

# AGF Master Limited Partnership

SEMI-ANNUAL REPORT  
FOR THE SIX MONTHS  
ENDED JUNE 30, 2008



What are you doing after work?

# AGF Master Limited Partnership

## Market Value of Distributed Securities

(Unaudited)

As at June 30, 2008	Market Value (in thousands)	Market Value (in thousands)	
<b>CANADIAN EQUITY FUNDS</b>		<b>CANADIAN FIXED INCOME FUNDS</b>	
AGF Canadian Stock Fund	\$ 120,400	AGF Canadian Bond Fund	\$ 22,404
AGF Canadian Large Cap Dividend Fund	118,104	AGF Canadian Conservative Income Fund	10,907
AGF Canadian Growth Equity Fund Limited	99,345	AGF Canadian Money Market Fund	9,318
AGF Canadian Small Cap Fund	16,557	AGF Canadian High Yield Bond Fund	<u>1,128</u>
AGF Dividend Income Fund	2,312		43,757
AGF Canadian Value Fund	1,787		
AGF Canada Class	1,351	<b>SPECIALTY EQUITY FUNDS</b>	
AGF Monthly High Income Fund	1,032	AGF Canadian Resources Fund Limited	\$ 30,639
AGF Diversified Dividend Income Fund	<u>415</u>	AGF Precious Metals Fund	5,697
	361,303	AGF Global Resources Class	540
		AGF Global Health Sciences Class	323
<b>INTERNATIONAL EQUITY FUNDS</b>		AGF Global Financial Services Class	179
AGF Global Value Fund	\$ 49,774	AGF Global Real Estate Equity Class	144
AGF European Equity Class	25,556	AGF Global Technology Class	<u>136</u>
AGF International Stock Class	14,976		37,658
AGF Asian Growth Class	8,764		
AGF Emerging Markets Fund	4,526	<b>U.S. EQUITY FUNDS</b>	
AGF Global Equity Fund	4,017	AGF American Growth Class	\$ 8,287
AGF Global Equity Class	2,878	AGF Aggressive™ U.S. Growth Fund	6,534
AGF China Focus Class	2,850	AGF Special U.S. Class	1,194
AGF Japan Class	2,848	AGF U.S. Value Class	195
AGF Elements Global Portfolio	2,584	AGF U.S. Risk Managed Class	<u>23</u>
AGF Aggressive Global Stock Fund	2,288		16,233
AGF Global Perspective Class	2,199		
AGF Global Value Class	555	<b>INTERNATIONAL BALANCED AND ASSET ALLOCATION FUNDS</b>	
AGF Global Dividend Fund	52	AGF World Balanced Fund	\$ 15,550
AGF World Opportunities Fund	<u>8</u>	AGF Elements Growth Portfolio	<u>3,242</u>
	123,875		18,792
<b>CANADIAN BALANCED AND ASSET ALLOCATION FUNDS</b>		<b>INTERNATIONAL FIXED INCOME FUNDS</b>	
AGF Canadian Balanced Fund	\$ 46,074	AGF Global Government Bond Fund	\$ 4,849
AGF Canadian Balanced Value Fund	35,146	AGF Short-Term Income Class	920
AGF Elements Balanced Portfolio	6,890	AGF Global High Yield Bond Fund	<u>608</u>
AGF Elements Conservative Portfolio	751		6,377
AGF Elements Yield Portfolio	<u>311</u>		
	89,172		
		<b>TOTAL DISTRIBUTED SECURITIES</b>	<b>\$ <u>697,167</u></b>

# AGF Master Limited Partnership

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

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For the six months ended June 30, 2008

This Management's Discussion and Analysis ('MD&A') presents an analysis of the financial condition of AGF Master Limited Partnership ('Master LP') as at June 30, 2008 compared with December 31, 2007, and the results of operations for the six months ended June 30, 2008 compared with the corresponding period of 2007. This discussion should be read in conjunction with our 2007 annual MD&A and 2007 annual audited Financial Statements and Notes. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ('GAAP'). Certain amounts or percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars.

There have been no material changes to the information discussed in the following sections of the 2007 annual MD&A: 'Significant Accounting Policies and Estimates', 'Exemptive Relief' and 'Corporate Governance'. Accordingly, readers should refer to our 2007 annual MD&A to gain an understanding of how these matters may impact the Master LP's operating results.

