing operations	**$ 1.44**	$ 1.96
Diluted from continuing operations	**$ 1.41**	$ 1.93
Basic	**$ 1.44**	$ 1.99
Diluted	**$ 1.41**	$ 1.96

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

($ thousands) Years ended November 30	2008	2007
Common shares		
Balance, beginning of year	**$ 421,923**	$ 403,566
Issued through dividend reinvestment plan	**4,618**	3,614
Stock options exercised	**5,121**	14,688
Issued on acquisition of Highstreet Partners Ltd. (note 5)	**5,116**	5,672
Issued for Cypress contingent consideration (note 6)	**–**	1,200
Purchased for cancellation (note 16(c))	**(4,881)**	(6,817)
Balance, end of year	**431,897**	421,923
Contributed surplus		
Balance, beginning of year	**14,948**	10,470
Stock options	**2,179**	4,478
Balance, end of year	**17,127**	14,948
Retained earnings		
Balance, beginning of year	**635,369**	565,576
Transitional adjustment on adoption of new accounting policies (note 1)	**–**	(25)
Balance, beginning of year, as restated	**635,369**	565,551
Net income	**128,592**	178,687
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	**(84,860)**	(70,151)
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation (note 16(c))	**(2,911)**	(38,718)
Balance, end of year	**676,190**	635,369
Accumulated other comprehensive income (loss)		
Balance, beginning of year	**(3,238)**	159
Transitional adjustment on adoption of new accounting policies	**–**	3,633
Other comprehensive loss	**(14,554)**	(7,030)
Balance, end of year	**(17,792)**	(3,238)
Total shareholders' equity	**$ 1,107,422**	$ 1,069,002

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

($ thousands) Years ended November 30	2008	2007
Net income	**$ 128,592**	$ 178,687
Other comprehensive income (losses), net of tax		
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations[1]	**(7,188)**	(9,157)
Reclassification of realized gain to earnings	**–**	(12)
	(7,188)	(9,169)
Net unrealized gains (losses) on available for sale securities		
Unrealized gains (losses)[2]	**(9,428)**	2,421
Reclassification of realized loss or other-than-temporary impairment to earnings	**2,077**	–
	(7,351)	2,421
Net unrealized gains (losses) on cash flow hedge		
Unrealized gains (losses)[3]	**(945)**	(282)
Reclassification of realized loss on cash flow hedge	**930**	–
	(15)	(282)
Total other comprehensive income (loss), net of tax	**$ (14,554)**	$ (7,030)
Comprehensive income	**$ 114,038**	$ 171,657

[1] Net of income tax reduction of $1.2 million for the year ended November 30, 2008. Net of income tax reduction of $0.6 million for the year ended November 30, 2007.

[2] Net of income tax reduction of $2.1 million for the year ended November 30, 2008. Net of income tax expense of $0.6 million for the year ended November 30, 2007.

[3] Net of income tax reduction of $0.5 million for the year ended November 30, 2008. Net of income tax reduction of $0.1 million for the year ended November 30, 2007.

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

($ thousands) Years ended November 30	2008	2007
Operating Activities		
Net income	**$ 128,592**	$ 178,687
Loss on dissolution of limited partnerships, net of tax	–	2,128
Gain on sale of discontinued operations, net of tax	–	(4,702)
Earnings from discontinued operations, net of tax	–	(247)
Net income from continuing operations	**128,592**	175,866
Items not affecting cash		
Amortization	**113,997**	123,827
Future income taxes	**(50,818)**	10,253
Gain on sale of RSP loan securitization and related income (loss), net of impairment	**279**	(10,769)
Provision for AGF Trust loan losses	**30,374**	10,995
Impairment of asset available for sale	**2,286**	–
Impairment of goodwill and customer contracts	**46,305**	–
Stock-based compensation (note 17)	**5,548**	6,737
Other	**2,121**	(3,474)
	278,684	313,435
Net change in non-cash working capital balances related to operations (note 21)	**72,719**	86,676
Net cash provided by continuing operating activities	**351,403**	400,111
Net cash used in discontinued operating activities	–	(1,271)
Net cash provided by operating activities	**351,403**	398,840
Financing Activities		
Purchase of Class B Non-Voting Shares for cancellation	**(7,792)**	(45,532)
Issuance of Class B Non-Voting Shares	**2,483**	18,302
Dividends	**(80,242)**	(70,151)
Increase (decrease) in bank loan	**(36,152)**	104,000
Net increase in AGF Trust deposits	**601,574**	1,598,363
Net cash provided by financing activities	**479,871**	1,604,982
Investing Activities		
Deferred selling commissions paid	**(86,791)**	(154,254)
Proceeds of RSP loan securitization	–	252,878
Acquisition of subsidiaries, net of cash acquired	**(25,224)**	(27,673)
Proceeds of sale of discontinued operations	–	2,747
Purchase of property, equipment and computer software	**(6,753)**	(8,328)
Other investment activities	**(174,838)**	(3,222)
Net increase in AGF Trust real estate secured and investment loans	**(781,374)**	(1,644,003)
Net cash used in investing activities	**(1,074,980)**	(1,581,855)
Increase (decrease) in cash and cash equivalents during the period	**(243,706)**	421,967
Balance of cash and cash equivalents, beginning of year	**827,874**	405,907
Balance of cash and cash equivalents, end of year	**$ 584,168**	$ 827,874
Represented by:		
Cash and cash equivalents	**$ 23,927**	$ 36,601
AGF Trust cash and cash equivalents	**560,241**	791,273
	$ 584,168	$ 827,874

For supplemental cash flow information, see Note 21.

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

Description of Business

AGF Management Limited (AGF or the Company) is incorporated under the Business Corporations Act (Ontario). The Company is an integrated, global wealth management corporation whose principal subsidiaries provide investment management for mutual funds, institutions and corporations, as well as high-net-worth clients; and trust products and services (including real estate secured loans and investment loans and Guaranteed Investment Certificates (GICs)). The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Elements and Harmony (collectively, AGF Funds). The Company conducts its trust business under the name AGF Trust Company (AGF Trust).

Note 1 Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Consolidated Financial Statements include the accounts of the Company and its directly and indirectly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation. For subsidiaries where the Company does not own all of the equity, the minority shareholders' interest is disclosed in the Consolidated Balance Sheet as non-controlling interest and the related income is disclosed as a separate line in the Consolidated Statement of Income. Investments over which the Company is able to exercise significant influence are accounted for by the equity method.

The principal subsidiaries of AGF are:

- AGF Funds Inc.
- AGF Asset Management Group Limited
- AGF International Advisors Company Limited
- AGFIA Limited
- AGF Asset Management Asia Limited
- Magna Vista Investment Management Limited
- Doherty & Associates Limited
- Cypress Capital Management Limited
- Highstreet Asset Management Inc.
- AGF Trust Company
- AGF Securities (Canada) Limited
- 20/20 Financial Corporation

In addition, the Company holds a 30.4% interest in Smith & Williamson Holdings Limited (S&WHL), an independent U.K.-based company providing private client investment management, financial advisory and tax and accounting services. This investment is accounted for using the equity method.

Significant Accounting Changes

Capital Disclosures

Effective December 1, 2007, the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures" was adopted. The standard requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not have any impact on the financial position or earnings of the Company. Refer to Note 23 for disclosure.

Financial Instruments Disclosures and Presentation

Effective December 1, 2007, the accounting and disclosure requirements of the CICA's two new accounting standards, "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation" were adopted. The new standards enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. The standards require additional disclosure surrounding risks related to financial instruments and the management of those risks. The new standards did not have any impact on the financial position or earnings of the Company. Refer to Note 24 for disclosure.

Prior Year Changes in Accounting Policies

On December 1, 2006, the Company adopted three new accounting standards: (i) CICA Handbook Section 1530 Comprehensive Income, (ii) Section 3855 Financial Instruments – Recognition and Measurement and (iii) Section 3865 Hedges. The new standards require all financial assets and financial liabilities to be carried at fair value in the Consolidated Balance Sheet, except the following, which are carried at amortized cost unless designated as held for trading upon initial recognition: loans and receivables, securities designated as held-to-maturity and non-trading financial liabilities.

The methods used by the Company in determining the fair value of financial instruments were unchanged as a result of implementing these new accounting standards.

As a result of these changes, the Company recorded a net reduction of less than $0.1 million to opening retained earnings in 2007. The adoption of these new accounting policies did not have a material impact on the Company's results from operations for fiscal 2007.

Financial Instruments

In accordance with Section 3855, financial assets and financial liabilities are initially recognized at fair value. Measurement in subsequent periods is dependent upon the classification of each instrument. The standard requires that all financial assets be classified as either held for trading (HFT), available for sale (AFS), held to maturity (HTM) or loans and receivables. Financial liabilities are classified as trading or other.

