

A message to shareholders



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

For nearly six decades, AGF has provided asset management services to institutions and individuals around the globe. We are committed to delivering excellence in investment management, developing innovative product solutions that meet our clients' needs, and increasing value for shareholders. In the next few pages, I share my thoughts regarding what we accomplished in 2014 and what I see for AGF in 2015.

2014 MARKET OVERVIEW

The past year was largely a strong one for developed markets, while emerging markets generally produced more modest returns. In Canada, markets were strong for much of the year.

U.S. economic growth and labour market improvement resulted in strong U.S. equity returns and the termination of the U.S. Federal Reserve Board's (Fed's) third round of quantitative easing in October. The dichotomy between the Fed's monetary stance and other central banks' easing policies resulted in the strong appreciation of the U.S. dollar. Although the Japanese economy entered a technical recession during the period, Japanese equities performed strongly as the Bank of Japan expanded its monetary easing program. The easing policies took a significant toll on the Japanese yen, which benefited Japanese exporters. European equities underperformed as the region struggled with deflation concerns.

Emerging markets produced modest returns but underperformed developed markets as economic activity generally decelerated. For the first time in two years, the People's Bank of China cut its benchmark deposit and lending rates, highlighting China's concerns over decelerating growth.

Global bond yields trended lower during the period as a result of strong fixed-income demand, geopolitical risk and disinflationary trends. Consequently, longer-duration fixed-income securities significantly outperformed.

Recently, Canadian equities fell, along with a decline in the price of oil to levels not seen since 2007. The January 2015 rate cut by the Bank of Canada has also weighed heavily on the Canadian dollar.

TAKING DECISIVE ACTION TO POSITION AGF FOR GROWTH

During 2014, we made significant progress on our priorities, and in doing so laid the foundation for future growth and expansion. AGF is focused on sustainable value creation for shareholders. To further position the firm for long-term growth, we announced a change in our capital strategy late in 2014, which included retaining more capital to fund initiatives with greater potential to grow our business. These initiatives include improving the company's investment performance, growing our asset base and enhancing our focus on client relationships.

AGF has paid dividends for 46 years as a public company and we continue to

be committed to paying a reasonable and sustainable dividend as part of our approach to returning value to shareholders. We will also continue to deliver value through our share buyback program, which we renewed in early 2015, and through the execution of our growth initiatives.

2014 ACHIEVEMENTS

After an extensive search, we welcomed Kevin McCreadie as President and Chief Investment Officer in June 2014. He brings more than 30 years of investment management experience to AGF in both the retail and institutional space. Kevin is focusing on three key areas: risk management processes, portfolio construction and performance, and investment talent. I am pleased with the progress we have seen so far in the first months of his tenure and believe his efforts and those of our dedicated employees across AGF are starting to manifest in improving operating and financial performance.

Enhancing investment performance was a key focus throughout 2014. As at November 30, 2014, 34% of our AUM was above median compared to 30% at November 30, 2013. We recognize that we still have work to do and this remains our number one priority.

We have built the foundation of our alternative asset management platform through our joint venture, InstarAGF Asset Management Inc. (InstarAGF). Established in early 2014, InstarAGF's talented and experienced team is led by Gregory Smith. In September 2014, in partnership with Stream Asset Financial Limited, InstarAGF launched a midstream oil and gas infrastructure fund with commitments of approximately \$210.0 million. InstarAGF expects to launch its Essential Infrastructure Fund in the first half of 2015.

On January 27, 2015, InstarAGF announced that Nieuport Aviation Infrastructure Partners GP, a consortium of Canadian and international infrastructure investors that includes InstarAGF, acquired the passenger terminal at Billy Bishop Toronto City Airport from a subsidiary of Porter Aviation Holdings Inc. AGF, as a cornerstone investor in InstarAGF's Essential Infrastructure Fund, contributed approximately \$103.0 million of capital. Our investment is consistent with AGF's strategy to deploy capital to initiatives that will deliver growing and sustainable shareholder value.

In mid-2014, we launched AGF's "Value of Advice" national advertising campaign to promote the value of professional financial advice to Canadians. We are strong believers in the value of financial advice and feel investors who work with advisors are better positioned to meet their long-term goals. In conjunction with this, we entered into a multi-year partnership with the Canadian Football League to promote the brand and the message to a wider audience.

In November 2014, AGF was recognized with the Morningstar Canadian Investment Marketing Award for AGF's "Rethink Risk" marketing campaign. The campaign was developed to help advisors educate their clients and promote financial literacy.

2014 FINANCIAL OVERVIEW

As at November 30, 2014, our total AUM was \$35.1 billion, up from \$34.4 billion at November 30, 2013. We have continued to see monthly improvement in our retail fund net redemptions, which have declined on a year-over-year basis since January 2013. One of our key priorities is to continue to reduce redemptions and increase gross sales by improving our investment performance and offering innovative products that meet our clients' needs.

Financially, AGF's earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were \$154.9 million, compared to \$163.6 million in 2013. EBITDA margin was 33.3% compared to 33.8% in 2013. Diluted earnings per share (EPS) from continuing operations for the year ended November 30, 2014 increased to \$0.68 per share, compared to adjusted diluted EPS of \$0.53 per share in 2013, reflecting the impact of cost control and lower amortization expense.

Our balance sheet remains strong with \$261.5 million in cash and a modest long-term debt to equity level of 33.1%.

During 2014, AGF paid out total dividends of \$1.08 per share. In all, we returned \$112.8 million of capital to you, our shareholders, through a combination of dividends and share buybacks.

CHANGES TO THE BOARD

In January 2014, we welcomed Sarah Davis to our Board of Directors. Sarah is the Chief Administrative Officer of Loblaw Companies Ltd., Canada's largest food retailer, and brings over two decades of strategic and financial management experience at successful Canadian companies. She has also been honoured as one of Canada's Most Powerful Women: Top 100™. It has been a pleasure to have Sarah on our Board and to benefit from her experience and insight. AGF is committed to diversity

within our organization and we feel privileged to have attracted an executive like Sarah to the Board.

In April 2014, Bill Morneau decided to enter the world of politics and was obliged to resign from AGF's Board, where he served as a director since 2000, and as Chairman of AGF's Compensation Committee. I would like to personally thank Bill for all his contributions to AGF.

2015 OUTLOOK AND OPPORTUNITIES

I am excited about our business strengths and growth potential. Executing on our key initiatives – improving investment performance, building our asset base and strengthening partner and client relationships – will remain our focus in 2015. With a strong financial position, capital flexibility and our unwavering commitment to achieving our goals, we are positioned to seize new opportunities in 2015.

IN APPRECIATION

In closing, I would like to express my sincere thanks to all of our stakeholders for their continued support and confidence throughout 2014. I also wish to thank AGF's Board of Directors for their ongoing counsel and advice. Finally, thank you to the AGF team for your commitment and enthusiasm as we work together to achieve AGF's goals and create value for shareholders.



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