The MD&A includes forward-looking statements about Master LP. 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. The MD&A contains forward-looking statements that are based on current expectations and projections about future events and are inherently subject to, among other things, risks and uncertainties beyond Master LP's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. Actual results could differ materially from those contemplated by the forward-looking statements.

### **FORMATION AND BUSINESS OF AGF MASTER LIMITED PARTNERSHIP**

Master LP was formed through the mergers of eleven AGF and 20/20 limited partnerships (the 'Merging Partnerships').

The Merging Partnerships were formed for the purpose of arranging for the distribution of securities of certain of the AGF and 20/20 mutual funds, which were sold on a contingent deferred sales charge basis ('Distributed Securities'). The Merging Partnerships paid selling commissions to registered dealers ranging from 4% to 6% of the purchase price of such securities.

As at June 30, 2008, Master LP has total issued and outstanding units of 8,568,159. These units of Master LP are listed for trading on the Toronto Stock Exchange (the 'Exchange') under the symbol AFP.UN. The units also qualify for investment by registered tax plans such as RSP and RIF.

### **REVENUE**

Master LP's primary source of revenue is distribution fees earned from the Distributed Securities to which it has distribution rights. The future stream of revenues is a function of the market value of these assets and the rate and timing of the redemptions of the underlying assets.

The redemption fee schedule applicable to the Distributed Securities has expired and Master LP no longer receives any redemption fee revenue.

# AGF Master Limited Partnership

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

### DISTRIBUTION FEES

Master LP receives a monthly distribution fee calculated at annual rates ranging from 0.50% to 0.90% of the net asset value of the Distributed Securities which remain outstanding. The net asset value of Distributed Securities is primarily affected by the market performance and redemptions of Distributed Securities. Distribution fees accounted for 98.4% and 98.3% of Master LP's total revenue in the six months ended June 30, 2008 and 2007, respectively.

Distribution fees amounted to \$1.9 million for the six months ended June 30, 2008 as compared to \$2.6 million for the comparable period in 2007. The 26.8% decrease was primarily attributable to the lower net asset value of Distributed Securities from \$959.6 million as at June 30, 2007 to \$697.2 million as at June 30, 2008.

The following is a summary of the changes in Distributed Securities during the six months ended June 30, 2008 and 2007:

(Unaudited)	(in millions)	
Six months ended June 30	2008	2007
Market value of Distributed Securities, beginning of period	\$ 853.1	\$ 1,027.7
Change in market value of Distributed Securities, including reinvested distributions	(88.1)	45.6
Redemption of Distributed Securities	(67.8)	(113.7)
Market value of Distributed Securities, end of period	\$ 697.2	\$ 959.6

The annualized redemption rate during the six months ended June 30, 2008 based on the market value of Distributed Securities at the beginning of the year was 15.9% compared to 22.1% in 2007. Redemptions of \$67.8 million and market decline of \$88.1 million accounted for the decrease in the value of Distributed Securities as at June 30, 2008.

### DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at June 30, 2008 and 2007 are shown in the following table. The relative weighting of each asset class will change over time, based on performance, redemptions and unitholder switches between funds.

#### Composition of Distributed Securities based on market value as at June 30:

	2008	2007
	%	%
Canadian Equity Funds	52	45
International Equity Funds	18	22
Canadian Balanced and Asset Allocation Funds	13	12
Canadian Fixed Income Funds	6	10
International Fixed Income Funds and Others	9	9
U.S. Equity Funds	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

# AGF Master Limited Partnership

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

### REVENUE TERMINATION DATES

Master LP is entitled to the same revenue streams, with the same termination dates, as the Merging Partnerships. The following table illustrates the expiry date applicable to the various pools of Distributed Securities in respect of which Master LP has the right to receive distribution fees:

(Unaudited)	Distributed Securities (Market Value as at June 30, 2008) (in thousands)	Annual Distribution Fee Rate	Distribution Fee Expiry Date (December 31)
Partnership			
Sunset America	\$ 5,945	0.85%	2017
20/20 1989 LP	2,113	0.90%	2017
20/20 1991 LP	20,901	0.65%	2017
AGF LP 1993	118,375	0.50%	2008
AGF LP 1994	114,579	0.50%	2009
AGF LP 1995	57,560	0.51%	2010
AGF LP No. 8	19,455	0.56%	2011
AGF LP 1996	151,274	0.55%	2011
AGF LP 1997	206,965	0.53%	2012
	<b>\$ 697,167</b>		

Master LP will continue until March 31, 2018 unless procedures as specified in the Master LP partnership agreement for the dissolution of Master LP are commenced earlier upon the occurrence of certain events stated in the Master LP partnership agreement.