AFS assets are initially recorded at fair value on the settlement date in the balance sheet and are remeasured at fair value with unrealized gains and losses, including changes in foreign exchange rates, recognized in other comprehensive income (OCI) until the financial asset is disposed of or becomes permanently impaired. Transaction costs related to AFS are capitalized.

HFT assets are initially recorded at fair value on the settlement date in the balance sheet and are remeasured at fair value, with the changes in fair value reported in earnings. Transaction costs related to HFT securities are expensed as incurred.

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Transaction costs related to loans and receivables, deposits and other financial liabilities are generally capitalized and are then amortized using the effective interest method.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgements – often about matters that are inherently uncertain – are loan loss provisions, goodwill and intangible assets using estimates of future cash flows, as well as the provision for useful lives of depreciable assets, commitments and contingencies, fund absorption costs, income tax provisions, valuation of retained interest from securitization, stock-based compensation, Elements Advantage commitment, performance share unit plan expense and the recoverability of property, equipment and computer software. The Company has made investments in companies or businesses, some of which have experienced operating losses. Significant changes in the assumptions, including those about future business plans and cash flows, could change the recorded amounts by a material amount. Any further operating losses of these investees could result in impairment of these investments.

Assets Under Management

The Company manages and provides advisory services in respect of mutual fund and other investment assets owned by clients and third parties that are not reflected on the Consolidated Balance Sheet.

Consolidation of Variable Interest Entities

CICA AcG 15, "Consolidation of Variable Interest Entities" (VIE) provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. An entity is a VIE when, by design, one or both of the following conditions exist: (a) total equity investment at risk is insufficient to permit the entity to finance its activities without additional subordinated support from others; (b) as a group, the holders of the equity investment at risk lack certain essential characteristics of a controlling financial interest.

The Company has reviewed its relationships, including mutual funds managed, and determined that there are no entities whose financial results would be required to be included or disclosed in the consolidated results for the years ended November 30, 2008 and 2007.

Cash and Cash Equivalents

Cash represents highly liquid temporary deposits with short-term maturities. Cash equivalents are comprised of commercial paper, bank sponsored asset-backed commercial paper (ABCP), bank deposit notes, reverse re-purchase agreements, bankers' acceptances (BAs) and floating-rate notes with short-term maturities.

Accounting for Securitizations

The Company has securitized certain Registered Retirement Savings Plan (RSP) loans through the sale of these loans to a securitization trust. For a securitization to be treated as a sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership, and the Company must receive consideration other than the beneficial interest in the transferred assets.

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, classified as AFS, are carried at fair value, 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. In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows, then the gains or losses on the securitization recognized in income will be adjusted.

Gains and losses on sale and servicing fee revenues related to the securitization loan are reported within "Gain on sale of RSP loan securitization and related income (loss), net of impairment" in the Consolidated Statement of Income. Where a servicing liability is recognized, the amount is recorded in Other Liabilities in the Consolidated Balance Sheet.

Retained interests are tested regularly for other-than-temporary impairment and, if required, the retained interest's carrying value is reduced to fair value by a charge in the Consolidated Statement of Income.

Refer to Note 3 for additional disclosure regarding the securitizations and related balance sheet and income statement impacts.

Real Estate Secured Loans and Investment Loans

Real estate secured loans and investment loans are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method and net of an allowance for loan losses. Interest income from loans is recorded on an accrual basis. Accrued but uncollected interest on uninsured real estate secured loans and investment loans is reversed when a loan is identified as impaired. Principal payments on the real estate secured loans and investment loans that are contractually due to the Company in the 12-month period from the balance sheet date are classified as current assets.

Fees that relate to the origination of loans are considered to be adjustments to loan yield and are deferred and amortized to interest income over the expected term of the loans.

Allowance for Loan Losses

The allowance for loan losses consists of both general allowances and specific allowances. General allowances are based on management's assessment of inherent, unidentified losses in the portfolio at the reporting date that have not been captured in the determination of specific allowances. The assessment takes into account portfolio-specific credit factors, general economic factors, geographic exposure, historical loss experience, as well as probability of default (PD) and loss given default (LGD) pairs.

Specific allowances consist of provision for losses on identifiable assets for which the estimated amounts recoverable are less than their carrying value and are designed to provide against the likelihood of losses for loans that are deemed to be impaired.

Specific allowances also include estimated provisions for losses on identifiable assets that are currently 1–90 days in arrears and are likely to become impaired based on a combination of historical average roll rates and LGD for a given loan portfolio.

Impaired Loans

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

When a loan is identified as impaired, the carrying amount of the loan is reduced to its estimated realizable value. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loan are credited to the provision for loan losses in the Consolidated Statement of Income. Where a portion of the loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis when there is no longer any reasonable doubt about the collectability of principal or interest. Interest income is recognized on impaired loans on a cash basis only after the specific allowance for losses has been reversed and provided there is no further doubt as to the collectability of the principal. Full or partial writeoffs of loans are recorded when management believes there is no realistic prospect of full recovery.

Goodwill, Management Contracts and Trademarks

The purchase price of acquisitions accounted for under the purchase method and the purchase price of investments accounted for under the equity method are allocated based on the fair values of the net identifiable assets acquired, including management contracts and other identifiable intangible assets. The excess of the purchase price over the values of such assets is recorded as goodwill. Management contracts and trademarks have been determined to have an indefinite life.

Goodwill, management contracts and trademarks are not amortized but are subject to impairment tests on an annual basis or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is allocated to the reporting units and any impairment is identified by comparing the carrying value of a reporting unit with its fair value. If any impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit. Management contracts and trademarks are tested for impairment by comparing their fair value to their carrying amounts. An impairment loss is realized when the carrying amount of the asset exceeds its fair value.

Customer Contracts

Customer contracts are stated at cost, net of accumulated amortization and impairment, if any. Amortization is computed on a straight-line basis over seven to 15 years based on the estimated useful lives of these assets.

Deferred Selling Commissions

Selling commissions paid to brokers on mutual fund securities sold on a deferred sales charge (DSC) basis are recorded at cost and are amortized on a straight-line basis over a period that corresponds with the applicable DSC schedule (which ranges from three to seven years). Unamortized deferred selling commissions are written down to the extent that the carrying value exceeds the expected future revenue on an undiscounted basis. As at November 30, 2008 and 2007, no impairment losses were required.

Property, Equipment and Computer Software

Property, equipment and computer software, which is comprised of furniture and equipment, computer hardware, computer software and leasehold improvements is stated at cost, net of accumulated amortization and impairment, if any. Amortization is calculated using the following methods based on the estimated useful lives of these assets:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance
Leasehold improvements	straight-line over term of lease
Computer software	straight-line over 3 years

Impairment of Long-lived Assets

Impairment of long-lived assets, which includes property, equipment and computer software and intangible assets with finite useful lives, is recognized when an event or change in circumstance causes the assets' carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. The measurement of impairment loss is based on the amount that the carrying value exceeds the fair value. During 2008, the Company recognized an impairment loss on its customer contracts. Refer to Note 9 for further disclosure.

Disposal of Long-lived Assets and Discontinued Operations

Long-lived assets to be disposed of by sale are measured at the lower of their carrying amount or fair value less cost to sell, and are not depreciated while classified as held for sale. During 2007, the Company sold its wholly-owned subsidiary Investmaster Holdings Limited (Investmaster). Refer to Note 4 for further disclosure.

Derivatives

Derivative instruments are used to manage the Company's exposure to interest rate risks and to increases in compensation costs arising from certain share-based compensation. 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. 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. Where hedge accounting cannot be applied, changes in fair value are recognized in the Consolidated Statement of Income.

Fair Value Hedges

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 and other. 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 and other, 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 income over the remaining period to maturity on an effective yield basis. 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 and other. Refer to Note 11 for disclosure.

Cash Flow Hedges

Cash flow hedges are used to hedge the changes in fair value related to certain compensation costs (Notes 13 and 17(c)). The effective portion of the change in fair value of the derivative instruments, net of taxes, is recognized in OCI, while the ineffective portion is recognized in net income.

Effective September 1, 2008, the Company has discontinued hedge accounting on its swaps related to share-based compensation.

AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. Four of these portfolios include the Elements Advantage Commitment, which is a commitment to the investor that if their portfolio does not match or outperform its customized benchmark over a three-year period, AGF will provide each individual investor up to 90 basis points in additional units. This will be calculated based on the value of such investment at the end of its related three-year period.

The Company records in liabilities up to 30 basis points per year of each investor's AUM, adjusted for redemptions, until the end of the three-year measurement period of each investment made by such investor. At that time, if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of additional units. As of November 30, 2008, the Company has recorded a liability of $7.8 million (2007 – $6.1 million).