### OPERATING EXPENSES

Total operating expenses for the six months ended June 30, 2008 were \$151,021 a decrease of 21.1% from \$191,395 in 2007. The decrease was primarily attributable to the decrease in administration fees, audit, legal and filing fees and other costs.

### FINANCIAL CONDITION AND LIQUIDITY

Total assets were \$2.3 million as at June 30, 2008 as compared to \$5.2 million as at December 31, 2007. Assets as at June 30, 2008 primarily consisted of cash and term-deposit totaling \$2.0 million.

As at June 30, 2008, the total amount of uncashed distribution cheques included in cash and distributions payable was \$335,904.

The Merging Partnerships were formed to finance selling commissions during a fixed period of time, after which the Merging Partnerships collect the fees to which they are entitled with no significant ongoing financial obligation other than the ordinary operating expenses. Master LP distributes its income to limited partners on an annual basis and does not retain permanent investment assets.

### FINANCIAL INSTRUMENTS

Master LP's financial instruments consist of cash and term-deposit, distribution fees and interest receivable, accounts payable and accrued liabilities, and distributions payable. Unless otherwise noted, it is management's opinion that the partnership is not exposed to significant interest rate, credit, or currency risks arising from these financial instruments.

# AGF Master Limited Partnership

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

### CASH DISTRIBUTION AND TAXABLE INCOME

Master LP has adopted an annual distribution policy as a result of the adverse tax consequences which would have arisen for at least a significant majority of the limited partners who participated in the merger if distributions were made more frequently than annually. Master LP may reconsider the distribution frequency if changes in tax laws have the effect of eliminating such adverse tax consequences.

Master LP itself is not directly subject to income tax. Instead, Master LP's income or loss for tax purposes is calculated and flowed through to limited partners.

Distributable income earned during the six months ended June 30, 2008 was approximately \$0.21 per limited partnership unit and \$0.29 per limited partnership unit for the same period in 2007. The distributable income will be paid annually to limited partners of record on December 31, 2008 in January 2008. Selected quarterly information for the eight most recent quarters are shown below.

Estimated taxable income for the six months ended June 30, 2008 was \$0.21 per limited partnership unit as compared to \$0.29 per limited partnership unit in the comparable period in 2007. Taxable income is allocated on an annual basis to limited partners of record on December 31 of a fiscal year.

### RELATED PARTY TRANSACTIONS

AGF Partners No. Five Limited is the general partner and is responsible for the management of Master LP on a day-to-day basis. In consideration for its services, the general partner is entitled to 0.01% of the net distributable income of the partnership. It also receives a fee equal to 15% of the operating expenses of the partnership and has engaged AGF Management Limited ('AGF'), its parent company, to assist it in carrying out its management obligations to the partnership. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. Administration fees for the six months ended June 30, 2008 amounted to \$61,659 as compared to \$77,074 in the comparable period in 2007.

### SELECTED QUARTERLY INFORMATION

(in thousands, except per unit amounts)				
Three months ended (Unaudited)	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007
Revenue	\$ 973.1	\$ 988.7	\$ 1,202.1	\$ 1,256.1
Net income for the period	900.6	910.2	1,104.7	1,162.6
Net income and cash distribution per limited partnership unit	0.10	0.11	0.13	0.14

(in thousands, except per unit amounts)				
Three months ended (Unaudited)	Jun. 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sep. 30, 2006
Revenue	\$ 1,319.2	\$ 1,364.3	\$ 1,423.0	\$ 1,345.2
Net income for the period	1,224.0	1,268.1	1,320.4	1,231.2
Net income and cash distribution per limited partnership unit	0.14	0.15	0.14	0.14

# AGF Master Limited Partnership Management's Discussion and Analysis of Financial Condition and Results of Operations

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## **ADDITIONAL INFORMATION**

Additional information relating to Master LP can be found in the Financial Statements and accompanying notes for the six months ended June 30, 2008, 2007 annual MD&A and Financial Statements, 2007 Annual Information Form ('AIF') and other documents are available at the AGF website, [www.agf.com](http://www.agf.com) and at the Canadian Securities Administrators' website, [www.sedar.com](http://www.sedar.com).

## AGF Master Limited Partnership

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The following interim financial statements of AGF Master Limited Partnership for the six months ended June 30, 2008 are unaudited and have not been reviewed by our auditors.