Deposits

Deposits are primarily comprised of GICs that require the Company to pay a fixed interest rate until the maturity date of the certificate. Deposits are classified as current liabilities and other liabilities, depending on the time to maturity, and are carried at amortized cost using the effective interest method.

GICs that mature in the 12-month period following the balance sheet date are classified as current liabilities.

Revenue Recognition

Management and advisory fees are based on the net asset value of funds under management and are recognized on an accrual basis. These fees are shown net of management fee rebates and distribution fees payable to third-parties and selling-commission financing entities.

Deferred sales charge (DSC) revenue is received from investors when mutual fund securities sold on a DSC basis are redeemed. DSC revenue is recognized on the trade date of redemption of the applicable mutual fund securities.

Net interest income on real estate secured and investment loans, dividends and other investment income earned are recognized on an accrual basis in the period earned.

Stock-based Compensation and Other Stock-based Payments

The Company has stock-based compensation plans as described in Note 17. The Company utilizes the fair-value-based method of accounting for stock-based compensation. The fair value of stock-based compensation, determined using an option pricing model, is recorded over the vesting period as a charge to net earnings with a corresponding credit to contributed surplus.

The Company also has a share purchase plan under which employees can have a percentage of their annual earnings withheld subject to a maximum of 6% to purchase AGF's Class B Non-Voting shares (Class B shares). The Company matches up to 60% of the amounts contributed by the employee. The Company's contribution vests immediately and is recorded as a charge to net income in the period in which the cash contribution is made. All contributions are used by the plan trustee to purchase Class B shares on the open market.

The Company has a Restricted Share Unit (RSU) plan for senior employees under which certain employees are granted RSUs of Class B shares. These units vest three years from the grant date. AGF will redeem all of the participants' share units in cash equal to the value of one Class B share for each RSU. Compensation expense and the related liability are recorded equally over the three-year vesting period, taking into account fluctuations in the market price of Class B shares, dividends paid and forfeitures.

The Company has a Performance Share Unit (PSU) plan for senior employees under which certain employees are granted PSUs of Class B shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account the likelihood of the performance criteria being met, fluctuations in the market price of Class B shares, dividends paid and forfeitures. These units vest three years from the grant date provided the employees meet certain performance criteria. AGF will redeem all of the participants' share units in cash equal to the value of one Class B share for each PSU.

The Company has a Deferred Share Unit (DSU) plan for non-employee Directors. The plan enables Directors of the Company to elect to receive their remuneration in DSUs. These units vest immediately and compensation expense and the related liability are charged to net income in the period the DSUs are granted. On termination, AGF will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Foreign currency income and expenses are translated at average exchange rates prevailing throughout the year. Unrealized translation gains and losses and all realized gains and losses are included in other non-operating expenses, except for available for sale securities where unrealized translation gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

Financial statements of integrated foreign subsidiaries are translated using the temporal method. Under this method, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates for the period, except for amortization which is translated on the same basis as the related asset. Translation gains and losses are included in net income.

Investments in foreign associated companies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized translation gains and losses are reported in other comprehensive income.

Income Taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are expected to be in effect when the future income tax assets or liabilities are expected to be realized or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Earnings Per Share

Basic earnings per share are calculated by dividing net income applicable to common shares by the daily weighted average number of shares outstanding. Diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding during the year had all potential common shares been issued at the beginning of the year, or when other potentially dilutive instruments were granted or issued, if later.

The treasury stock method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options to acquire shares.

Future Accounting Changes

Goodwill, Intangible Assets and Financial Statement Concepts

The CICA has issued a new accounting standard, "Section 3064, Goodwill and Intangible Assets", which the Company adopted on December 1, 2008. The standard clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. "Section 1000, Financial Statements Concepts" was also amended to provide consistency with Section 3064. These standards are not expected to have a material effect on the financial position or earnings of the Company.

Conversion to International Financial Reporting Standards in Fiscal 2012

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2012 starting December 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Company's processes and financial results. The Company is currently in the planning phase of the conversion. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Currently, it is not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and the interpretations of those standards are changing.

Note 2 Investments Available for Sale and Investment in S&WHL

(a) The following table presents a breakdown of available for sale investments, excluding retained interest from securitization:

($ thousands) November 30	2008	2007
Trust:		
Canadian government debt		
Federal	**$ 10,233**	$ –
Provincial	**45,767**	–
Deposits with regulated institutions	**83,498**	–
Other	**28,992**	372
	168,490	372
Investment Management:		
Canadian government debt		
Federal	**294**	277
AGF mutual funds and other	**15,013**	15,146
Equity securities	**4,638**	10,354
	19,945	25,777
	$ 188,435	$ 26,149

During the year ended November 30, 2008, the Company determined that a decline in the fair value of an investment in a publicly held company was other than temporary. As a result, the Company recognized an impairment charge of $2.3 million before tax ($2.0 million after tax).

(b) The Company holds a 30.4% investment in S&WHL accounted for using the equity method. At November 30, 2008, the carrying value was $98.3 million (2007 – $102.6 million). During the 12 months ended November 30, 2008, the Company recognized $10.3 million (2007 – $8.5 million) in revenue and received $6.4 million in dividends (2007 – $5.5 million) from S&WHL.

Note 3 Securitization of AGF Trust Loans

On March 30, 2007, AGF Trust securitized $263.6 million of RSP loans. Cash flows of $252.9 million were received on the securitization and a gain of $8.0 million was recorded, net of transaction fees of $0.1 million. As at November 30, 2008, $166.6 million (2007 – $291.1 million) of securitized loans were outstanding.

During the year ended November 30, 2008, as a result of the extended disruption in the market for asset-backed commercial paper (ABCP) issued by securitization trusts, AGF Trust revised its assumptions regarding the excess spread it will earn on its retained interests in securitization. AGF Trust is exposed to the increased costs of ABCP, as the interest expense incurred by the securitization trust on commercial paper issued to fund the purchase of assets directly impacts the amount of residual interest earned by the retained interests. As a result of decreasing AGF Trust's estimate of the future difference between the rates on ABCP and the rates on the related RSP loans, and due to the higher actual rates paid to ABCP holders during the year, AGF Trust wrote down the value of the retained interest-only strip by approximately $4.7 million (2007 – $1.9 million) as an other-than-temporary impairment.

The Company has recorded retained interest of $44.9 million (2007 – $50.9 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at $12.4 million (2007 – $20.4 million), ii) cash collateral of $12.0 million (2007 – $11.3 million) and iii) over-collateralization of $20.5 million (2007 – $19.2 million).

As at November 30, 2008, the impaired loans included in the securitized balances were equal to $0.2 million (2007 – $0.7 million), and during the 12 months ended November 30, 2008, $2.8 million (2007 – $2.1 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust is limited to the retained interests. For the 12 months ended November 30, 2008, cash flows of $7.8 million (2007 – $18.0 million) were received on the securitized loans, of which none (2007 – $6.7 million) related to the over-collateralization and $7.8 million (2007 – $11.3 million) related to the interest-only strip. The total other expense recognized from securitization during the 12 months ended November 30, 2008 was $0.3 million (2007 – $4.7 million income), net of securitization writedown.

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

Excess spread	3.7%–3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	1.0%–1.2%
Prepayment rate	16.3%–18.3%
Expected weighted average life of RSP loans	2 years

AGF Trust retained servicing responsibilities for the securitized loans. A servicing liability of $1.1 million was recorded as at November 30, 2008 (2007 – $1.8 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the 12 months ended November 30, 2008 was $0.7 million (2007 – $0.9 million).

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at November 30, 2008. Since the sensitivity is hypothetical, it should be used with caution. The effect of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

($ thousands)	Impact on fair value of retained interests
Discount rate	
+10%	$ (109)
+20%	(216)
Prepayment rate	
+10%	$ (208)
+20%	(404)
Expected credit losses	
+10%	$ (328)
+20%	(657)
Excess spread	
–10%	$ (997)
–20%	(1,966)

Note 4 Discontinued Operations

On April 30, 2007, AGF sold 100% of Investmaster for $6.8 million recognizing a gain on the sale of $4.7 million. The purchase consideration included $5.0 million in cash and two notes receivable from the buyer. The two notes receivable, totalling $1.8 million at the time of sale, are included in accounts receivable and in other assets and are due on April 30, 2009, and April 30, 2010. Additional contingent consideration will be payable to AGF in 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster.

Accordingly, Investmaster's operations for the 2007 period have been reported as discontinued operations.

($ thousands, except per share amounts) Year ended November 30	2007
Revenue	$ 4,342
Net earnings from discontinued operations, net of tax	247
Basic net earnings per share	–
Diluted net earnings per share	–

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

($ thousands) Year ended November 30	2007
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

Note 5 Acquisition of Highstreet Partners Ltd.

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Ltd. (Highstreet), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issue of Class B shares. As at November 30, 2008, the Company has made payments of $45.4 million in cash and $10.8 million through the issue of 440,999 AGF Class B shares, which approximates 72.2% of the expected total payments. An additional payment of $21.5 million (principal and imputed interest) is due on February 28, 2009, for total minimum consideration, including acquisition costs, of $74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable. The 20.1% held by the former principals of Highstreet, who are also current employees of Highstreet, is shown as non-controlling interest.

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

($ thousands)	2007
Net assets acquired	
Cash	$ 354
Other assets	3,011
Management contracts	26,010
Customer contracts	14,160
Goodwill	45,895
Trademarks	1,935
Current liabilities	(2,955)
Future income taxes	(14,014)
	$ 74,396
Consideration paid (including acquisition costs)	
Cash	$ 20,228
Issue of Class B shares (note 16)	5,672
Payments subsequent to acquisition date (note 12(b))	47,896
Acquisition costs	600
	$ 74,396

Note 6 Acquisition of Cypress Capital Management Ltd.

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

Note 7 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, AGF purchased the future distribution fees remaining payable by AGF to the LPs or purchased the outstanding units for total cash consideration of $3.2 million ($2.1 million net of taxes). As a result of the aforementioned transaction, no further distribution will be made to these LPs.

Note 8 AGF Trust

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

($ thousands) November 30	Term to contractual repricing Variable rate	1 year or less	1 to 5 years	**2008**	2007
Mortgage loans	$ 1,566	$ 559,844	$ 833,089	**$ 1,394,499**	$ 1,326,327
Home equity lines of credit (HELOC)	651,893	–	–	**651,893**	449,151
Total real estate secured loans	653,459	559,844	833,089	**2,046,392**	1,775,478
Investment loans	2,400,906	4,560	6,502	**2,411,968**	1,914,686
	3,054,365	564,404	839,591	**4,458,360**	3,690,164
Less: allowance for loan losses				**(37,130)**	(17,137)
Add: net deferred sales commissions and commitment fees				**9,620**	7,334
				4,430,850	3,680,361
Less: current portion				**(606,844)**	(492,756)
				$ 3,824,006	$ 3,187,605

(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 November 30, 2008 were $606.8 million (2007 – $492.8 million).

As at November 30, 2008, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages. Insured mortgage loans, excluding loan loss allowance, deferred commissions, and pending representment, were $616.6 million as at November 30, 2008 (2007 – $562.0 million), with a weighted average term to repricing of 2.0 years (2007 – 2.0 years) and a weighted average yield of 7.1% (2007 – 7.2%). Investment loans have interest rates based on prime. As at November 30, 2008, the average interest rate on HELOCs was 4.5% (2007 – 6.3%) and on investment loans was 5.8% (2007 – 7.6%). Mortgage and HELOC loans are secured primarily by residential real estate. Investment loans, excluding RSP loans, of $1.8 billion are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.2 billion.

(b) Aging of Loans
Loans are considered to be past due where repayment of principal or interest is contractually in arrears. Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. As at November 30, 2008, impaired loans were $45.4 million (2007 – $25.8 million) and $31.3 million (2007 – $24.0 million) net of the specific allowance for loan losses.

($ thousands) November 30	**2008**	2007
Impaired loans:		
Insured mortgage loans	**$ 5,483**	$ 1,434
Conventional mortgage loans	**33,628**	21,871
Secured investment loans	**988**	837
RSP loans	**4,846**	1,679
HELOC receivables	**478**	–
	$ 45,423	$ 25,821

The following table provides an aging of loans:

($ thousands) As at November 30, 2008	**Current**	**1 to 29 days**	**30 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**
Insured mortgage loans[1]	**$ 551,772**	**$ 29,567**	**$ 6,085**	**$ 3,313**	**$ 25,878**	**$ 616,615**
Conventional mortgage loans[1]	**670,763**	**53,741**	**12,176**	**7,537**	**33,668**	**777,885**
Secured investment loans	**1,790,788**	**15,284**	**2,220**	**1,510**	**790**	**1,810,592**
RSP loans	**574,049**	**9,958**	**4,435**	**1,120**	**752**	**590,314**
HELOC receivables	**646,891**	**3,847**	**658**	**–**	**497**	**651,893**
Finance loans	**11,061**	**–**	**–**	**–**	**–**	**11,061**
	$ 4,245,324	**$ 112,397**	**$ 25,574**	**$ 13,480**	**$ 61,585**	**$ 4,458,360**

($ thousands) As at November 30, 2007	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans[1]	$ 511,635	$ 24,887	$ 6,476	$ 3,788	$ 15,258	$ 562,044
Conventional mortgage loans[1]	684,172	40,255	9,364	8,509	21,983	764,283
Secured investment loans	1,497,746	11,827	1,882	580	838	1,512,873
RSP loans	377,059	5,138	1,741	791	1,340	386,069
HELOC receivables	441,310	6,488	970	294	90	449,152
Finance loans	15,743	–	–	–	–	15,743
	$ 3,527,665	$ 88,595	$ 20,433	$ 13,962	$ 39,509	$ 3,690,164

[1] The entire mortgage portfolio is related to properties located in the provinces of Ontario, Alberta, Quebec and British Columbia.

(c) Allowance for Credit Losses

During 2008, as a result of economic and market indicators, the Company refined its provision for specific allowance to include loans in arrears of one to 90 days in addition to impaired loans. In 2008, mortgage foreclosures totalled $8.9 million, for which there were recoveries of $6.6 million. Refer to Note 1, Allowance for Loan Losses, for further disclosure and for the definition of specific and general allowances.

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

($ thousands) November 30, 2008	Specific allowances	General allowances	Total allowances
Balance, beginning of the year	**$ 1,860**	**$ 15,277**	**$ 17,137**
Amounts written off	**(11,258)**	**–**	**(11,258)**
Recoveries	**877**	**–**	**877**
Provision for loan losses	**22,684**	**7,690**	**30,374**
	$ 14,163	**$ 22,967**	**$ 37,130**
Breakdown by category:			
Conventional mortgage loans	**$ 5,404**	**$ 7,640**	**$ 13,044**
Secured investment loans	**1,310**	**4,527**	**5,837**
RSP loans	**7,449**	**9,171**	**16,620**
HELOCs receivables	**–**	**1,629**	**1,629**
	$ 14,163	**$ 22,967**	**$ 37,130**

($ thousands) November 30, 2007	Specific allowances	General allowances	Total allowances
Balance, beginning of the year	$ 2,448	$ 10,251	$ 12,699
Amounts written off	(8,001)	–	(8,001)
Recoveries	3,210	–	3,210
Reduction due to RSP loan securitization	–	(1,766)	(1,766)
Provision for loan losses	4,203	6,792	10,995
	$ 1,860	$ 15,277	$ 17,137
Breakdown by category:			
Conventional mortgage loans	$ 795	$ 6,983	$ 7,778
Secured investment loans	121	3,782	3,903
RSP loans	944	3,394	4,338
HELOC receivables	–	1,118	1,118
	$ 1,860	$ 15,277	$ 17,137

(d) AGF Trust Deposits

($ thousands)	Term to maturity				
Years ended November 30	Demand	1 year or less	1 to 5 years	**2008**	2007
Deposits	$ 6,495	$ 2,480,139	$ 2,289,877	**$ 4,776,511**	$ 4,099,663
Less: deferred sales commissions				**(14,450)**	(16,321)
Less: current portion				**(2,486,635)**	(1,847,494)
Long-term deposits				**$ 2,275,426**	$ 2,235,848

As at November 30, 2008, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.4 years (2007 – 1.8 years) and a weighted average interest rate of 4.22% (2007 – 4.38%). Approximately 11.7% of deposits mature within 90 days.

(e) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between December 2008 and October 2012. They involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to mitigate net interest revenue volatility.

As at November 30, 2008, the aggregate notional amount of the swap transactions was $3.2 billion (2007 – $2.8 billion). The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at November 30, 2008, was $85.0 million (2007 – $6.7 million). During the 12 months ended November 30, 2008, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the Consolidated Statement of Income amounted to a gain of $3.1 million, as it relates to fair value hedging relationships.

($ thousands) Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
$ 220,000	$ 395,986	2008	4.04%–4.43%
1,577,000	13,862,883	2009	1.31%–4.97%
815,000	32,813,676	2010	1.53%–5.05%
415,000	27,435,135	2011	2.23%–5.08%
140,000	10,537,188	2012	3.60%–5.01%

Note 9 Goodwill and Intangibles

During the fourth quarter of 2008, as a result of the recent declines in equity markets and in accordance with its accounting policies, the Company completed an impairment test for customer contracts, management contracts, trademarks and goodwill.