# AGF Master Limited Partnership

## Balance Sheets

	As at June 30, 2008 (Unaudited)	As at December 31, 2007
<b>Assets</b>		
Current Assets:		
Cash and term-deposit	\$ 1,987,435	\$ 4,847,041
Distribution fees and interest receivable	310,634	377,343
<b>Total Assets</b>	<b>\$ 2,298,069</b>	<b>\$ 5,224,384</b>
<b>Liabilities and Partners' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 151,428	\$ 130,105
Distributions payable (note 1)	335,904	5,094,279
	487,332	5,224,384
Partners' Equity:		
General partner	2,510	2,510
Limited partners – 8,568,159 units	209,793,390	209,793,390
Issue and merger expenses	(18,069,356)	(18,069,356)
	191,726,544	191,726,544
Deficit	(189,915,806)	(191,726,544)
<b>Total Partners' Equity</b>	<b>1,810,737</b>	<b>-</b>
<b>Total Liabilities and Partners' Equity</b>	<b>\$ 2,298,069</b>	<b>\$ 5,224,384</b>

*The accompanying note is an integral part of the financial statements.*

Approved by the Board of Directors of  
AGF Partners No. Five Limited, as General Partner

<W. Robert Farquharson>  
W. Robert Farquharson, Director

<Greg Henderson>  
Greg Henderson, Director

AGF Master Limited Partnership  
 Statements of Operations and Deficit  
 (Unaudited)

Six months ended June 30	2008	2007
<b>Operations</b>		
Revenue:		
Distribution fees	\$ 1,930,802	\$ 2,637,098
Interest	30,956	46,383
	<u>1,961,758</u>	<u>2,683,481</u>
Expenses:		
Administration fees	61,659	77,074
Audit, legal and filing fees	33,745	51,779
Transfer agent fees	51,586	51,835
Other costs	4,031	10,707
	<u>151,021</u>	<u>191,395</u>
Net income for the period	<u>\$ 1,810,737</u>	<u>\$ 2,492,086</u>
Net income per limited partnership unit	<u>\$ 0.21</u>	<u>\$ 0.29</u>
<b>Deficit</b>		
Balance beginning of period	(191,726,544)	(191,726,544)
Net income for the period	1,810,737	2,492,086
Balance end of period	<u>\$ (189,915,897)</u>	<u>\$ (189,234,458)</u>

*The accompanying note is an integral part of the financial statements.*

AGF Master Limited Partnership  
 Statements of Cash Flow  
 (Unaudited)

Six months ended June 30	2008		2007	
<b>Operating Activities:</b>				
Net income for the period	\$	1,810,737	\$	2,492,086
Net decrease in non-cash balances related to operations		88,032		92,413
		<u>1,898,769</u>		<u>2,584,499</u>
<b>Financing Activities:</b>				
Uncashed distribution cheques		-		-
Distributions paid to partners		(4,758,375)		(5,210,819)
		<u>(4,758,375)</u>		<u>(5,210,819)</u>
<b>Decrease in cash during the period</b>		<b>(2,859,606)</b>		<b>(2,626,320)</b>
Cash beginning of period		4,847,041		5,555,868
Cash end of period	\$	<u>1,987,435</u>	\$	<u>2,929,548</u>

*Cash is defined as cash and term-deposit.  
 The accompanying note is an integral part of the financial statements.*

# AGF Master Limited Partnership

## Notes to Financial Statements

### (Unaudited)

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For the six months ended June 30, 2008 and 2007

These unaudited interim financial statements of AGF Master Limited Partnership ('Master LP') have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as Master LP's financial statements for the year ended December 31, 2007. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2007, as set out in Master LP's 2007 Annual Report.

**1. Uncashed Distribution Cheques**

Uncashed distribution cheques as at June 30, 2008 remain unchanged at \$335,904. For accounting purposes, this amount has been classified as cash and distributions payable on the balance sheet.



What are you doing after work?

**AGF Master Limited Partnership**

**Head Office**

P.O. Box 50  
Toronto Dominion Centre  
Toronto, ON M5K 1E9  
Toll free: 1 800 268-8583

**Transfer Agent**

CIBC MELLON TRUST COMPANY  
P.O. Box 7010, Adelaide Street Postal Station  
Toronto, ON M5C 2W9  
Telephone: 416 643-5500  
Toll free: 1 800 387-0825  
E-Mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)

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