Years ended November 30				**2008**			2007
($ thousands)	**Cost**	**Accumulated amortization**	**Impairment**	**Net**	Cost	Accumulated amortization	Net
Customer contracts:							
Magna Vista Investment Management Limited	**$ 37,803**	**$ 20,589**	**$ 15,490**	**$ 1,724**	$ 37,803	$ 18,015	$ 19,788
Doherty & Associates	**13,015**	**4,265**	**7,100**	**1,650**	13,015	3,397	9,618
Cypress Capital Management Limited	**28,480**	**8,387**	**14,978**	**5,115**	28,480	6,487	21,993
ING Investment Management Inc. mutual fund assets	**3,687**	**1,843**	**–**	**1,844**	3,687	1,418	2,269
Highstreet Asset Management Inc.	**14,158**	**4,045**	**1,663**	**8,450**	14,158	2,021	12,137
	$ 97,143	**$ 39,129**	**$ 39,231**	**$ 18,783**	$ 97,143	$ 31,338	$ 65,805

The determination of the customer contracts recoverability is based on an estimate of undiscounted cash flow, and the measurement of impairment loss is based on the amount that the carrying value exceeds the fair value. As part of the impairment test, the Company updated its future cash flow assumptions and estimates, including factors such as customer contracts existing from the date of purchase, margins, market conditions and the useful lives of assets. Based on the test, the Company concluded that intangible assets relating to certain customer contracts were not fully recoverable and therefore recorded an impairment charge of $39.2 million to income ($28.6 million net of tax).

($ thousands) Years ended November 30	**2008**	2007
Goodwill:		
Opening balance	**$ 180,058**	$ 126,399
Impairment related to Magna Vista Investment Management Limited	**(7,073)**	–
Acquisition of Cypress Capital Management Limited (note 6)	**–**	9,000
Acquisition of Highstreet Partners Limited (note 5)	**–**	45,895
Disposition of Investmaster (note 4)	**–**	(1,236)
	$ 172,985	$ 180,058

The Company determined that the carrying value of its Magna Vista Investment Management Limited (Magna Vista) reporting unit exceeded its fair value, indicating an impairment of goodwill. The Company recorded an impairment charge of $7.1 million, based on the difference of the carrying value of goodwill and its fair value, calculated based on the fair value of the assets and liabilities of the reporting unit.

The Company completed an impairment test on management contracts and trademarks and determined that no impairment existed. Accordingly, there was no change to the carrying value of management contracts and trademark during the year.

Note 10 Property, Equipment and Computer Software

($ thousands) Year ended November 30, 2008	**Cost**	**Accumulated amortization**	**Net**
Furniture and equipment	**$ 9,233**	**$ 5,521**	**$ 3,712**
Leasehold improvements	**18,779**	**11,675**	**7,104**
Computer hardware	**8,988**	**4,989**	**3,999**
Computer software	**17,886**	**13,278**	**4,608**
	$ 54,886	**$ 35,463**	**$ 19,423**

($ thousands) Year ended November 30, 2007	Cost	Accumulated amortization	Net
Furniture and equipment	$ 8,306	$ 4,711	$ 3,595
Leasehold improvements	15,592	9,191	6,401
Computer hardware	8,391	3,408	4,983
Computer software	15,976	10,143	5,833
	$ 48,265	$ 27,453	$ 20,812

Note 11 Other Assets

($ thousands) Years ended November 30	2008	2007
Derivatives used to manage interest rate exposure	$ 85,097	$ 6,644
Other	1,920	964
	$ 87,017	$ 7,608

Refer to Note 8(e) for details on the derivatives used to manage interest rate exposure. Refer to Note 24 for further details of the Company's derivative instruments.

Note 12 Long-term Debt

($ thousands) Years ended November 30	2008	2007
Revolving term loan	$ 123,740	$ 160,000
Payment related to acquisition of Highstreet Partners Ltd. (note 5)		
February 28, 2008	–	25,611
February 28, 2009	21,171	24,486
	144,911	210,097
Less: amount included in current liabilities	21,171	25,611
	$ 123,740	$ 184,486

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of $300.0 million (Facility 1) (2007 – $300.0 million) with a Canadian chartered bank. Under the loan agreement, AGF is permitted to draw down the revolving term loan by direct advances and/or bankers' acceptances. The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the commitment period). The expiration of the current commitment period is June 30, 2009. However, AGF may request by April 15, 2009, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding. As at November 30, 2008, AGF has drawn $123.7 million (2007 – $160.0 million) against Facility 1 in the form of three to 33 day BAs at an effective average interest rate of 2.9% (2007 – 4.5%) per annum.

On May 26, 2008, the Company, under its current loan agreement, arranged an additional three-year prime rate-based reducing term loan to a maximum of $60.0 million (Facility 2) to finance share repurchases. Under this facility, AGF is permitted to draw down the reducing term loan by direct advances and/or BAs. The reducing term loan is available to the latest of December 31, 2008, or the date that the facility is fully drawn. Following this date, Facility 2 is payable in equal quarterly instalments over 12 quarters. Any undrawn portion of the facility at the end of the availability date will be permanently cancelled. No amounts were drawn under this facility and the facility was cancelled on December 31, 2008.

Security for the bank loans includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which AGF acts as manager and a pledge of assets by AGF Management Limited and certain subsidiaries, including AGF Funds Inc. and 20/20 Financial Corporation.

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

On December 1, 2006, AGF acquired 79.9% of Highstreet (refer to Note 5). During 2008, a payment of $30.3 million was paid. The payment consisted of $25.2 million in cash and the issuance of 215,883 Class B shares valued at $5.1 million. A final payment of $21.5 million, which includes principal and imputed interest at the rate of 4.5% per annum, is due to the vendors on February 28, 2009 and will be satisfied through a combination of cash and Class B shares.

Note 13 Other Long-term Liabilities

($ thousands) Years ended November 30	2008	2007
Derivative used to manage changes in share-based compensation	$ 7,755	$ 682
Long-term compensation liabilities	2,668	422
Other	4,572	534
	$ 14,995	$ 1,638

The notional amount of the derivative used to manage share-based compensation is $10.3 million or 317,589 share units and matures in 2010. Refer to Note 24 for further details on the Company's derivative instruments.

Note 14 Limited Partnership Financings

Prior to 2005, the Company financed certain deferred selling commissions using limited partnerships. The Company is obligated to pay these LPs an annual fee of 0.47% to 0.90% of the net asset value of DSC securities. This obligation will continue as long as such DSC securities remain outstanding except for certain of the LPs, in which case the obligation terminates at various dates from December 31, 2008 to December 31, 2020. For certain LPs, the obligation is secured by the Company's mutual fund management contracts to the extent of the particular obligation.

The Company is responsible for the management and administration of the LPs. These services are provided in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. The amount of fees received in 2008 was $0.3 million (2007 – $0.4 million). As at November 30, 2008, the net asset value of DSC securities financed by the LPs was $0.8 billion (2007 – $1.2 billion).

Note 15 Income Taxes

(a) The Company's effective income tax rate for continuing operations is comprised as follows:

Years ended November 30	2008	2007
Canadian corporate tax rate	**33.5%**	35.9%
Changes in future federal and provincial income tax rates	**(13.8)**	(1.1)
Rate differential on earnings of subsidiaries	**(12.1)**	(10.3)
Acquisition of tax-related benefits (net)	**–**	(2.5)
Amortization of customer contracts and relationships	**4.1**	0.1
Tax exempt investment income	**(2.1)**	(1.2)
Other	**(0.7)**	0.0
Effective income tax rate	**8.9%**	20.9%

(b) The tax effects of temporary differences which gave rise to future tax liabilities and assets are as follows:

($ thousands) Years ended November 30	2008	2007
Future income tax liability		
Deferred sales commissions	**$ (92,901)**	$ (105,270)
Deferred revenue	**838**	1,110
Undepreciated capital cost in excess of carrying values	**4,057**	3,467
Loss carryforwards	**7,928**	6,603
Expenses deductible or gain to be recognized in future periods	**6,708**	3,025
Provision for loan losses	**7,188**	5,154
Securitization of RSP loans	**(7,881)**	(10,239)
Deferred charges	**(6,732)**	(9,289)
Goodwill and management contracts	**(117,241)**	(145,395)
Investments	**1,493**	(982)
Other	**(990)**	589
	(197,533)	(251,227)
Less: current portion	**26,240**	48,304
Future income tax liability – long-term portion	**$ (171,293)**	$ (202,923)

(c) As at November 30, 2008, certain subsidiaries of the Company have accumulated aggregate non-capital losses of approximately $10.1 million (2007 – $8.2 million) and $15.6 million (2007 – $22.6 million) of capital loss that may be used to reduce taxable income in the future. These tax loss carry-forwards expire as follows:

$10.1 million non-capital loss	2015 to 2027
$15.6 million capital loss	no expiry date

(d) In December 2007, a reduction of the federal corporate income tax rate from 18.5% to 15.0% by January 1, 2012 was substantively enacted. Accordingly, during the 12 months ended November 30, 2008, the Company has recognized a $19.5 million reduction in future income tax liabilities.

In June 2007, a reduction in the federal corporate income tax rate from 19% to 18.5% by January 1, 2011 was considered to be substantively enacted. During the 12 months ended November 30, 2007, the Company recognized a $2.4 million reduction in future income tax liabilities related to this reduction.

Note 16 Capital Stock

(a) Authorized Capital

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

(b) Changes During the Year

The change in capital stock is summarized as follows:

Years ended November 30		**2008**		2007
($ thousands, except share amounts)	**Shares**	**Stated value**	Shares	Stated value
Class A shares	**57,600**	**$ –**	57,600	$ –
Class B shares				
Balance, beginning of the year	**88,922,157**	**$ 421,923**	89,171,997	$ 403,566
Issued through dividend reinvestment plan	**211,914**	**4,618**	110,627	3,614
Stock options exercised	**130,150**	**5,121**	818,850	14,688
Issued on acquisition of a subsidiary (note 5)	**215,883**	**5,116**	225,116	5,672
Issued for Cypress contingent consideration (note 6)	**–**	**–**	33,367	1,200
Purchased for cancellation	**(1,000,000)**	**(4,881)**	(1,437,800)	(6,817)
Balance, end of the year	**88,480,104**	**$ 431,897**	88,922,157	$ 421,923

(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 TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,253,832 shares through to February 25, 2009. During the year ended November 30, 2008, 1,000,000 Class B shares (2007 – 1,437,800) were purchased at a cost of $7.8 million (2007 – $45.5 million) and the excess paid of $2.9 million (2007 – $38.7 million) over the book value of the shares purchased for cancellation was charged to retained earnings. These shares were traded and settled in November 2008 and subsequently cancelled in December 2008.

Note 17 Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,094,002 Class B shares could have been granted as at November 30, 2008 (2007 – 6,532,335). 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, vest at the end of the term of the option.

The change in stock options during 2008 and 2007 is summarized as follows:

Years ended November 30	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B share options				
Balance, beginning of the year	**4,268,765**	**$ 22.50**	4,324,084	$ 19.91
Options granted	**2,721,000**	**8.45**	781,981	31.96
Options cancelled	**(282,667)**	**26.24**	(18,450)	19.93
Options exercised	**(130,150)**	**19.08**	(818,850)	17.94
Balance, end of the year	**6,576,948**	**$ 16.59**	4,268,765	$ 22.50

The following summarizes information about stock options outstanding as at November 30, 2008:

Range of exercise prices	Number of options outstanding	Weighted average remaining life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 8.24 to $ 11.00	**2,681,000**	**7.0 years**	**$ 8.24**	**–**	**$ –**
$ 11.27 to $ 16.87	**269,500**	**1.7**	**15.37**	**269,500**	**15.37**
$ 17.06 to $ 17.36	**647,900**	**3.2**	**17.14**	**473,025**	**17.14**
$ 17.87 to $ 18.94	**380,717**	**4.2**	**18.84**	**380,717**	**18.84**
$ 18.95 to $ 19.38	**890,000**	**3.9**	**19.38**	**652,500**	**19.38**
$ 19.39 to $ 27.73	**950,850**	**3.9**	**24.37**	**578,350**	**24.05**
$ 30.00 to $ 35.72	**756,981**	**6.0**	**32.00**	**189,245**	**32.00**
	6,576,948	**5.3**	**$ 16.59**	**2,543,337**	**$ 20.46**

The outstanding stock options have expiry dates ranging from November 2008 to November 2015. Options granted prior to 2005 require the Company or employee to meet performance criteria for certain of the options to vest.

During 2008, AGF granted 2,721,000 options (2007 – 781,981) and recorded $4.8 million (2007 – $4.5 million) in compensation expense and contributed surplus. The fair value of options granted during 2008 has been estimated at between $0.57 and $3.19 per share (2007 – between $6.80 and $8.46 per share) using the Black-Scholes option-pricing model. The following ranges of assumptions were used to determine the fair value of the options on the grant date:

Risk-free interest rate	2.13%–3.43%
Expected dividend yield	4.67%–12.14%
Expected share price volatility	26.03%–32.26%
Option term	4.8 years–5.1 years

(b) Share Purchase Plan

The Company's contributions are recorded in payroll costs and amounted to $1.3 million for the year ended November 30, 2008 (2007 – $1.1 million).

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

The change in share units during 2008 and 2007 is as follows:

Number of share units	**2008**	2007
Outstanding, beginning of the year		
Non-vested	**345,257**	142,992
Issued		
Initial allocation	**340,698**	210,330
In lieu of dividends	**15,858**	4,205
Vested	**–**	–
Settled in cash	**(482)**	(4,400)
Forfeited and cancelled	**(20,442)**	(7,870)
Outstanding, end of the year	**680,889**	345,257

Compensation expense for the year ended November 30, 2008 related to these share units was $0.7 million (2007 – $2.2 million). During the year ended November 30, 2008, it was determined that the achievement of certain performance criteria necessary for the PSUs to be paid was unlikely. As a result, the Company reversed a $1.1 million liability related to these units. AGF has entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs. As at November 30, 2008, AGF has economically hedged 91,549 share units at a fixed cost of $32.35.

(d) Deferred Share Unit (DSU) Plan

There is no unrecognized compensation expense related to directors' DSUs since these awards vest immediately upon grant. As at November 30, 2008, 24,394 (2007 – 9,035) DSUs were outstanding. Compensation expense related to these DSUs for year ended November 30, 2008 was $0.1 million (2007 – $0.1 million).

Note 18 Earnings Per Share

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

($ thousands, except per share amounts) Years ended November 30	**2008**	2007
Numerator		
Net income from continuing operations for the year	**$ 128,592**	$ 175,866
Loss on dissolution of partnerships, net of tax (note 7)	**–**	(2,128)
Gain on sale of discontinued operations, net of tax (note 4)	**–**	4,702
Net earnings from discontinued operations, net of tax (note 4)	**–**	247
Net income for the year	**$ 128,592**	$ 178,687
Denominator		
Weighted average number of shares – basic	**89,321,964**	89,945,162
Dilutive effect of employee stock options	**2,011,980**	1,350,249
Weighted average number of shares – diluted	**91,333,944**	91,295,411
Earnings per share		
Basic from continuing operations	**$ 1.44**	$ 1.96
Diluted from continuing operations	**$ 1.41**	$ 1.93
Basic	**$ 1.44**	$ 1.99
Diluted	**$ 1.41**	$ 1.96

Note 19 Agreements with Mutual Funds

The Company acts as manager for the AGF Funds and receives management and advisory fees from the AGF Funds in accordance with the respective agreements between the Funds and the Company. In return, the Company is responsible for management and investment advisory services and all costs connected with the distribution of securities of the Funds. Substantially all the management and advisory fees the Company earned in 2008 and 2007 were from the AGF Funds. As at November 30, 2008, the Company had $35.2 million (2007 – $56.6 million) receivable from the AGF Funds. The Company also acts as trustee for the AGF Funds that are mutual fund trusts.

The aggregate unitholder services costs absorbed and management and advisory fees waived by the Company during the year on behalf of the Funds were approximately $14.2 million (2007 – $14.6 million).

Note 20 Related Party Transactions

The Company has entered into certain transactions with entities or senior officers who are directors of the Company. During 2008, total amounts paid by the Company to these related parties aggregated $0.1 million (2007 – $0.1 million).

Note 21 Supplemental Disclosure of Cash Flow Information

(a) Changes in Non-Cash Operating Working Capital Items

($ thousands) Years ended November 30	**2008**	2007
(Increase) decrease in accounts receivable	**$ 14,602**	$ (8,422)
(Increase) decrease in other assets	**4,508**	(1,179)
Increase in accounts payable and accrued liabilities	**46,957**	139,488
Increase (decrease) in deposits and other liabilities	**6,652**	(43,211)
	$ 72,719	$ 86,676

(b) Supplemental Cash Flow Information

($ thousands) Years ended November 30	**2008**	2007
Income taxes paid	**$ 49,758**	$ 32,163
Interest paid	**190,186**	150,071
	$ 239,944	$ 182,234

Note 22 AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

($ thousands) Years ended November 30	**2008**	2007
AGF Trust interest income		
Loan interest	**$ 270,762**	$ 213,553
Investment interest	**32,219**	23,132
	302,981	236,685
AGF Trust interest expense		
Deposit interest	**200,901**	135,493
Other interest expense	**5,207**	22,969
	206,108	158,462
AGF Trust net interest income	**$ 96,873**	$ 78,223

Note 23 Capital Management

The Company's objectives when managing capital are to:

> Provide returns for shareholders through the payment of dividends, the repurchase of Class B shares and the reasonable use of leverage.

> Ensure that AGF Trust maintains the level of capital to adequately protect depositors and to meet the requirements of its principal regulator, the Office of the Superintendent of Financial Institutions Canada (OSFI).

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

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

AGF Trust's regulatory capital requirements are determined in accordance with guidelines issued by OSFI, which are based on a framework of risk-based capital standards developed by the Bank for International Settlements (BIS). Effective January 1, 2008, AGF Trust is monitoring its regulatory capital based on the BIS regulatory risk-based capital framework (Basel II). BIS standards require that AGF Trust maintain minimum Tier 1 and total capital ratios of 4% and 8%. During the year, AGF Trust has complied with these regulatory capital requirements. OSFI has also prescribed a maximum asset-to-capital leverage multiple; AGF Trust was in compliance with this threshold at November 30, 2008, and throughout the year.

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

Regulatory capital for AGF Trust is detailed as follows:

($ thousands) Years ended November 30	**2008**	2007[1]
Tier 1 capital		
Common shares	**$ 82,768**	$ 82,768
Contributed surplus	**1,338**	910
Retained earnings	**101,432**	79,863
Non-cumulative preferred shares	**64,000**	49,000
Less: securitization and other	**(15,567)**	–
	233,971	212,541
Tier 2 capital		
Subordinated debentures	**109,500**	89,500
General allowances	**19,638**	15,277
Less: securitization and other	**(8,295)**	(26,669)
	120,843	78,108
Total capital	**$ 354,814**	$ 290,649

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

Note 24 Financial Instruments

Financial instruments are classified based on categories according to CICA Handbook "Section 3855 Financial Instruments – Recognition and Measurement" as follows:

($ thousands) As at November 30, 2008	**Available for sale**	**Held for trading**	**Loans and receivables or other financial liabilities**
Cash and cash equivalents	**$ –**	**$ 584,168**	**$ –**
Investments	**188,435**	**–**	**–**
Retained interest from securitization	**44,947**	**–**	**–**
Accounts receivable	**–**	**–**	**76,316**
Real estate secured loans and investment loans	**–**	**–**	**4,430,850**
Derivatives	**–**	**85,097**	**–**
Other assets	**–**	**–**	**1,920**
Total financial assets	**$ 233,382**	**$ 669,265**	**$ 4,509,086**
Accounts payable and accrued liabilities	**–**	**–**	**306,834**
Long-term debt	**–**	**–**	**144,911**
Deposits	**–**	**–**	**4,762,061**
Derivatives	**–**	**7,755**	**–**
Other long-term liabilities	**–**	**–**	**7,240**
Total financial liabilities	**$ –**	**$ 7,755**	**$ 5,221,046**

($ thousands) As at November 30, 2007	Available for sale	Held for trading	Loans and receivables or other financial liabilities
Cash and cash equivalents	$ –	$ 827,874	$ –
Investments	26,149	–	–
Retained interest from securitization	50,925	–	–
Accounts receivable	–	–	91,107
Real estate secured loans and investment loans	–	–	3,680,361
Derivatives	–	6,644	–
Other assets	–	–	964
Total financial assets	$ 77,074	$ 834,518	$ 3,772,432
Accounts payable and accrued liabilities	$ –	$ –	$ 261,115
Long-term debt	–	–	210,097
Deposits	–	–	4,083,342
Derivatives	–	682	–
Other long-term liabilities	–	–	956
Total financial liabilities	$ –	$ 682	$ 4,555,510

Risk Management

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risk.

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors. Market risk includes fair value risk, interest rate risk and foreign currency risk. The Company is exposed to these risks directly through its financial instruments.

Fair Value Risk

Fair value risk is the risk of loss due to adverse changes in equity prices. The Company is exposed to fair value risk on its investments available for sale and retained interest from securitization and certain derivative positions. The Company's investments include mutual funds managed by the Company, common shares, short-term commercial paper, bank sponsored ABCP, floating-rate notes and treasury bills. Any unrealized gains or losses arising from changes in the fair value of these financial instruments available for sale are recorded in other comprehensive income. Based on the carrying value of these investments at November 30, 2008, the effect of a 10% decline or increase in the value of investments would result in a $2.0 million unrealized gain or loss to other comprehensive income. Refer to Note 3 for the effect of changes to key assumptions on the fair value of retained interests.

At November 30, 2008, details of the Company's derivative instruments are as follows:

($ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure:	1.31%–5.08%	2012	3,167,000	85,097
Derivatives used to manage changes in share-based compensation:		2010	10,275	7,755

At November 30, 2008, the effect of a 10% decline or increase in the value of the derivatives used to manage changes in share-based compensation would result in a $0.1 million increase or decrease in investment income.

Interest Rate Risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; mortgage prepayment rates; changes in the market price of credit and the creditworthiness of a particular client.

The Company, through AGF Trust, is exposed to interest rate risk through its real estate secured and investment loans receivable, managed and supervised by AGF Trust's Asset and Liability Committee. AGF Trust employs a number of techniques to manage this risk, including the matching of asset and liability terms. AGF Trust also uses interest rate swaps to manage any residual mismatches. In addition, AGF Trust has assessed the interest rate risk for investment loans, RSP loans and HELOC receivables to be low due to the variable rate nature of these products. A 1% change in interest rates, either up or down, would result in an increase or decrease in annual net interest income of approximately $4.7 million.

The Company is also exposed to interest rate risk through its floating-rate debt and cash balances. As at November 30, 2008, the effect of a 1% change in the variable interest rates on the average loan balance outstanding for the year would have resulted in an annualized change in interest expense of approximately $1.1 million.

Foreign Exchange Risk

Foreign currency risk is the risk of loss due to changes in spot and forward rates and the volatility of currency exchange rates. The Company is subject to foreign exchange risk on its integrated foreign subsidiaries in Ireland and Singapore, which provide investment advisory services. These subsidiaries retain minimal monetary exposure to the local currency, as the majority of revenues are earned in Canadian dollars and salaries and wages are primarily paid on a monthly basis and represent the majority of the local currency expenses. As such, these foreign subsidiaries have limited use of financial instruments denominated in local currencies, thus resulting in minimal foreign exchange risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Company cannot meet a demand for cash resources when required or meet its financial obligations.

The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12 and 23. In its Investment Management Operations segment, the Company manages its liquidity by monitoring actual and projected cash flows to ensure that it has sufficient liquidity through cash received from operations as well as borrowings under its credit facility. The key liquidity requirements within this segment are the funding of commissions paid on mutual funds and dividends paid to shareholders. The Company is subject to certain financial loan covenants under its credit facility and has met all of these conditions.

AGF Trust manages liquidity risk through deposit-taking activities and through the securitization of loans. The key liquidity requirements within this segment are the funding of mortgages and loans and the ability to pay out maturing GICs. AGF Trust's overall liquidity risk is managed by its treasury department and is supervised by AGF Trust's Asset and Liability Management Committee in accordance with the policies for management of assets and liabilities, liquidity and loan financing activities. These policies aim to ensure that AGF Trust has sufficient cash resources to meet its current and future financial obligations in the regular course of business and under a variety of conditions.

Management monitors cash resources daily to ensure that AGF Trust's liquidity measurements are within the limits established by policies. In addition, management meets regularly to assess the timing of cash inflows and outflows related to loan and deposit maturities, and to review various possible stress scenarios. AGF Trust aims to maintain a prudent reserve of unencumbered liquid assets that are readily available if required. It strives to maintain a stable volume of base deposits that originate from its deposit brokerage clientele.

The Government of Canada introduced a guarantee program on debt issuances of deposit-taking institutions subsequent to the end of Q3 2008. Under that program, AGF Trust can issue up to $900.0 million of debt with a government backstop and a term of up to three years.

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

The following table presents contractual terms to maturity of the financial liabilities owed by the Company at November 30, 2008:

($ thousands)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 306,834	$ –
Long-term debt	–	21,461	124,000
Deposits[1]	6,495	2,532,945	2,532,330
Other liabilities	–	–	14,995
Total	$ 6,495	$ 2,861,240	$ 2,671,325

[1] Excluding deferred commission. Includes interest payments.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. The Company's overall credit risk strategy and credit risk policy are developed by its Executive Committee and further refined at the business unit level, through the use of policies, processes and internal controls designed to promote business activities while ensuring these activities are within the standards of risk tolerance levels. As at November 30, 2008, financial assets of $5.4 billion, consisting of cash and cash equivalents, investments, retained interests from securitization, real estate secured loans and investment loans, accounts receivable and other assets were exposed to credit risk up to the maximum of their respective carrying value.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian and Irish banks, as well as commercial paper, bank-sponsored ABCP, bank deposit notes, reverse re-purchase agreements, BAs and floating-rate notes.

Investments subject to credit risk consist primarily of floating-rate notes, senior debt instruments, investments in mutual funds of AGF and other securities. For investing activities done through AGF Trust, policies have been established that identify the types and rating of debt investments in which AGF Trust can invest. These policies also restrict AGF Trust's transactions primarily to major chartered banks and recognized investment dealers who are members of the Investment Industry Regulatory Organization of Canada (IIROC). AGF Trust Executive Committee (EXCO) maintains a list of the approved securities dealers and counterparties, which are reviewed at least annually by the Trust Board.

The Company's most significant credit risk is through AGF Trust's real estate secured loans and investment loans. AGF Trust mitigates this risk through stringent credit policies and lending practices. These policies aim to ensure that the authority to approve credit applications is appropriately delegated by senior management or the Investment Committee of AGF Trust, depending on the risk and the amount of the credit application. The credit policies also provide guidelines for pricing based on risk, for reviewing any collateral pledged for a credit application, monitoring of impaired loans and for establishing and reviewing loan loss provisions to ensure they are adequate. The policies establish risk limits for credit concentration by counterparty, geographic location and other risk factors that would impact AGF Trust's credit risk profile. AGF Trust has adjusted its policies and criteria related to its loan provisions and lending practices to reflect the higher probability of default that occurs during a weaker economy.

At November 30, 2008, AGF Trust's loan assets totalled $4.5 billion (2007 – $3.7 billion) and were comprised of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, $1.4 billion (2007 – $1.3 billion) was represented by mortgage loans and $0.7 billion (2007 – $0.4 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At November 30, 2008, 44.2% of mortgage loans were insured by Canada Mortgage and Housing Corporation or another insurer. Conventional uninsured mortgages have loan-to-value ratios of less than 80% of the appraised value of the property at the time the mortgage loan was granted. The average loan-to-value ratio of uninsured mortgage loans was 66.4% as at November 30, 2008 (2007 – 66.4%).

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 97.5% as at November 30, 2008 (2007 – 97.4%). AGF Trust's credit risk on these loans is also mitigated through the use of collateral, primarily in the form of residential real estate. Under AGF Trust's lending criteria, management reviews all mortgage loans on a regular basis to determine the appropriate allowance for loss required by AGF Trust. Risk is also mitigated through residential mortgage insurance through CMHC or another insurer. As at November 30, 2008, $616.6 million of AGF Trust's residential mortgage portfolio was insured (2007 – $562.0 million).

Credit risk for HELOCs and investment loans is mitigated by collateral in the form of residential mortgages and investment funds, respectively. Investment loans, excluding RSP loans, of $1.8 billion are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.2 billion.

RSP loans are used by borrowers to purchase assets in a retirement savings plan. The creditworthiness of each borrower is assessed prior to approval of the loan. Predictive scorecards are used to determine the probability of default and bankruptcy of the borrowers. On a regular basis, AGF Trust reviews the credit quality in the portfolio. Loans in arrears are also reviewed regularly to determine the appropriate loan loss reserves.

Derivative financial instruments expose AGF Trust to credit risk to the extent that if a counterparty default occurs, market conditions are such that AGF Trust would incur a loss in replacing the defaulted transaction. AGF Trust negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure. AGF Trust assesses the creditworthiness of the counterparties to minimize the risk of counterparty default under the agreements. AGF Trust only uses major Chartered banks as counterparties with a minimum credit rating of AA.

Note 25 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 offers a wide range of trust services including GICs, term deposits, real estate secured loans and investment loans. The results of Smith & Williamson Holdings Limited have been included in Other.

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 Note 1.

($ thousands) Year ended November 30, 2008	Investment Management Operations	Trust Company Operations	Other[2]	Total
Revenue	**$ 606,396**	**$ 108,918**	**$ 10,256**	**$ 725,570**
Operating expenses	**338,782**	**73,113**	**–**	**411,895**
Amortization and other	**159,816**	**2,772**	**9,252**	**171,840**
Segment income from continuing operations before taxes and non-controlling interest	**$ 107,798**	**$ 33,033**	**$ 1,004**	**$ 141,835**
Total assets	**$ 1,207,142**	**$ 5,326,817**	**$ –**	**$ 6,533,959**

($ thousands) Year ended November 30, 2007	Investment Management Operations	Trust Company Operations[1]	Other[2]	Total
Revenue	$ 674,647	$ 97,217	$ 8,456	$ 780,320
Operating expenses	375,730	47,432	–	423,162
Amortization and other	122,171	1,656	9,895	133,722
Segment income from continuing operations before taxes and non-controlling interest	$ 176,746	$ 48,129	$ (1,439)	$ 223,436
Total assets	$ 1,328,056	$ 4,548,756	$ –	$ 5,876,812

[1] AGF Trust results for the year ended November 30, 2007 include an $8.0 million securitization gain.

[2] Other revenue relates to S&WHL.

Note 26 Commitments

The Company is committed under operating leases for office premises and equipment, which require approximate minimum annual cash rental payments as follows:

($ thousands)	
2009	$ 8,950
2010	8,670
2011	8,541
2012	8,117
2013	8,078
Thereafter	17,051

AGF Trust has outstanding mortgage commitments of $17.4 million as at November 30, 2008 (2007 – $180.3 million) at rates of interest prevailing at the time the commitments were issued. Any interest rate commitment has a term of less than 60 days.

The Company is committed for a 10-year period expiring 2015 to reimburse Citigroup Fund Services Inc. (Citigroup) and CitiFinancial should annual revenues derived from AGF fund administration services fall below predetermined levels.

Note 27 Guarantees

The Company, under an indemnification agreement with each of the directors of the Company, as well as directors of the mutual fund corporations, has agreed to indemnify the directors against any costs in respect of any action or suit brought against them in respect of the proper execution of their duties. To date, there have been no claims under these indemnities.

Note 28 Contingent Liabilities

There are certain claims and potential claims against the Company. None of these claims or potential claims are expected to have a material adverse effect on the consolidated financial position of the Company.

($ thousands, except per share amounts) Years ended November 30	**2008**	2007	2006	2005	2004
Operations					
Total revenue (continuing operations)	**$ 725,570**	$ 780,320	$ 607,202	$ 546,567	$ 545,393
Net income	**128,592**	178,687	112,657	91,872	77,287
Dividends	**84,860**	70,151	61,521	50,522	37,474
Financial position					
Working capital (deficit)	**$ (1,377,543)**	$ (735,103)	$ (404,223)	$ (31,958)	$ 56,363
Long-term debt	**123,740**	184,486	56,000	17,364	68,292
Shareholders' equity	**1,107,422**	1,069,002	979,771	918,326	914,366
Return on equity	**11.8%**	17.4%	11.9%	10.0%	8.5%
Per share					
Net income – basic	**$ 1.44**	$ 1.99	$ 1.26	$ 1.02	$ 0.85
Dividends	**0.95**	0.78	0.69	0.56	0.41
Book value (continuing operations)	**12.40**	12.02	10.99	10.30	10.08

($ thousands, except per share amounts) Years ended November 30	2003	2002	2001	2000	1999
Operations					
Total revenue (continuing operations)	$ 510,571	$ 637,660	$ 630,525	$ 500,377	$ 349,652
Net income	44,016	119,839	163,754	95,931	61,710
Dividends	27,150	22,967	19,577	14,092	11,642
Financial position					
Working capital (deficit)	$ 62,490	$ 95,287	$ (9,950)	$ (86,692)	$ 55,348
Long-term debt	112,192	225,403	165,481	278,051	72,048
Shareholders' equity	903,360	887,566	764,707	480,091	284,244
Return on equity	4.9%	14.5%	26.3%	25.1%	23.8%
Per share					
Net income – basic	$ 0.48	$ 1.34	$ 1.84	$ 1.12	$ 0.80
Dividends	0.30	0.26	0.22	0.18	0.15
Book value (continuing operations)	9.79	9.74	8.56	5.78	3.64

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

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Vice-Chairman

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Tom Nakamura, CFA
Portfolio Manager

[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] Chair of the Audit Advisory Committee
[6] Chairman of the Nominating and Corporate Governance Committee of AGF Management Limited
[7] Chairman of the Conduct Review Committee of AGF Trust Company
[8] Chairman of the Compensation Committee of AGF Management Limited
[9] Lead Director
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AGF is dedicated to helping develop business solutions for industry demands on natural resources. We are proud to partner with the **World Wildlife Fund** in protecting endangered species, such as the Sumatran Tiger, and ensuring a sustainable environment for future generations. As a result, this document is printed on **Forest Stewardship Council** (FSC) certified paper. FSC certification ensures that the paper in this document contains fibre from well-managed and responsibly harvested forests that meet strict environmental and socio-economic standards.

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